



NEWS
WWW.ATR.ORG

FOR IMMEDIATE RELEASE

CONTACT: John Kartch
Kelly Cobb
202-785-0266

25 FEBRUARY 2009

Minnesota Seeks ‘Amazon Tax’ *Bill Reaches Across State Lines to Collect State Sales Tax*

Washington, D.C. – Minnesota is considering legislation that would require out-of-state retailers to collect and remit the state’s sales tax on products purchased by Minnesotans. The measure, known as the “Amazon Tax,” would collect taxes on Minnesota consumers who make purchases through online vendors.

Current law under *Quill v. North Dakota* requires a business have a physical presence or “nexus” in a state in order for the state to compel that business to collect sales taxes. The measure (HB 401/SB 282) attempts to circumvent the federal interstate commerce law by presuming that a company has a physical nexus if business is solicited through a third-party advertiser that is based in Minnesota.

“The so-called ‘Amazon Tax’ is a clear violation of interstate commerce and puts an undue burden on businesses with no stores or employees in the state to figure out what the tax rate is in every county and city throughout Minnesota – then to collect and send it in,” said Grover Norquist, president of Americans for Tax Reform. “The bill essentially tells online retailers to sever all connections with advertisers in Minnesota and avoid the burden of collecting the tax.”

Since its initial passage by the New York legislature in 2008, states have sought to use the “Amazon Tax” as a means of expanding the tax base to collect more revenue. While the measure is undergoing legal challenge in New York, at least five states are currently considering the legislation. Critics contend that the bill will promote expansion of illegal music and movie downloads.

“It is no wonder that lawmakers are considering this backdoor tax-hike after finding themselves with what could be a \$6 billion spending overage,” added Norquist. “It is not only unfair for out-of-state businesses, but unwise to raise taxes on consumers during an economic downturn – especially when the law is undergoing a legal challenge in another state.”

“Taxing consumers that download their music and movies will only encourage more illegal downloading at a time when legitimate digital music and movie providers are working hard to establish an online market,” said Kelsey Zahourek, executive director of the Property Rights Alliance. “This bill essentially incentivizes online piracy.”

“Imposing a download tax on users of one of the most important and thriving areas of our economy will only stifle ecommerce and harm consumers,” said Derek Hunter, executive director of the Media Freedom Project. “The free marketplace of the Internet can be the road map that leads us out of economic stagnation and recession. This bill will end up being nothing more than a roadblock on the path to recovery, not part of a cure.”

Americans for Tax Reform (ATR) is a non-partisan coalition of taxpayers and taxpayer groups who oppose all tax increases. For more information or to arrange an interview please contact John Kartch at (202) 785-0266 or by email at jkartch@atr.org.

###