



International Council of Shopping Centers

**Pennsylvania Senate Finance Committee
Hearing on the Collection of Sales Tax on Purchases Made Over the Internet
May 3, 2011**

Testimony submitted by:

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On behalf of:

Pennsylvania Members of the International Council of Shopping Centers

Dear Chairman Brubaker:

Thank you for the opportunity to submit testimony on the collection of sales tax on purchases made over the internet. The 3,500 Pennsylvania members of the International Council of Shopping Centers (ICSC) strongly support efforts to level the playing field for community-based retailers.

ICSC is the premier global trade association for retail real estate industry. In 2010, retail real estate accounted for 520,300 jobs in Pennsylvania, representing 9.3 percent of total employment in the state. These retail centers collected \$5.3 billion in state sales tax revenue last year on top of generating other revenue from business and property taxes. Especially in this difficult economic environment, our industry continues to be an important part of the Pennsylvania economy.

Retail real estate now more than ever needs the Legislature to level the playing field for community-based retailers. Currently, out-of-state vendors have an unfair advantage over Main Street retailers by taking advantage of the sales tax loophole that allows them to avoid collecting sales taxes. These remote retailers, without a local community presence or the desire to reinvest in our neighborhoods, are crippling traditional downtown retailers – the same retailers that provide jobs in our cities, collect much-needed sales taxes for the state and keep local economies across the state vibrant.

The Streamlined Sales and Use Tax Agreement (the Agreement) is the most comprehensive way to close the sales tax loophole. So far, twenty four states have passed legislation to streamline their sales tax codes. The Agreement minimizes costs and administrative burdens on retailers that collect sales tax. It encourages remote retailers selling over the Internet and by mail order to collect tax on sales to customers living in the Streamlined states. It is a critical component in leveling the playing field so that local brick-and-mortar stores and remote sellers operate under the same sales tax collection rules. The Agreement ensures that all retailers can conduct their business in a fair, competitive environment. Furthermore, with Congressional action, Pennsylvania will be positioned to collect currently lost revenue on remote purchases, which is estimated to be more than \$706 million in 2012 alone, according to a 2009 study commissioned

by the National Conference of State Legislatures and the Streamlined Sales Tax Governing Board.

Additionally, the Agreement will provide a level playing field for local businesses and essential revenue to the state without establishing a new tax or increasing existing taxes. Currently, Pennsylvania residents are responsible for remitting the taxes directly to the Department of Revenue when they are not collected by the retailer. However, few consumers pay these taxes and there is little incentive to do so. The reality is that the present system places an impractical burden on taxpayers and consumers at the expense of state programs and local retailers. Participating in the Agreement will ease this liability on taxpayers and apply an evenhanded sales tax collection obligation across all retailers.

Thank you examining the negative impact that the current sales tax system is having on Pennsylvania's community-based retailers. It is critical to eliminate this lopsided tax burden on these local retailers, simplify the process for consumers to fulfill their tax obligation, and promote community investment.