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PRODUCT & SERVICE GUIDE

Taxing Internet Sales is Wrong and Doesn't Help Main Street

The U.S. Senate has passed a law to allow states to steal even more money out of your pocket by forcing web sites to charge you a sales tax, no matter where you live.

Dave McClure • Feb. 24, 2014

The U.S. Senate passed a law last year that would allow states to steal even more money out of your pocket by forcing web sites to charge you a sales tax, no matter where you live.

Truth is, it was bound to happen. Remember, taxes are not what you pay for services from the state, as the original stated intent was. Today, they are just a way for a bloated and ineffective state or federal government to steal money from working Americans to give to the people who will vote to keep them in office.

And so we get taxes on Internet sales. Yes, this will kill many small businesses that cannot afford to keep track of the tax filings for some 4,800 US taxing authorities. No, they cannot explain why web sites selling widgets are somehow subject to a tax on beef cattle. And yes, I think consumers are getting a bad deal.

Back in the day, I worked with Senator Ron Wyden (D-OR) and Representative Chris Cox (R-CA) on the first Internet Fairness Tax Act. Truth be told, I wrote the first draft of that act, which prohibited states from crushing small businesses online by enacting complicated, bizarre and nonsense taxes on the Internet. That was fine, as long as Congress was able to funnel billions of dollars in slush money back to the

states that helped them stay in office. But then Congress and the Administration destroyed the U.S. economy, and Congress had no more money to give the states.

So they simply proposed to change the law to somehow overturn the U.S. Supreme Court and force everyone who buys online to pay the states for the privilege. [The Supreme Court ruled against catalog/remote sales taxes in 1992, and has since interpreted the ruling to prohibit sales taxes unless a business has a nexus/location in the state of the consumer.]

The thing to note is that the states have claimed that this will somehow “be fair” to businesses on Main Street in Small Town USA. That since they have to pay taxes (for road repair, fire service, police coverage and parking) that web sites that use none of these services should somehow pay the same. The government believes this is “fair,” and thus will allow states to tax web site transactions for the first time since 1998.

But it won't work.

Truth is, small businesses on Main Street can't compete in the 21st Century. They can't have the inventory. They can't compete with a business whose only overhead is a \$250 per year web site, and they can't compete with businesses that have only the owners as employees.

State governments are praying desperately that this will replace the revenue they are losing as Main Street tanks, without having to do the obvious and unpopular thing like raising taxes on alcohol, tobacco and gasoline. Good luck with that.

My apologies to Ron Wyden, who has been a consistent warrior in this war for the past 15 years. If you ever want to run for President, I will gladly resign all my positions and come out of retirement to support you.

For accountants who gleefully believe that the additional layer of unnecessary taxation will be a boon to their business, you must first consider how many clients you will lose when they are forced out of business.

Taxation on online sales just to fill the coffers of a government that is out of control on the spending side and making no effort to cut that spending is simply bad policy, and shame on any state that subscribes to it.

Dave McClure is a U.S. Air Force veteran who flew a B-52 bomber during the Cold War, then became an Air Force Information Officer to hone his skills as a writer, editor and communications manager. He has since been a consultant in business and technology for more than three decades, with degrees in applied science and Organizational Development, with an MBA in Executive Management.

He has consulted with companies ranging from Microsoft to General Electric, and has held positions as an accounting software marketing director, media editor, network engineer and professional beta tester for computer hardware and software.

His career includes eight years with the NASA Space Shuttle program for BFGoodrich, more than 20 years writing for business and accounting publications, and his tenure as founder and president of the US Internet Industry Association. He is a global expert on IT, Internet and management issues, and currently serves as the co-chair of the International Internet Industry Alliance.

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