



# NEWS

## AMERICANS FOR TAX REFORM

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## States' Internet Tax Cartel Will Result in Higher Taxes and More Red Tape

*Americans for Tax Reform offers testimony on the Streamlined Sales Tax Project*

WASHINGTON—Today taxpayer advocate Grover Norquist, president of Americans for Tax Reform (ATR) submitted testimony to the House Judiciary Subcommittee on Commercial and Administrative Law in staunch opposition to the Streamlined Sales Tax Proposal (SSTP). In it, Norquist testified that the resulting tax cartel of states would harm small online retailers, create an enormous new expense on all online and catalog retailers, and result in higher taxes on all products in the long run.

The SSTP is an agreement currently entered into by 34 states whereby states agree to enforce the collection of other jurisdictions' sales taxes by retailers within their own jurisdictions. Legally, a retailer is only required to collect taxes on goods sold in states in which they have a significant brick and mortar presence. In theory, purchasers are supposed to submit their tax payments to the various jurisdictions themselves.

The problem, argues ATR and dozens of other groups, is that SSTP results in a literal tax cartel that would ratchet taxes upward as it compels states to adopt compatible tax codes. This cartel would destroy the competition between states and localities that currently keeps taxes lower than they otherwise would be, and customers would be forced to pay for government services they will never see.

The SSTP requires states to collect all tax revenues at a single central entity for all jurisdictions within the state, leading to more bureaucracy and enforcement costs, as well as a trend toward homogenization. "Centralizing these systems will diminish and eventually destroy the in-state competition between jurisdictions," said Norquist.

Furthermore, ATR argues, the cartel itself is the mechanism to coordinate tax rates and policies across state lines so that, if successful, the SSTP will allow states to raise taxes with impunity. A governor or state senator no longer need worry that businesses and consumers will flee to neighboring states when he is guaranteed the neighboring states will adopt the same new taxpayer-hostile policies.

"The SSTP is the first and essential step to create a stealth tax hike that would extend a national state sales tax to out-of-state Internet and other remote purchases, costing consumers hundreds of millions of dollars," said Norquist. "In sum, the SSTP diminishes states from having the autonomy to shape their own tax policy, costs each state's economy jobs, and devastates their technology sector," he concluded.

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all federal, state and local tax increases. For more information or to arrange an interview, please contact Jonathan Collegio at (202) 785-0266 or at [jcollegio@atr.org](mailto:jcollegio@atr.org).