

The Main Street Fairness Act Senator Richard J. Durbin

The Main Street Fairness Act would allow local Main Street retailers to compete more effectively against out-of-state internet sellers, relieve consumers of the legal burden to report to state tax departments the sales taxes they owe on online purchases, and help struggling governors and mayors collect taxes they are already owed and therefore reduce the need to raise new taxes to fill gaping holes in their budgets. The bill imposes NO new taxes on anyone.

Background

The legislation responds to the Supreme Court's *Quill* ruling that the current maze of state and local sales tax rules is too complicated to reasonably require out-of-state retailers to collect sales taxes. Without this legislation, local retailers in our communities face a competitive disadvantage because they must collect sales taxes while a growing number of online and catalog retailers do not.

Online retailers often fail to collect a sales tax at the time of purchase. Consumers are required to report sales tax owed for online purchases on their state income taxes. However, most consumers are unaware of this legal requirement, and compliance is extremely low. Therefore, states and localities across the country are losing billions of dollars in uncollected tax revenue.

As a result, 44 states and the District of Columbia responded to the *Quill* decision by working with local governments and the business community to adopt a comprehensive interstate system to harmonize and simplify their sales tax rules and administrative requirements called the Streamlined Sales and Use Tax Agreement. To date, 24 states have changed their laws to comply with this interstate agreement. But the *Quill* decision made it clear Congress would need to authorize and sanction such an agreement.

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The bill would not require a penny in additional taxes not already owed. Instead, the bill would:

- certify the Streamlined Sales and Use Tax Agreement
- provide states with the clear authority to require retailers to collect sales taxes already owed
- require the Streamlines Sales and Use Tax Agreement to meet a lengthy list of simplification requirements to ease administrative burdens for sellers
- exempt small businesses (as defined by the Governing Board of the Agreement) from collecting sales taxes
- compensate retailers for any startup administrative costs associated with collecting sales taxes
- treat all retailers equally regarding sales tax collection
- release consumers from their existing sales tax remittance obligations
- help states and localities collect billions in taxes that are already owed.

The following states have already enacted laws to streamline their tax systems: AR, GA, IN, IA, KS, KY, MI, MN, NE, NV, NJ, NC, ND, OH, OK, RI, SD, TN, UT, VT, WV, WA, WI and WY. Furthermore, over 1,100 businesses across the country are voluntarily collecting and remitting taxes pursuant to the Agreement.

The Main Street Fairness Act is supported by the National Governors' Association, National Conference on State Legislatures, Governing Board of the Streamlined Sales and Use Tax Agreement, National Retail Federation, International Council of Shopping Centers, Retail Industry Leaders Association, National Association of Real Estate Investment Trusts, and National Association of College Stores.