

Appeal for Fair and Equal Taxation of Electronic Commerce

We the undersigned academic specialists in tax policy, having no direct interest in the outcome of the deliberations of the Advisory Commission on Electronic Commerce, are concerned that the Commission may make recommendations for the tax treatment of electronic commerce that are contrary to the public interest.¹ We therefore respectfully suggest that any recommendations the Commission makes regarding the sales and use tax should satisfy all four of the following general principles, which are consistent with a variety of specific proposals:

1. Electronic commerce should not permanently be treated differently from other commerce. There is no principled reason for a permanent exemption for electronic commerce. Electronic commerce should be taxed neither more nor less heavily than other commerce.
2. Remote sales, including electronic commerce, should, to the extent possible, be taxed by the state of destination of sales, regardless of whether the vendor has a physical presence in the state. In limited cases, where it is impossible to determine the destination of sales of digital content to households, it may be necessary to substitute a surrogate system. In no case should taxation of remote commerce or electronic commerce be limited to origin-based taxation, which would induce a “race to the bottom” and, in effect, no taxation at all.
3. There must be enough simplification of sales and use taxes to make destination-based taxation of sales feasible. Such simplification might include, for example, unification of the tax bases across states, unification of tax rates within states, and/or sourcing of sales only to the state level, as well as simplification of administrative procedures.
4. A means must be found to eliminate burdens of compliance on sellers making only small amounts of sales in a state. These might include software-based systems made available at state expense, more realistic vendor discounts, and/or de minimis rules.

[This statement does not represent the position of the institutions with which the signatories are associated.]

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Alan Auerbach	University of California, Berkeley; Deputy Chief of Staff, U.S. Joint Committee on Taxation, 1992

¹ The tax specialists listed had indicated support of this Appeal through January 7, 2000. More names will be added as other tax specialists indicate support.

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