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## E-tail vs. Retail? Five Reasons to Ax Florida's Proposed Internet Tax

By Christie Raniszewski

Fearful that Florida is missing out on more tax revenue, some urge the state to join the Streamlined Sales Tax Project (SSTP), an effort by the 45 sales tax-imposing states to collude on the collection of Internet sales taxes.

The SSTP is being touted as a cure-all for retailers' business woes and cash-strapped governments. Traditional storefront businesses, or "brick-and-mortar" retailers, say they're at a competitive disadvantage with online retailers because of tax-free Internet purchases. State governments, with dollar signs in their eyes, view the tax on Internet sales as a way to boost their coffers.

In reality, the SSTP will saddle Floridians with bigger government, higher taxes, and reduced consumer privacy. Here are five reasons why Florida should ax the Internet sales tax:

### **1. The state of Florida is not in a revenue crisis.**

Let me repeat: Florida is not in a revenue crisis. A recent study by Florida State University economist Randall Holcombe found that Florida's revenues have more than doubled since 1990. Total state revenues were at an all-time high last year, and grew \$3 billion over the previous year.

So why does Florida need new Internet tax revenue? SSTP advocates often bemoan Florida's budget problems, but do

nothing to eliminate state spending on pork-barrel projects and on services better allocated by the free market. Joining the SSTP will only protect big government.

### **2. There is no competitive disadvantage between brick-and-mortar retailers and online retailers.**

SSTP proponents often cite how much revenue Florida is "losing" because of tax-free Internet purchases, but they never mention just how much brick-and-mortar retail sales are declining due to *direct competition* with Internet vendors.

That's because Florida's sales tax collections have grown right along with cyberspace. Since 1990, Florida's sales tax revenues have more than doubled, outpacing inflation and population growth combined.

Instead of enforcing tax collection on Internet purchases, Florida can truly "level the playing field" by reducing taxes on all retail sales. This will encourage consumers to buy more products from brick-and-mortar retailers with the added benefit of lower prices for goods and services.

### **3. The SSTP equals taxation without representation.**

Retailers correctly point out that Florida's brick-and-mortar establishments create jobs and pay taxes, but remote dealers share none of these duties or revenue burdens. Even the U.S. Supreme

Court (in *Quill v. North Dakota*) reaffirmed that tax collection on out-of-state businesses is an unjust deprivation of property—so why should Internet vendors foot the bill? They have no say in Florida’s tax-and-spend decisions, and will not use the public services for which they would pay taxes. This also affects Florida-based Internet retailers, who would be taxed by other states under the SSTP. This is taxation without representation.

**4. The Internet tax would keep taxes artificially high. . .**

The SSTP would create an interstate cartel by forcing a uniform sales tax rate on all participating states and local jurisdictions. Think about it: If competition is good for the marketplace, why shouldn’t it be good for state governments? Tax competition gives states a strong incentive to reduce their tax rates in order to attract business and investment from higher-tax areas.

Retailers win because they’re able to do business in a number of low-tax states vying for their attention. Shoppers win because of lower tax rates. States win because they’re able to create pro-growth business environments. And most importantly, taxpayers win because tax competition forces lawmakers to exercise fiscal discipline by cutting wasteful spending. Florida should not be subject to inflated taxes or have to compromise its pro-growth sales tax structure in the name of “simplification.”

**5. and the SSTP could compromise consumer privacy.**

The SSTP would deputize “trusted third parties” to collect taxes on behalf of the government. The idea of an overzealous, nosy, private-sector tax collector is troubling—and when dollars are at stake, these collectors will evolve into auditors. In order to collect and remit sales taxes under the SSTP, this new army of

collectors will need to keep records of what consumers buy, from where they bought it, what they paid, and corresponding credit card information. Once such a database is built, the opportunity for fraud and abuse is enormous.

Floridians should not have to surrender bigger government, higher taxes, and reduced consumer privacy at the behest of revenue-hungry governments and retailers’ false claims of competitive disadvantage. Florida lawmakers should refuse participation in the Streamlined Sales Tax Project and work to ax the Internet sales tax.

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