

# Local Businesses Deserve Level Playing Field

Every day across Arkansas, Main Street businesses are fighting for survival. Increased fuel and energy prices, tight credit markets and lower consumer demand are driving many employers, particularly small businesses, to take drastic measures, including layoffs and even closures. In addition, weaker economic conditions for businesses are driving up Arkansas' unemployment rate, which stood at 8.3 percent as of August.

It has been said that small businesses are the engine of America's economy, and when you look at the facts, it is obvious why. According to the U.S. Small Business Administration, small firms employ more than half of all private-sector workers, pay nearly half of private payroll in the U.S. and, perhaps most significantly, have generated 64 percent of net new jobs during the past 15 years.

Unfortunately, many job-creating Main Street businesses — like your corner drugstore, downtown furniture store or local grocer — are forced to

play by a different set of rules than their online competitors because the government gives online companies special treatment when it comes to sales tax collection. In most cases, online-only companies aren't required to collect sales taxes, a tax break that they use not only to undercut Main Street business owners but also to place a huge tax burden on their customers, who are ultimately liable for paying sales and use taxes themselves.

Because of a loophole in the tax law, an online retail store has an automatic 6 to 10 percent price advantage over any local retailer. Each could be selling the same item, but since a Main Street business owner collects sales tax in compliance with Arkansas law while an online retailer does not, the online retailer can undercut the Arkansas store by at least 6 to 10 percent.

This price difference isn't the result of better business practices or increased efficiency; it's the result of online giants like Amazon.com exploiting a

tax loophole. This tax loophole hurts your friends and neighbors who own and operate retail businesses, who create jobs here in Arkansas and who contribute to local causes.

Consumers are increasingly looking for a good deal, and that difference in price is a tempting reason to buy an item online. But while a consumer may be getting what he or she thinks is a better deal, over time these purchases lead to job losses and business closings in our local communities.

Online retailers love this situation. They happily promote their products as being "tax free." In reality, however, their items aren't exempt from sales taxes, because you, the consumer, are required to pay the tax to the state directly. This is the secret that online retailers don't like anyone to tell.

These retailers avoid collecting the sales tax, but you are still legally obligated to pay it when you file your state income taxes. Most consumers don't comply with the law, opening them up for an audit and legal trouble if



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caught.

It's much fairer to both Main Street business owners and consumers to have online retailers collect the sales tax that is legally owed. That stops the government favoritism currently enjoyed by online businesses and removes the burden from consumers to pay the tax. It's simple and fair, something we should all want.

As you may remember, the Arkansas Legislature recently enacted a law, with bipartisan support, to deal with this

problem and try to force online retailers to pay their fair share. As we soon found out, though, companies like Amazon.com and Overstock.com found a way around it by canceling their Arkansas affiliate programs. They value being able to exploit this tax loophole so much that they would rather cut off their in-state business partners than collect sales taxes.

As the actions of these online businesses demonstrate, a solution to this problem can't come from the states. Acting alone, states can't protect their mom-and-pop retailers from big online stores like Amazon. These Internet stores will just look for a state that doesn't want to enforce the law, a state that will let these stores continue preying on Main Street retailers.

There has to be national action to provide a level playing field for online businesses and local retailers. It's time for Congress to pass legislation removing online retailers' special tax treatment and restore fairness for Main Street business owners. ■

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