

[By Kirk Carapezza](#)

Jeff Wheel, the owner of Advance Music Center in Burlington, says December marked the first holiday season where customers would come in and take pictures of the electric and acoustic guitars, keyboards and pianos that he sells. The would-be customers then walked out to compare prices on websites, where they could avoid a sales tax.

"Just blatantly taking pictures with their phone and looking it up on the Internet," Wheel said, testifying before the Senate Finance Committee on Thursday. "It is becoming more and more frequent, and they make no bones whatsoever about asking, 'Hey, will you eat the tax?'"

In Burlington, that's a 7 percent sales tax, including the amount the city collects. Wheel estimates his music shop loses an average \$2,000 each week by giving it up.

"It's real money for us," Wheeler said.

Congressman Peter Welch, D-Vt., was at the Statehouse on Thursday to promote a federal bill that would help to protect businesses such as Wheel's. Welch said the bill, which is called the Main Street Fairness Act, would require online retailers to collect a sales tax and then remit the revenues to the state – effectively leveling the playing field for small business owners around the country.

The Joint Fiscal Office estimates that in 2011 Vermont lost \$40 million in sales tax revenues to online sales that were not taxed. As the Vermont Legislature seeks new revenues, state legislators see the online sales tax as one potential solution to state budget woes provoked, at least in part, by stalemate and fiscal cliffs in Washington.

"The e-retailer has, up to this point, not had to bear the same responsibility that our brick-and-mortar retailers have," Welch said. "Technically, the purchaser – you or me – is supposed to be paying a tax on that but it's not a practical option."

Two years ago, the Senate Finance Committee considered a bill that would have required online vendors to forward the sales tax to the state once 15 states approved similar laws. To date, however, only six states, most recently Massachusetts, have passed such laws.

Senate Finance Committee Chairman Tim Ashe, D-Chittenden, a supporter of Welch's bill, said the idea was to avoid putting affiliates of large "e-retailers" at a disadvantage.

"Vermont – in the big scheme of things – is just a blip on the radar for a Walmart. So even though asking them to remit sales tax that's owed to the state of Vermont would be inconsequential in the scheme of their revenues, on principle they will cut us off at the knees, which will affect a lot of employers and put some people out of work," Ashe said.

Ashe said the Senate Finance Committee is working with Welch to make sure Congress doesn't pass a bill that won't work for Vermont's smaller vendors.

Welch said he's confident the measure will pass with bi-partisan support after the November elections. "Even Congress is starting to get the message that making progress is better than just arguing," Welch said.

In Burlington, Jeff Wheel said if his business were not losing money by waiving the sales tax it could grow by 20 to 30 percent, allowing him to add more employees and expand. For now, Wheeler has added an audio-video installation department and he's offering music lessons to stay above water.