



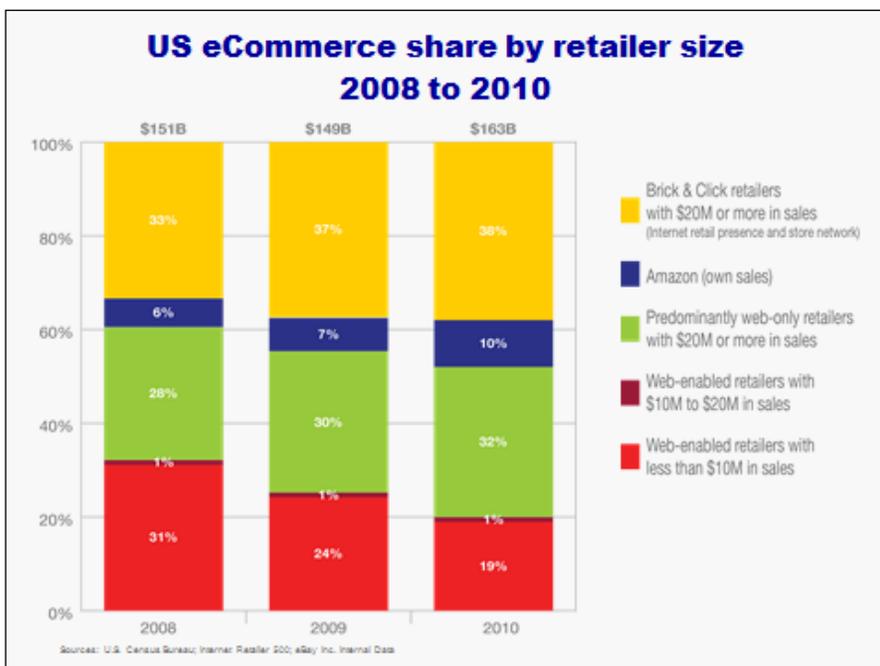
Protect Small Businesses: Include a Robust Small Business Exemption in Any Internet Sales Tax Proposal

As the U.S. recovers from one of the greatest economic downturns in its history, Congress should seek to protect our nation's number one job creator – the American small business. Over the past 15 years, 70 percent of all jobs in the US have been created by small businesses. ***That's why any federal legislation to authorize sales taxes for remote purchases made on the Internet must include an exemption for small business retailers that use the Internet.***

Some states and large retailers are lobbying for tax changes that would make it harder for small business retailers across America to use the Internet to compete and grow.

Some state officials and large retailers are lobbying Congress for bills that would provide states the authority to impose new sales tax burdens on small Internet retailers. These bills essentially treat small Internet-enabled small businesses the same as a multi-billion dollar retailer.

This is a case of large businesses vs. small businesses – not online vs. offline retailers.



Consumers use mobile devices and computers to get the best combination of price and convenience, making technology and the Internet central to almost every retail business model. In 2010, eCommerce comprised \$163 billion of all U.S. retail sales. However, 94 percent of all retail sales were still done in stores in 2010.¹

Large "Brick & Click" retailers have successfully blended their vast store and warehouse networks with an online presence that offers consumers volume-driven pricing, fast shipping, and in-store benefits. Today, 18 of the Top 25 e-retailers are "Brick & Click" retailers that already collect sales taxes in states where taxes are collected.²

Unfortunately, even under the status quo, large retailers are increasingly dominating online sales and taking market share from small businesses that use the Internet – just as big box retailers drove most smaller retailers off of Main Street before the Internet age.

¹ Forrester Research: Web-Influenced Retail Sales Forecast, 2010-2015 (US).

² Internet Retailer 500 - <http://www.internetretailer.com/top500/>



Internet sales tax bills would hasten the demise of small business retailers that use the Internet.

Like their larger competitors, small businesses also use the Internet to grow their business. In fact, 60% of all small business retailers use the Internet.³ The Internet empowers small businesses to grow beyond traditional boundaries and compete globally. However, Congress is considering legislation that would make small Internet-enabled businesses less competitive. Additional sales tax requirements would burden small businesses with increased compliance costs, liability risks, and raise the price of the products coming from small businesses without consumers realizing any of the benefits of local stores or warehouses. Ultimately, these Internet sales tax bills would impose serious new tax burdens on Internet-enabled small business retailers and the millions of consumers who shop online.

Don't be fooled by a weak Small Business Exemption (SBE).

eBay opposes the bills introduced in the 112th Congress (S. 1452, S. 1832, H.R. 2701, H.R. 3179) in their current form because they lack a robust small business exemption. In fact, these bills replace the traditional small business exemptions in previous proposals with a "small seller exception" that is arbitrarily set and does not recognize the true nature of small business job creators. These bills do not protect small business retailers.

A robust Small Business Exemption (SBE) would protect small business retailers.

A robust and meaningful small business exemption would accurately define online "Small Businesses" and is grounded in common sense and legal precedent, such as:

- **Small Business Administration (SBA) Threshold:** The SBA is the federal agency with the expertise, experience and historical role of serving the small business community, including developing small business size standards. The SBA is the only federal agency appropriately situated to develop a standard to qualify for an SBE.
- **Threshold Based on Number of Employees:** This would tie sales tax obligations explicitly with those who have the personnel resources to comply. For example, the Family and Medical Leave Act, enacted in 1993, included an SBE of 50 employees.
- **Threshold Based on Employees & Annual Sales:** Creating an exemption that would be tied to employee numbers and annual sales could offer more protection to small businesses that are operating online.

Any federal legislation related to remote sales tax collection should specifically include either the criteria for a meaningful SBE or subscribe to the SBA process.

The small seller exceptions included in current proposals are far lower than the SBA's small business lending standard for electronic retailers (\$30 million); the Treasury Department's proposed methodology for defining small businesses (\$10 million); and similar bills introduced in Congress from 2001 through 2008 (\$5 million).

Take Action!

Ask your Members of Congress to oppose any Internet sales tax bill unless it includes a robust small business exemption.

Also, ask your Member of Congress to consider cosponsoring S.Res. 309/H.Res. 95, which calls on Congress to protect small Internet enabled businesses from new sales tax burdens.

For more information on SSTP or the Small Business Exemption, contact: Government_Relations@eBay.com

³ Bailey, Chadwick Martin. "eBay General Sellers Study." Internal Study, 2010