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Internet sales could be taxed in Michigan

By Louie Meizlish
Daily Staff Reporter

One of the luxuries of shopping on the Internet may soon be a thing of the past if state lawmakers have their way.

Yesterday, the Michigan House of Representatives voted to make it harder for Internet mail-order purchasers to avoid paying state sales tax.

If the bill is approved by the Sen-

ate, Michigan would join a consortium of states that have banded together to collect their particular tax on sales made on the Web.

Under the present system, the only mechanism the Department of Treasury uses to collect sales tax from the internet is by asking taxpayers to record their total purchases on their annual income tax returns and voluntarily pay the 6 percent sales tax.

Supporters of the bill said it
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reduces the advantage "e-tailers" — or Internet retailers — now have over businesses that are forced to collect sales tax from their customers.

"Remote sellers have a 6 percent advantage over those that have a physical presence in Michigan," said Richard Studley, senior vice president for government relations with the state Chamber of Commerce.

Rep. Leon Drolet (R-Clinton Twp.), one of the most outspoken critics of the bill, disputed Studley's assertion that internet sites have any kind of advantage over traditional, "brick and mortar" stores.

"When you pay shipping and handling (to an Internet site), they are often greater than six percent," he said, adding that smaller stores face more competition from mega stores than they do from online retailers.

"Bob's Hardware Store is facing intense competition from Home Depot," Drolet said.

According to the non-partisan House Fiscal Agency, \$200 million in annual revenue owed in

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sales tax from Internet sales would be recovered by this new consortium for collecting taxes.

Jacques Habra, chief executive officer of Ann Arbor-based Web Elite, an e-business development and consulting company, said the funds the state could potentially recoup from the consortium could go to improving the Internet's infrastructure.

"It'll go to creating faster (telecommunications) lines, more reliable lines and more secure lines," he said.

But fifth-year Rackham student Charles Goodman, chair of the University's chapter of College Libertarians, said the bill is another example of ever-encroaching government.

Goodman said he is opposed to sales taxes in general, and the consortium would help collect sales taxes.

"Sales tax is regressive. It falls more heavily on poor people than rich people, proportional to their income," he said.

Studley dismissed the idea offered by the proposal's opponents that by Michigan's participation in the program, e-business will stay out of Michigan, preferring to base their operations in states that do not have the mechanisms to collect Internet taxes.

He predicted that 19 states, in addition to the 19 that have already signed on, will join the consortium, giving few, if any, states any advantage over another when it comes to recruiting e-businesses.

Michigan Gov. John Engler supports the creation of the consortium, but in order for it to formally begin collecting taxes, the U.S. Congress must lift a moratorium on internet sales tax collections.