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company official confirmed Monday.

Jan. 21, 2014

Amazon.com will begin collecting sales tax in North Carolina beginning Feb. 1, a company official confirmed Monday.

The move will make North Carolina the 20th state in which the online retailer collects sales tax, according to Amazon's website. It's unclear why Amazon decided to make the change now. A spokesman didn't respond to questions about the timing of the move and whether the Seattle-based company would begin collecting sales tax in other states besides North Carolina on Feb. 1.

The company's decision was welcomed by local retailers who have long complained that Amazon's failure to pay the state's 4.75 sales tax gives it an unfair advantage. Local taxes increase the rate to 6.75 percent to 7.5 percent, depending on the county.

"When you have a situation where certain entities can avoid complying with the tax law, it's not equitable," said Mike Zimmerman, owner of Capital RunWalk, a store in Raleigh's Cameron Village shopping center that sells running shoes and other gear.

"It levels the playing field between the Internet retailer and the bricks-and-mortar stores," said Jim Garriss, one of the owners of Burke Brothers Hardware in Raleigh.

For the most part, online retailers have not had to charge sales tax in states where they don't have a store or some other physical operations.

Under the current system in North Carolina, taxpayers are supposed to pay a "use tax" on online purchases and declare them on their state tax returns. Few do. One 2010 estimate said failure to pay the taxes costs the state, its cities and counties \$190 million a year in lost revenue.

The National Council of State Legislatures estimated that states lost \$23.3 billion in

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purchases. But the ACLU, a nonprofit civil rights advocacy group, sued.

The organization argued that the request was illegal because it would have linked customers to items they purchased, revealing the names of books, DVDs and other products. A federal judge agreed, and in 2011 the state settled with the ACLU.

The U.S. Senate last year passed the Marketplace Fairness Act, which would require states to simplify their sales tax laws in exchange for being able to tax Internet companies with more than \$1 million in sales annually. The bill has yet to pass the House.

Zimmerman, the Capital RunWalk owner, said he knows he faces challenges in trying to compete with online stores such as Amazon. He has seen an increase in “showrooming” in his store, whereby customers research a product in a brick-and-mortar store before purchasing it online.

He has responded by emphasizing his staff's personal service and his store's involvement in the local running community. The store sponsors between 25 and 30 local road races a year, and offers customer-loyalty programs.

“I like to think we can compete with them as long as it's a level playing field,” Zimmerman said.

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