

July 24, 2012

The Honorable Lamar S. Smith
Chairman, House Judiciary Committee
2409 Rayburn House Office Building

The Honorable John Conyers, Jr.
Ranking Member, House Judiciary Committee
2426 Rayburn House Office Building

Dear Chairman Smith and Ranking Member Conyers:

Our undersigned labor unions applaud your leadership in holding today's hearing on H.R. 3179, the "Marketplace Equity Act of 2011." Our unions have long supported constructive Congressional proposals that enable state and local governments to collect sales and use taxes from remote and online sellers of goods and services. We advocate for closing tax loopholes that allow sellers to avoid collecting sales tax on hundreds of millions of remote purchases made via internet, phone, and mail.

While the loopholes always cause problems, they are particularly troubling now because states and localities are suffering from years of reduced revenues as a result of the Great Recession. According to University of Tennessee economics professor Dr. William Fox, uncollected use tax from all remote sales in 2012 will cost state and local governments a cumulative \$23 billion. In addition to the fiscal strain these uncollected revenues place on state and local governments, the Internet sales tax loopholes inflict unfair competitive disadvantages on Main Street and mom-and-pop retailers, who must charge and collect sales taxes on nearly every item they sell, from a pack of gum to a new car.

It is important to note that the "Marketplace Equity Act" would not enact any new taxes. The affected taxes already exist under current law in all 45 states (and the District of Columbia), which impose a sales and use tax. Unfortunately, millions of U.S. consumers either unknowingly or purposely do not pay existing use taxes on their remote and online purchases. The "Marketplace Equity Act" merely provides states the authority and ability to collect these existing uncollected taxes at no cost to the federal government.

Now is the time to enact Internet sales tax legislation that levels the playing field. H.R. 3179, the "Marketplace Equity Act of 2011," will help achieve this by empowering states to collect the sales taxes that are owed to them by online companies that do not have a physical presence in that state. We applaud the authors of the legislation, Reps Steve Womack (R-AK) and Jackie Speier (D-CA), for their important contribution to the Internet sales tax debate, and we look forward to working with them to address the few remaining concerns we have with the bill in its current form.

We thank this distinguished committee for holding this important hearing today and strongly urge your support for Internet sales tax fairness.

Sincerely,

American Federation of Labor and Congress of Industrial Organizations (AFL-CIO)

American Federation of State, County and Municipal Employees (AFSCME)

American Federation of Teachers (AFT)

Department for Professional Employees, AFL-CIO

International Association of Fire Fighters (IAFF)

International Federation of Professional and Technical Engineers (IFPTE)

National Education Association (NEA)

Service Employees International Union (SEIU)

The International Union, United Automobile, Aerospace and Agricultural Implement Workers of America (UAW)