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from the desk of:
R. David L. Campbell
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The Honorable Janice K. Brewer
Arizona Governor
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VIA Fax: (602) 542-1381

Thursday, April 12, 2012

Dear Governor Brewer,

We read with interest that you do not support a state bill that would compel online retailers to collect Arizona sales tax because you believe that this issue can, and should, be resolved by Congress. We could not agree more.

Several bills currently before Congress would give states the authority to require online retailers to collect state sales tax. We prefer Senate bill S.1832, known as the Marketplace Fairness Act. It provides an avenue to collection not only for the 24 Streamlined Sales Tax states but also for other states willing to adopt certain minimum simplifications.

It would be most helpful if you would communicate your support for congressional action directly to Senator Jon Kyl and Senator John McCain. The Senate Finance Committee, of which Senator Kyl is a member, is the committee of jurisdiction for S.1832. On April 25 it will host a hearing on state and local tax issues; collection authority for states will most certainly be discussed, and Senator Kyl's support would be instrumental in ensuring the bill can advance.

The Marketplace Fairness Act would give Arizona the option of requiring remote retailers to collect Arizona sales tax. As you are no doubt aware, Arizona has been a participating member of the Streamlined Sales and Use Tax Agreement (SSUTA) since the beginning, but the state has been unable to become a full member because some of SSUTA's simplification requirements are difficult to enact. Christy Comanita in your Department of Revenue has worked diligently on this project for several years and is a good source of information about the simplifications that Arizona would need to undertake in order to become a full SSUTA member. The simplifications that the Marketplace Fairness Act requires should not pose a significant barrier for Arizona to gain collection authority.

You may be wondering why we are interested in this issue. Our company, FedTax, is a small start-up business founded in 2008 with the express purpose of making it easier for retailers to collect sales tax. We have been designated a Certified Service Provider by the Streamlined Sales Tax Governing Board (SSTGB) specifically for our online sales tax management service, TaxCloud.

Any retailer that uses an online shopping cart or order management system can register with our service and be ready to collect sales tax in 20 minutes or less, no matter how small they are. In fact, the almost 1,500 online retailers that rely upon our services today range in size from one-person shops to Fortune 500 businesses. And TaxCloud is completely free to retailers.

TaxCloud and the five other online sales tax management services that have been tested and certified by the Streamlined Sales Tax states have taken the cost and complexity out of collecting sales tax online. Technology has removed the objections to sales tax collection by remote retailers cited by the Supreme Court in *Bellas Hess* (1967) and *Quill* (1992).

More importantly, we believe that allowing local retailers to compete on a level playing field with online retailers has far-reaching benefits for communities, increasing local sales, creating jobs, and adding to local economies.

Requiring online retailers to collect sales tax would also ensure that in these troubled economic times, when so many states have been forced to reduce or cancel vital public services, billions of dollars in currently uncollected sales tax would make it to states and local communities. Studies estimate that this year alone, uncollected Arizona sales tax on internet purchases will exceed \$700 million.¹ That money would not only reduce the need for further service cuts, it would also make it possible to cut other taxes. It does all this without creating a new tax or raising taxes—it just makes it possible for Arizona to collect the tax that is already due.

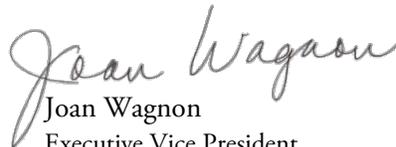
Since our company was founded we have been working closely with state and local governments, members of Congress, and other allies in the effort to level the playing field for Main Street retailers. We would be honored to give your office any assistance we can provide. Within the last year we have briefed staff members for Senators Kyl and McCain about TaxCloud and how recent technology affects the sales tax landscape, and we plan to continue working with members of Congress until the Marketplace Fairness Act or other federal legislation passes.

Thank you for providing sound leadership for this important issue. Many of your colleagues in state capitals across the country are speaking out in favor of congressional action to allow states to require online sales tax collection. Your contacts with Arizona senators will be a key to success. Please contact them as soon as possible to express your views on the need for federal legislation.

Best regards,



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¹ Source: "State and Local Government Sales Tax Revenue Losses from Electronic Commerce" - University of Tennessee, 2009 - <http://tinyurl.com/6gu77s8>