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March 20, 2013

The Honorable Dianne Feinstein
331 Hart Senate Office Building
Washington, DC 20510

The Honorable Barbara Boxer
112 Hart Senate Office Building
Washington, DC 20510

RE: S. 336 and H.R. 684 - Marketplace Fairness Act of 2013

Dear Senators Feinstein and Boxer:

I am writing on behalf of the League of California Cities (League) to express our support for S. 336 and H.R. 684 (the Marketplace Fairness Act of 2013), as well as the Marketplace Fairness amendment to the Budget Resolution to be offered this week. This legislation will provide equitable tax treatment for sales of tangible goods between brick-and-mortar establishments and remote sellers over the Internet. The additional revenues collected by state and local governments will assist in the delivery of quality public services to our residents.

With the increasing volume of sales occurring on the Internet, local officials have long been concerned with the competitive disadvantage faced by our local retailers which have made investments and provided jobs in our communities and the inability to collect revenue from remote sellers.

The California Board of Equalization recently estimated that \$1.1 billion of use taxes related to remote electronic and mail sales from out-of-state vendors are uncollected (of this total, \$755 million is due the state's General Fund, with the balance owed to local governments). About three-fourths of this gap relates to business-to-consumer sales, with the rest relating to business-to-business sales. Based on use tax collections, there is only about 1 percent consumer compliance with use tax obligations.

As currently drafted, S. 336 and H.R. 684 contain features that are sufficiently flexible to match California's tax structure. The features include: allowing all states to participate; requiring sellers to collect the full destination rate of sales tax (both state and local); clarifying that the measure is limited to the collection of sales and use taxes; and preserving flexibility for how individual states distribute taxes from sales occurring within the state.

Thank you for your work on this important issue. We look forward to working with you to support the passage of this landmark legislation. Please let us know if you have any questions or need any additional information. You can also contact the League's Washington advocate, Eve O'Toole, at (202) 419-2505. We look forward to continuing to work with you on California's important local priority issues.

Sincerely,

A handwritten signature in cursive script that reads "Chris McKenzie".

Chris McKenzie
Executive Director
League of California Cities