

**NetChoice** *Promoting Convenience, Choice, and Commerce on The Net*

Steve DelBianco, Executive Director

1401 K St NW, Suite 502

Washington, DC 20005

202-420-7482

[www.netchoice.org](http://www.netchoice.org)



February 5, 2015

Senator Deidre M. Henderson

Utah Senate

462 River Cross Rd

Spanish Fork, UT 84660

**RE: Requested Amendment of SJR 6, Remove Lines 86-99 and Remain Open to New Ideas**

Dear Sen. Henderson and members of the Revenue and Taxation Committee:

For over a decade, NetChoice has participated in the debate over internet sales taxes – in the states, at the SSTP Governing Board, and in the Congress.

After the demise of Marketplace Fairness Act (MFA) in the last Congress, the time is ripe to consider alternative ways to bring states the tax revenue they seek without imposing significant compliance burdens and audit risks on Utah businesses that use the Internet to serve customers around the country.

For that reason, we recommend that you amend SJR 6 to avoid criticism of the hybrid origin alternative being championed by the Chairman of the House Judiciary Committee, Congressman Goodlatte. In particular, we ask that you remove lines 86-99 and consider the benefits of the approach outlined in Chairman Goodlatte's Online Sales Simplification Act.

**Online Sales Simplification Act Avoids Costly new Burdens for Utah Businesses**

Under MFA, Utah businesses are forced to spend \$80,000 to \$290,000 in setup and integration costs. And every year these retailers would also have to spend between \$57,500 and \$260,000 on maintenance, updates, audits, and service fees charged by software providers.<sup>1</sup>

Instead, the Online Sales Simplification Act allows businesses to continue using their existing systems as the only change for them is to collect for all sales at their home state rate, not just those sales within Utah. Under the Online Sales Simplification Act the business also sends data on sales by zip code to the Utah tax commission as part of its regular filing. The system under the Online Sales Simplification Act is so simple it doesn't require expensive software and costly integration as required under MFA. Moreover, the Online Sales Simplification Act doesn't require Utah to pay private Certified Software Providers (CSPs) up to eight percent of sales tax revenue – something it must do under MFA.

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<sup>1</sup> See Larry Kavanaugh and Al Bessin, *The Real-World Challenges in Collecting Multi-State Sales Tax*, September 2013.

## The Online Sales Simplification Act Creates a System that is Equal, Consistent, and Fair

When a customer buys something at a gift-store in the Salt Lake City International Airport, the cashier does not ask for the customer's home address in order to check the sales tax rates and rules and then remit taxes to the customer's home state. But MFA requires that look-up and remittance if the sale is made through a phone order, mail order, or online. Is that equal or consistent?

The system under Chairman Goodlatte's Online Sales Simplification Act is truly equal and fair. Every seller – of any size, whether online or offline – would collect sales tax according to their home state rates and rules. This matches customer expectations – they pay the store's home state tax regardless of whether they arrived by car, mail, phone, or the internet. This not only achieves true equality, but also helps brick-and-mortar stores expand their own online sales without spending thousands of dollars in software integration, and without facing audits from 45 other states.

We ask that you amend SJR 6 to so that it shows a willingness to consider new methods to bring states the tax revenue they seek, without imposing significant compliance burdens on Utah businesses that use the Internet to serve customers around the country.

Thank you for considering our views and please let me know if we can provide further information.

Sincerely,



Steve DelBianco  
Executive Director, NetChoice

*NetChoice is a trade association of e-Commerce businesses who share the goal of promoting convenience, choice and commerce on the Net. Learn about NetChoice at [www.netchoice.org](http://www.netchoice.org)*