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AMAZON.COM USES “BULLY PULPIT” ON SMALL MOM-AND-POP BUSINESSES TO AVOID COLLECTING STATE SALES TAXES

Mega-corporation Amazon.com will seemingly stop at nothing to avoid losing its competitive advantage over local businesses, Tennesseans for Fair Taxation members say today in response to *The Tennessean's* March 15 business story “Amazon's reaction to tax costs affiliates.”

“The company’s recent knee-jerk reaction to a Colorado law requiring it to collect sales taxes was to act like a bully on the playground,” says Elizabeth Wright, executive director of Tennesseans for Fair Taxation. “To circumvent this legislation, Amazon attacked the smallest, least powerful victims of corporate strength: local mom-and-pop affiliates with blogs and websites who receive commission for linking their readers to the online retailer.”

Last week, Amazon dropped more than 4,000 of these affiliates in response to the Colorado law that could reap \$4.6 million in additional revenue for the cash-strapped state. Several states have sought similar legislation, and it’s not the first time Amazon has dropped affiliates as a result (see North Carolina and Rhode Island). But it’s the first time the company has done so when the affiliates’ presence has absolutely nothing to do with the state legislation.

As a result, the *Associated Press* reports that thousands of local online businesses in Colorado will lose a major source of income while Amazon posts record profits. A *New York Times* 2009 story, “Amazon Posts Record Gains as Offline Rivals Struggle,” notes that as the recession hits small businesses and local retailers disappear, consumers turn in droves to shopping online, driving the company’s profits ever higher and perpetuating the cycle that hurts local business because of corporate tax loopholes that give the advantage to multi-state corporations.

“This latest tactic by the giant retailer is just one more example of an arrogant corporate bully wielding its power to take a swipe at the little guy — and we all see where that’s gotten us, and our economy, so far,” Wright says.

It’s a trend that’s especially significant in our state — because of Tennessee’s unusually high sales tax and the sales tax on food, shoppers in border counties often flee to neighboring states or to the Internet, sending revenue Tennessee sorely needs during the current budget crisis to out-of-state sources.

Tennesseans for Fair Taxation supports the Internet Parity Bill (SB 1741/HB1947) sponsored by Sen. Beverly Marrero and Rep. Johnny Shaw that would support local businesses and

improve the well-being of Tennesseans by requiring Amazon and other online retailers to collect revenue just like their mom-and-pop counterparts must.

“Not only do Amazon’s actions harm small businesses in Tennessee who can’t compete, but that loss in revenue is a loss in funding for our public schools, protection of natural resources, safe roads and neighborhoods and other public structures we all enjoy,” Wright says.