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Illinois House sends Internet sales tax bill to Pat Quinn

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Illinois House sends Internet sales tax bill to Pat Quinn

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SPRINGFIELD, Ill. • The Illinois House on Thursday sent Gov. Pat Quinn a bill that would force online retailers to collect the state's 6.25 percent sales tax on Internet purchases made by Illinois residents.

Quinn has expressed support for the idea, but that doesn't mean online shoppers will be seeing their Amazon.com buys get more expensive any time soon. Similar laws in other states have been tied up in court.

Illinois law already requires payment of the state's sales tax on Internet purchases, but it's up to the people buying the products to report the purchase and pay the tax directly to the state. Not surprisingly, few do.

The bill that passed the House 88-29 would put the onus on the retailer to collect that tax. It would apply to online retailers no matter where the retailer is located, as long as it has an affiliated advertisement contract or other in-state presence in Illinois.

By that definition, Amazon, Overstock.com and other major global online retailers would have to charge Illinois' sales tax on any orders by Illinois residents, then turn it over to Illinois.

Supporters say it's a simple matter of tax fairness because traditional businesses in Illinois are required to collect the tax during the sale and forward it to the state. That means a pair of shoes bought in an Illinois shoe store automatically costs 6.25 percent more than the same shoes bought online from an out-of-state retailer.

The bill, supporters say, would snare about \$70 million worth of those uncollected taxes.

"This is a great way to get revenue for the state," said the sponsor, Rep. Patrick Verschoore, D-Rock Island.

Opponents said the measure could cost jobs if those major online retailers respond by pulling all their "real world" business connections to Illinois so they won't have to collect the tax.

"Out-of-State retailers have already started to terminate their advertising contracts in Illinois to avoid having to collect the sales tax on these purchases — it is that simple," said an e-mailed statement by Brian Littleton, CEO of ShareASale, a Chicago-based marketing affiliate that works with out-of-state Internet retailers.

The statement warned of the "likelihood of lawsuits to challenge the constitutionality of such a hurried piece of legislation."

Between 5,000 and 6,000 Illinois taxpayers currently follow the law requiring that they voluntarily pay the state sales tax on their online purchases. Their payments total \$5 million to \$6 million, said Illinois Department of Revenue spokesman Mike Klemens.

The department estimates that if all sales taxes were paid on Internet purchases by Illinoisans, it would total about \$150 million a year.

The bill is HB3659.

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