

# The Providence Journal

## R.I.'s Amazon law gets support

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PROVIDENCE — A national think tank says that all states should pass an “Amazon law” similar to those adopted by Rhode Island and New York to help recover sales-tax revenue that they miss out on through Internet purchases made by consumers.

“The action taken by New York and Rhode Island is an important strategy for states to adopt on their own behalf,” according to a report issued Thursday by the Center on Budget and Policy Priorities, a group in Washington, D.C., that focuses mainly on the impact of government budget decisions on people with low incomes.

The report says that the so-called “Amazon law” adopted by Rhode Island this year and by New York last year is an important tool for collecting taxes owed on Internet purchases.

In general, a state cannot force a retailer to collect the state’s sales tax unless the retailer has some sort of physical presence in that state, such as an office, store or warehouse.

But a new Rhode Island law generally says that a physical presence is established if enough purchases are made through a Rhode Island Web site that is somehow affiliated or associated with the retailer. (For example, it can be established when a Rhode Islander visiting a Rhode Island Web site clicks on a link to an out-of-state online retailer and makes a purchase.)

The provision is the result of legislation introduced by Rep. Steven M. Costantino, D-Providence, chairman of the House Finance Committee, and signed into law by [Governor Carcieri](#) on June 30.

Rhode Island’s law, similar to one enacted in New York last year, has come to be known as the Amazon law partly because it involves Amazon.com, the nation’s largest Internet retailer, and similar companies.

Without such laws, states lose out on billions of dollars in sales-tax revenue, according to the report’s author, Michael Mazerov, who also served on Carcieri’s tax-reform panel earlier this year.

The Rhode Island Division of Taxation recently issued notices to more than 100 online retailers, the latest salvo in the growing national battle over collection of state sales tax.

The agency issued the notices to advise the retailers about Rhode Island's newly adopted Amazon law and tell them that they may be obligated to collect the state's 7-percent sales tax on certain online purchases made by Rhode Islanders, said state Tax Administrator David M. Sullivan.

"If we discover that [a retailer] is not collecting sales tax and they should be, we will take necessary compliance and enforcement efforts," including auditing a company's books and records, assessing tax owed, and applying penalties and interest, Sullivan said Friday.

Costantino has said that the law is intended to help level the playing field for local retailers who collect the tax and are at a competitive disadvantage with online retailers who do not.

Gary S. Sasse, director of the state Department of Revenue, said that how state sales tax applies to online purchases has "become an issue that all of the states need to face."

It could be resolved by Congress, but "unfortunately, Congress has punted" on the issue, he said.

"Short of Congress exercising the necessary leadership on this issue, you'll have states responding to this issue . . . [by passing] this type of legislation," Sasse said in an interview at his office on Friday.

In response to Rhode Island's new law, at least three online retailers — Amazon.com, Overstock.com and BlueNile.com — have severed their links with their affiliates or associates in Rhode Island rather than face the requirement to collect Rhode Island sales tax.

Sullivan said, "It's a shame that companies like Amazon and Overstock would stop doing business with Rhode Island companies simply because they're being asked to comply with our state's sales tax law."

He characterized the companies' decision to end their business relationships with Rhode Island affiliates as harsh and unfair.

Kate Brewster, executive director of The Poverty Institute at the Rhode Island College School of Social Work, which analyzes tax and budget policies on behalf of low-income people, said Friday that "Amazon's reaction to Rhode Island's law is a good indication of how dearly it holds the unfair price advantage that it has over Main Street retailers in our state. Our hope is that other states will get on board and make it more difficult for Internet retailers to drop affiliates."

Amazon and some other online retailers have asserted that the Rhode Island and New York Amazon laws are unconstitutional.

Rhode Island does not have an estimate of how much in sales tax it will collect as a result of the new law, Sasse said. The group's report said that as a result of New York's Amazon law, that state "is already raising tens of millions of dollars a year" in sales taxes.

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