



AMERICANS FOR TAX REFORM

GROVER G. NORQUIST

PRESIDENT

February 6, 2007

Dear legislator,

I urge you to reject all proposals that would force Hawaii to conform state law provisions set forth by the Streamlined Sales and Use Tax Agreement (SSUTA). The Aloha State cannot afford to become a full member state in this stealthy so-called "tax simplification" effort.

Taxing interstate commerce is illegal. A common claim of big spenders is that taxing "remote sales" is already legal, and that efforts to bring out-of-state businesses into compliance with current law are legally justified. However, under *Quill v. North Dakota*, the Supreme Court ruled that requiring remote sellers to collect the sales tax is an undue burden on interstate commerce. Until the United States Congress passes legislation allowing states to tax interstate commerce or *Quill v. North Dakota* is overturned, a state cannot require sellers to collect its sales tax unless they are physically located in the state.

The SSUTA plan will add a new tax and regulatory burden on every business in America. Supporters of Internet taxation also claim that SSUTA will "simplify" and "streamline" the sales and use tax system. However, implementation of SSUTA would preserve many of the current complexities of calculating and collecting sales taxes and would force merchants to comply with thousands of different tax rates and exceptions. The plan would even create fees not mentioned, including taxes on shipping and handling. The real motivation of SSUTA is to target businesses that are not physically located in the state and to export a state's tax burden.

SSUTA is a back-door tax increase. The implications of SSUTA go beyond the direct tax increase in coming years. Like any cartel, SSUTA would allow states to collude to destroy tax competition. The incentive to keep tax rates moderate or foster competitiveness would be gone, and the pressures to raise taxes would lose their counter-balance.

In the past year, Hawaii has rejected joining SSUTA. The Tax Review Commission of Hawaii recommended in its December 2006 report not to make a commitment in haste, citing concerns over unclear benefits joining the project would produce. Further, past legislation in 2006 was already unwanted by the House. Do not turn your back on taxpayers now; they trust in you to protect them from the ongoing burden of tax increases.

Please review the enclosed policy brief that rebuts every claim made by the streamlined tax proposal. As responsible lawmakers, I urge you to condemn any plan that would include Hawaii in SSUTA that would tax the electronic marketplace.

Onward,

Grover Norquist