

When Internet Purchases Escape Sales Tax, Your Community Pays.

An Open Letter to Congress from the Nation's Retailers

Congress will soon consider reauthorization of the 1998 Internet Tax Freedom Act (ITFA). During this debate, we, members of the National Retail Federation (NRF) Board of Directors, encourage Congress to also address the inequity in state sales and use tax law that unfairly exempts some out-of-state sellers from having to collect a state's sales tax on purchases while their in-state counterparts are required to do so. Extending the ITFA without simultaneously eliminating the sales tax loophole on remote commerce will result in continued discriminatory tax treatment of Main Street retailers and many low-income families that do not have access to the Internet.

In an industry with a 1-3% net profit margin like retailing, a 6-8% tax differential (the average state sales tax rate) is a significant price advantage. Consumers should pick winners and losers based on service, selection, and convenience – not because of a government-sanctioned tax pricing advantage. Retailers are only seeking equitable tax treatment – where a product is taxed the same regardless of how it is ordered or delivered.

Failure to address this inequity at this time will also erode future state sales tax revenue and further increase the digital divide. Our companies are committed to enriching the communities in which we live and operate. We believe it is our responsibility to help sustain the neighborhoods where our employees work, learn and play. We sponsor the Little League teams, host charity events, and participate every day in the communities in which we live. Failure to eliminate this loophole not only threatens retail businesses in your community, it threatens the basic services our communities have come to expect.

As background, the National Retail Federation (NRF) is the world's largest retail trade association with membership that comprises all retail formats and channels of distribution. NRF members represent more than 1.4 million U.S. retail establishments, employing more than 20 million people – about 1 in 5 American workers.

Please eliminate the sales tax loophole.

Sincerely,

The Athletes Foot
Robert J. Corliss, Chairman, CEO

Baum's
H. James Baum, President

Beall's
Robert M. Beall, Chairman, CEO

Belk
John M. Belk, Chairman

Balliet's
Bob Benham, President

Caplan's
Brent Caplan, President

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Craig L. Fuller, President, CEO

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Michael F. Moorman, Chairman, CEO

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Arnold B. Zetcher, Chairman, CEO

Toys "R" Us
John Eyler, Chairman, CEO

Walgreen Co.
Dave Bernauer, President, COO

Weaver's
Joe Flannery, President

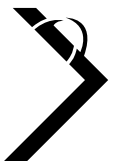
Zale Corporation
Alan P. Shor

Board of Directors, National Retail Federation



Don't extend the ITFA without addressing the sales tax loophole —

You may not like the result.



NATIONAL RETAIL
FEDERATION

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