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March 7, 2014

The Honorable Robert Goodlatte
United States House of Representatives
2309 Rayburn House Office Building
Washington, D.C. 20510

The Honorable John Conyers, Jr.
United States House of Representatives
2426 Rayburn House Office Building
Washington, D.C. 20510

RE: Collection of sales and use tax from remote retailers

Dear Chairman Goodlatte and Ranking Member Conyers:

As you work to address the collection of sales and use tax from remote retailers, I urge you to develop legislation that preserves flexibility and ensures equitable tax treatment for sales of tangible goods between brick-and-mortar establishments and remote sellers over the Internet.

One such proposal that achieves this goal is the Marketplace Fairness Act of 2013 (H.R. 684, S. 743). The League of California Cities (League), which represents over 480 cities in California on state and federal issues impacting cities, supports this legislation because it contains features that are sufficiently flexible to match California's tax structure. These 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.

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 yet still face an inability to collect revenue from remote sellers. The current structure essentially deprives state and local governments from revenues that could assist in the delivery of quality public services to our residents.

The California Board of Equalization estimates 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.

Ultimately, it is the League's hope that any measure considered by the Judiciary Committee – whether the Marketplace Fairness Act or other legislation – will take into account the issues addressed above.

Thank you for your work on this important issue. Please let us know if you have any questions or need any additional information. You can also contact the League's Washington advocate, Leslie Pollner, at (202) 469-5149. 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

cc: California Members, House of Representatives