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## OPPOSE INTERNET SALES TAX

House Democrats are relying on a new and risky internet sales tax collection scheme for almost 1/3 of a billion dollars to fund their budget for 2017-19 (HB 2186, Sec. VI). No other state has implemented a similar policy.

The WA proposal:

- **Forces sellers to surrender their legal rights or disclose personal information about their WA customers to the Department of Revenue (DoR)**

The US Supreme Court has rejected state attempts to force sellers who do not have a “physical presence” in a state to collect sales tax on sales made in that state. The House internet sales tax proposal attempts to skirt this restriction by requiring sellers to give up their legal right and “voluntarily” collect sales tax, **OR** disclose the names, addresses and details about purchases of all WA customers to the DoR.

- **Unfairly disadvantages US businesses and small sellers**

Sellers outside the US, or businesses using e-commerce marketplaces located outside the US, cannot be forced to collect and remit internet sales tax. The world’s largest online marketplace, Alibaba.com (bigger than Amazon and eBay combined), is based in China and beyond the reach of the internet sales tax proposal.

- **Is expensive, risky, and difficult for small businesses to comply**

Online sellers, even small businesses or individuals, would have to accurately calculate and remit sales tax due based on the location of the purchaser. This would include local sales tax, as well as sales taxes that do not follow common boundaries-like the ST3 sales tax. Sellers everywhere would be subject to regular audits by DoR and would have to pay heavy fines and penalties for even honest mistakes. The seller could instead choose to submit complicated reports to the buyer and the state, but would also be subject to a minimum of a **\$20,000 penalty** for any mistakes. If WA adopts this burden, other states are likely to follow, injuring WA sellers trying to win customers in those other states.

- **Will be challenged in court and tax collections will be put on hold**

Every state that has attempted to implement some type of internet sales tax collection policy has been challenged in court and sales tax collection has been suspended. It took 5 years for the US Supreme Court to reject out-of-state sales tax collection requirements in the leading case on the issue, *Quill v. North Dakota*. The most recent major case, *DMA v. Brohl* (CO Commissioner of Revenue) took 6 ½ years and went to the US Supreme Court twice. Not only has this produced no new revenue for the states; taxpayers have funded the cost of years of litigation.