



GOVERNMENT RELATIONS

The **Marketplace Fairness Act** & the **Remote Transactions Parity Act**: Targeting Internet-Enabled Small Businesses

Proposed legislation championed by big-box retailers would authorize states to impose burdensome sales tax collection requirements on small businesses that use the Internet to grow and create jobs.



The Marketplace Fairness Act (MFA) (S.698) would impose compliance burdens, unfair audits, weak small business protections and complicated software implementations.

- ✘ **Compliance Burdens:** Treats small businesses like multi-billion dollar retailers by holding them accountable for tax compliance in over 9,600 tax jurisdictions.
- ✘ **Audit and Enforcement Requirements:** Subjects small sellers to audits and enforcement from far-away state tax agencies where they have no representation.
- ✘ **Weak Protections:** Creates a “small seller exception” with an arbitrary \$1 million threshold, which disqualifies many small businesses and deters growth.
- ✘ **Complicated Software:** Requires businesses to integrate expensive software to calculate rates; even then, software is not required to protect them from demand letters, investigations, or litigation from remote states.



The Remote Transactions Parity Act (RTPA) (H.R.2775) incorporates all of the MFA's flaws **plus** is punitive to casual sellers, lacks any meaningful seller protections, has vague audit standards and gives tax auditors all the power.

- ✘ **Even Casual Sellers Must Comply:** ALL marketplace sellers, regardless of size, must adhere to remote tax rules.
- ✘ **No Meaningful Protections:** RTPA's small seller exemption threshold phases out to zero after three years.
- ✘ **Vague Audit Standards:** Allows any state to audit a seller if unfounded suspicion of "misrepresentation" occurs, opening the door to aggressive out-of-state audits and investigations.
- ✘ **Home Field Advantage for Tax Collectors:** Small businesses seeking recourse under RTPA must defend themselves in remote state court.

Legislation to authorize sales tax collection for remote purchases should ensure small business retailers can continue to use the Internet to compete and grow.

Requiring equal treatment of online and offline businesses, especially regarding tax enforcement and legal jurisdictions, or a meaningful small business exemption are two options policymakers should consider.



The Hybrid-Origin Compromise is a set of principles that promotes tax fairness for all businesses, regardless of model, based on the principle that no small business should face tax enforcement, audits, or litigation from faraway governments.



A Real Small Business Exemption would protect small businesses and entrepreneurs from the burdens of MFA and RTPA until they have the capacity and scale to manage new tax requirements.

A WORKABLE SOLUTION TO THIS ISSUE MUST BE FAIR TO ALL SMALL BUSINESSES.