



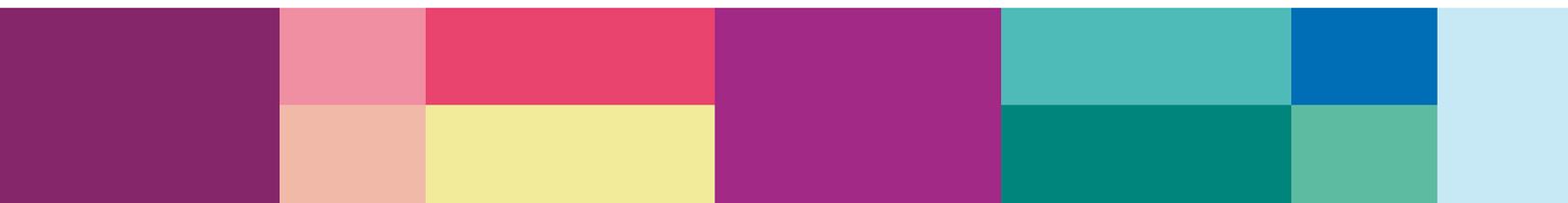
GOVERNMENT RELATIONS

State, Local and Foreign Sales Tax Systems Should Allow Independent Small Businesses to Succeed Online

Ecommerce is now part of every modern retail business model. Retail is not a competition between online businesses and local stores. The largest retailers all combine Internet technology tools with their many stores and distribution hubs. Likewise, many small retailers with one tiny “Mom and Pop” store or a little warehouse use ecommerce platforms in an effort to grow their independent small business in a competitive global market.

Sales tax proposals that once claimed to address “Internet issues” are increasingly a tool to penalize independent small businesses that do not enjoy the advantages of local facilities. Owning or renting access to retail and logistics space near customers brings business advantages and comes with appropriate costs, including tax costs. Large retailers can incur that cost. They also have a political presence in the taxing states, many times enjoying special tax deals. Changing the tax rules and applying the tax burdens of giant businesses with local facilities to the many independent small businesses who operate from across the country is a new tax penalty for being small and independent and discourages entrepreneurship and job creation that our economy needs.

The U.S. Supreme Court is currently reviewing its precedent under the Quill decision as to whether states and localities have the authority to require remote sellers with no physical presence in that state to collect & remit their sales taxes. Congress is also considering legislation in this area. eBay stands ready to work for a solution but opposes the spread of local, state or foreign sales tax models that penalize small remote businesses for using broad ecommerce marketplaces. Rather than impose new burdensome and onerous collection and remittance requirements, independent small businesses everywhere should be encouraged to use technology to access new markets, find their niche and grow.



These Internet Sales Tax Bills Fail To Protect Small Businesses:



The Marketplace Fairness Act (MFA) • s. 976

- ✗ **Compliance Burdens:** Treats small businesses like multi-billion dollar retailers by forcing compliance with tax regimes in 9,600 state and local tax jurisdictions.
- ✗ **Audit & Enforcement:** Subjects small businesses to audits and enforcement from far-away state tax agencies where they have no representation.
- ✗ **Weak Small Business Protections:** Arbitrary \$1 million “small seller exception” disqualifies many small businesses and deters growth.
- ✗ **Expensive Software Requirements:** Software does not protect from demand letters, investigations or litigation from remote states.



The Remote Transactions Parity Act (RTPA) • H.R. 2193

- ✗ **Even Occasional Sellers Must Comply:** All marketplace sellers, including the smallest businesses, artisans and garage sale sellers would face remote sales tax laws.
- ✗ **No Protections:** RTPA’s small seller exemption threshold phases out to zero in three years.
- ✗ **Vague Audit Standards:** Allows any state to audit a remote seller if unfounded suspicion of “misrepresentation” occurs, opening the door to out-of-state audits.
- ✗ **Home Field Advantage for Tax Collectors:** Small businesses seeking recourse must defend themselves in remote state court.



Following a supreme court ruling, a workable solution must be fair to all small businesses and set a clear International precedent

Legislation to authorize state sales tax collection burdens to be placed on businesses with no meaningful connection to a state should ensure that independent small businesses can continue to use the Internet and broad-based marketplaces to compete and grow.

Congress should include a meaningful small business exemption that would protect independent small businesses and entrepreneurs from the burdens of MFA and RTPA until they have the scale and capacity to manage tax requirements on a national scale.

Over 97% of U.S.-based small businesses selling on eBay export to foreign markets, and many foreign countries are proposing similar models of foreign sales and VAT tax collection on Internet marketplace-enabled small business retailers in ways that will undermine their exports and harm their growth opportunities.