SUPPORT CITIES:

Close the Online Sales Tax Loophole

NLC calls on Congress and the President to close the online sales tax loophole by enacting e-fairness legislation that will:

1. Level the playing field between online and brick-and-mortar retailers.
2. Establish parity at the point of purchase through a destination sourcing regime.
3. Not impose new or higher taxes and respect the current state and local tax structure.
4. Provide local governments with the resources they need to invest in communities, build infrastructure and provide important services like emergency response.

$23 billion dollars in owed sales tax go uncollected from online transactions every year.

The brick-and-mortar businesses in our cities strengthen our local economies, provide needed jobs, and give our streets character. Despite their necessity to our cities, they currently compete at a five to ten percent disadvantage to online sellers by collecting legally required sales tax at the time of purchase—something online retailers are not compelled to do. This imbalance hurts local businesses and our cities.

As more Americans shop online, more and more economic activity is diverted away from our communities. In 1992, the Supreme Court told Congress in its Quill decision to resolve the issue of sales tax collection by remote sellers. In the intervening years, Congress has failed to act.

The dollar value of sales conducted online has increased exponentially. If main street retailers cannot keep up as a result of this growing disadvantage, the ripple effect in lost jobs and revenue will threaten our communities’ sustainability.

Congress can fix this unfairness. E-fairness legislation would close the online sales tax loophole. This legislation would modernize the sales tax by authorizing states and local governments to collect already-owed sales taxes for online sales. This path will not harm small businesses, impose any new taxes, or affect federal revenues or expenditures.

By enacting e-fairness legislation, Congress and the President will level the playing field for all sellers and will provide support for state and local governments without a penny coming from the federal Treasury. Allowing local governments to collect an estimated $23 billion in sales tax revenue every year that is already owed will provide cities with more funding for basic services, such as roads and police officers, and fair competition for all businesses.

For more information

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