

Commentary: Wrong time for the wrong tax

Michael Costello, Lewiston Tribune

A tax on Internet sales? In Idaho? Who'da thunk it?

It has long seemed inevitable that someday, sales taxes would be extended to Internet sales. Indeed, California made huge waves recently and did itself significant fiscal and economic violence through its predictably oafish attempt to impose taxes on in-state Internet retailers. Rather than allow itself to become the tax collector for the state of California, eBay responded by closing the accounts of tens of thousands of California-based Internet businesses that had been marketing their wares using eBay's services.

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California and eBay have reached some sort of temporary truce in the matter, but the episode exposed just how carefully states must tread here.

Internet retail giants may be what first comes to mind when one thinks of Internet commerce, but many Internet businesses are run from home and have inventories that are stacked up in the corner of a garage or a spare bedroom. To expect such tiny enterprises to comply with the typical record keeping and bureaucratic burdens that governments typically afflict businesses with would certainly crush many out of existence. On the other hand, it's hardly fair to expect eBay or Amazon to handle the books for the hundreds of thousands of resellers who market their wares through those Internet giants' websites.

Originally, Internet sales were excused from sales tax to give the nascent online industry an opportunity to grow. It seems to have achieved that and many once-tiny startups are now thriving companies. According to the U.S. Census Bureau, just under 5 percent of all retail sales, or about \$48.2 billion worth, are made online today. Many people choose to pass on the long lines and crowded stores of Black Friday and prefer to wait until Cyber Monday to start their Christmas shopping season.

Speaking for myself, I don't think that I've set foot in a brick-and-mortar shopping mall between Thanksgiving and Christmas in many years.

This past year, e-books outsold pulp books.

Already, Idaho residents are supposed to voluntarily report their Internet purchases, calculate their own sales taxes and mail in a check to cover their obligations. I suspect that the chances of that happening with any significant frequency are approximately equal to the odds that Warren Buffett or Michael Moore will ever voluntarily pay the higher taxes they publicly advocate.

And in truth, because Amazon is headquartered in Washington (where I live) and that's where I do make most of my Internet purchases, I rarely escape sales taxes on my Internet shopping anyway.

This has been creeping up on us already. A recently passed Washington law forces federal firearms license holders to collect sales tax on all Internet purchases of firearms. The Democrat-dominated Washington state government is using the sin tax strategy to get this camel's nose under the tent.

Even though Internet commerce is now a mainstream part of the United States economy, the fact

remains that tiny, new Internet businesses are springing up every day that could not exist if forced to shoulder the burdens that larger companies hire entire staffs to manage. Nothing in our economy today provides greater access to what most Americans understood as the American dream.

Contrary to Barack Obama's assertions, the American dream is not income redistribution, economic homogenization and hive-like cooperation. The American dream has always been the promise of the opportunity for each of us to pursue dreams of self-reliance and to achieve to our greatest potential.

The goal of the bill pending in the Idaho Legislature is to bring Idaho's tax code in line with the Streamlined Sales and Use Tax Agreement, which is a pact among 44 other states. The goal here is to make sales tax laws uniform so that businesses will have no other state to flee to.

The idea is popular with traditional brick-and-mortar retailers who consider this an issue of fairness. Currently, they operate under a competitive disadvantage versus Internet retailers who don't have to collect taxes.

Of course, there's another alternative that is both fair and more in line with Idaho's conservative culture. Don't try to create fairness by imposing taxes on embryonic businesses. Make the tax code fair with a complete overhaul of Idaho tax laws that includes the abolition of sales taxes altogether. That way, when all those other states conspire to impose sales taxes, Idaho will be a sanctuary state that the new businesses can flee to.

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