

Statement to the House Committee on Taxation
Supporting House Bill 2103
By Frank Beer
On behalf of the Manhattan Area Chamber of Commerce

February 13, 2013

Members of the Committee,

My name is Frank Beer and I own the RadioShack Franchise in Manhattan. I have been involved with small retail business my entire life. Having grown up in a family business in Wisconsin and having owned my own small business for the majority of my life. I would like to address the issue of sales tax on the internet from a couple of different perspectives. Retailers are required to collect sales taxes for all the goods and services we sell. And those taxes are an important part of the state's income. But we now have a competitor that is exempted from that requirement. This has created a competitive disadvantage for those of us who are required to collect this tax. In my case, this gives them an immediate 8.55% price advantage over me. And as the retail world has gotten more competitive, this is now more than the net profit I earn on the products I sell, thus making it impossible for my store to compete. You might say that we have the advantage of "local". This is becoming a smaller advantage by the day. You can now shop for products that will be delivered to you within 2 days at no shipping cost by ordering on the web. And although this will not work for all products and many services, the folks on the web continue to figure out how to deliver things that would have been thought to be impossible. Currently, one of Amazon's fastest growing departments is their "grocery store."

Doesn't this just mean that I have to adapt and get more efficient? Well, certainly. But the inherent cost advantages that the internet retailers (etailers) have over my store already make it difficult to compete with them. Their labor cost per dollar sold is dramatically less than mine. They can sell from a drab, stark warehouse without concern for how it looks. I cannot. But the largest of the problems is the ability for most etailers to sell their product without charging sales tax. This is an inequity that I cannot overcome. And it is an inequity created by government.

I understand, and can appreciate that the federal government has taken a hands off approach to the internet. Thus allowing it to grow and "be all it can be." But I think it has arrived. Why should it now be given such an inequitable advantage?

How will this negatively affect the state?

1. As a higher percentage of goods are bought online, the gross sales taxes paid to the state will decline. This will begin to cut off one of the state's three legs on their income stool. Although I have not seen a researched estimate, I would guess that it is at least in the many tens of millions of dollars in reduced revenue to the state.
2. As state funded agencies buy more and more product from the internet, they are reducing the revenue to those state owned businesses that employ people here and pay taxes here

3. As brick and mortar retailers cut back on staff due to reduced sales, they pay less in payroll taxes and employ fewer people.
4. As brick and mortar stores become fewer, property tax collections will go down, thereby further reducing state income. As an example, articles in Forbes, The Wall Street Journal and others have even predicted the demise of one of my main competitors, a company seen as a model in retail, Best Buy due to competition posed by the internet.

There are many other negatives that, I believe, will come from our growing propensity to buy from the internet. Certainly we lose the advice of the local merchant who helps us get the right product we need. Or maybe we just lose that interaction of individuals that heightens our sense of community and personal interaction. And maybe this is just the price of progress. But I believe we need to have a discussion as to if this is how we want to evolve. Maybe we do. But I believe that we should at least have the discussion. The question may be should we give the internet an undue advantage in speeding the progression of this evolution.

Thank you for your time and attention.

Frank Beer