

[By Nat Rudarakanjana](#)

Congressman Peter Welch, D-Vt., says he will re-introduce bipartisan legislation that would impose a sales tax on online retailers like Amazon.com and other companies that now avoid state sales tax.

In a rare appearance at the Statehouse, Welch painted the issue as important both as a "basic matter of fairness," and as a tool for ensuring the survival of downtown retail shops.

"Vibrant downtowns don't exist without a successful retail sector," Welch told the Senate Finance Committee Thursday afternoon. "One merchant after another would explain to me how their retail shops were being turned into showrooms for e-retailers."

Welch argued that requiring online retailers to pay the state's 6 percent sales tax, or at least some form of sales tax, would level the playing field between brick-and-mortar shops and their online competitors.

Although Republican lawmakers in Congress are averse to imposing new taxes, Welch says his legislation calls for a tax that is "due," not "new." The state's Joint Fiscal Office estimates that the state loses about \$40 million annually in forgone revenue by not taxing online retailers.

Claire Benedict, who runs Montpelier's Bear Pond Books, told lawmakers that small independent retailers like herself are especially vulnerable in tough economic times, even as they remain valuable as a unique feature of states like Vermont.

"In Vermont especially, it's difficult. We're not a state of huge businesses. We don't have giant warehouses and shipping centers here. What we have are downtowns full of small independent retailers, so I feel strongly that's who we should be protecting," said Benedict.

"It's pretty easy for people to not even come in and go directly to an online retailer ... I think the 6 percent does make a difference. People are looking for a bargain wherever they can get it, and they'll take it from not paying sales tax," she said.

Jeff Wheel, a co-owner of Burlington's Advance Music, told lawmakers that many customers ask his store to "eat" the sales tax, to dissuade them from buying the musical instruments online, effectively shaving another 6 percent from his already slim profit margin.

Opposition to Welch's legislation, which faltered in the House this winter because the Republican leadership didn't bring it to a floor vote, has come from online retailers benefiting from the arrangement, Republicans who view it as a new tax, and from states that don't impose sales taxes, said Welch.

"The place where it's toughest is in a place like New Hampshire, where they have no sales tax," he told lawmakers. "Those merchants would be required to collect in New Hampshire if it was a sale, let's say, to Vermont, or some other jurisdiction that does have a sales tax."

One major retail giant, Amazon.com, which has persistently opposed the legislation in recent years, is now changing tack, Welch says.

"They're starting to change, in part because there's a big Amazon presence in California. They have a huge budget crisis out there, and the state legislature is very aggressive in pursuing this. So Amazon is starting to go from a real adversary, to co-operating, coming to the conclusion that a national approach on this makes sense," said Welch in an interview.

Sen. Tim Ashe, who chairs the Senate Finance Committee, believes that federal legislation makes the most sense, since otherwise major retailers like Amazon and Walmart can threaten mass job layoffs in Vermont, or put local affiliate companies at a competitive disadvantage.

"It's clear that Amazon.com in particular has a strategy of extorting states, threatening mass job layoffs and warehouses closures, anytime they even consider passing a bill like this," Ashe said. "So some states get bought off, other ones show some backbone."

Mary Peterson, the state's tax commissioner, told VTDigger that the Shumlin administration wholeheartedly backs Welch's measures to collect sales tax from online retailers, adding that Gov. Peter Shumlin, in his role as Democratic Governors Association chair, is trying to speed legislation along.

Peterson also pointed out that the federal legislation, at least in its most recent December 2012 draft, exempted online retailers selling less than \$500,000 worth from the sales tax. The measure, she says, protects small businesses.