NO COLLECTION OF TAX ON INTERNET SALES MEANS BILLONS LOST TO US CITIES

Washington, D.C. – The inability of cities and local jurisdictions to collect existing sales taxes on internet sales translates into billions in lost revenue, a report done by IHS Global Insight for The U.S. Conference of Mayors found. The report (at www.usmayors.org) specifically examines the federal Marketplace Fairness Act, which would allow state and local governments to enforce existing state and local sales and use tax laws on remote retailers so long as they simplify tax administration by adopting the Streamlined Sales and Use Tax Agreement.

Done in conjunction with the National League of Cities and the National Association of Counties, the report was released on Friday, June 21st in Las Vegas at the 81st Annual Meeting of The United States Conference of Mayors where almost 200 mayors are gathered for a four-day session led by Conference President Philadelphia (PA) Mayor Michael Nutter and host Las Vegas (NV) Mayor Carolyn Goodman.

Of the legislation, USCM President Philadelphia Mayor Michael A. Nutter said, “We are encouraged that the Senate found a bipartisan way to pass the Marketplace Fairness Act. Now we need the House to move this important legislation. Passage of this measure would be a victory for basic common sense and bipartisanship and a win for local governments and for businesses everywhere.

“This legislation finally levels the playing field by requiring all merchants, whether they sell over the counter on Main Street or over the Internet, to collect the same taxes. With federal funds to local governments dwindling and few other sources available to municipal leaders for raising revenue, this measure will provide a badly needed funding stream so we can better serve our residents -- from fixing crumbling roads and bridges to funding schools and first responders to maintaining and upgrading water systems. And during these tough economic times, the Marketplace Fairness Act will give a fundamental boost to metropolitan economies by helping to stimulate growth and create jobs.”

The report provides estimates of the sales tax revenue losses for E-commerce in 2011, 2012, and 2013 across select US cities and counties in the absence of the Act. The report’s estimates do not cover non-E-commerce remote sales from such sources as catalogues, etc.

Key findings of the report follow:

- Over 225 billion in E-commerce transactions were recorded in the US in 2011. Collectively, state and local governments experienced a direct loss of revenues due to uncollected taxes on E-commerce of nearly $12 billion in 2011, rising to almost $14 billion by 2013.

- The counties and cities tabulated in this report suffered a loss of nearly $1.3 billion in 2011, $1.5 billion in 2012, and a projected $1.7 billion in 2013. The three year total of losses for these counties and cities is estimated at $4.5 billion.

- Among cities, New York City experienced the greatest loss in 2012 of over $205 million. Phoenix and Chicago followed with losses of $18 million and $17 million respectively. These are forecast to rise to $235 million for New York, over $20 million for Phoenix, and over $19 million for Chicago in 2013.

- Eleven cities are projected to lose over $10 million each in 2013 (see Chart, p. 3).
• Over the three-year period, these eleven cities will lose a cumulative total of $974 million.

• Among counties, Los Angeles, and Cook County experienced the greatest losses at over $70 million and $42 million in 2011. King County, WA, followed with a loss of $30 million; Westchester County, NY, lost nearly $26 million.

• In 2013 Los Angeles County is forecast to lose over $95 million; Cook County, over $55 million; King County, over $41 million; and Westchester County, over $35 million. Collectively, these four counties alone are projected to lose over $227 million in 2013.

• In ten counties, the cumulative three-year 2011-13 revenue loss is $881,670 (see p.4).

###

The U.S. Conference of Mayors is the official nonpartisan organization of cities with populations of 30,000 or more. There are 1,295 such cities in the country today, and each city is represented in the Conference by its chief elected official, the mayor. Like us on Facebook at facebook.com/usmayors, or follow us on Twitter at twitter.com/usmayors.