



March 15, 2010

Honorable Eileen M. Daily
Senate Chairwoman
Finance, Revenue and Bonding Committee
Connecticut General Assembly
Legislative Office Building
Room 3700
300 Capitol Avenue
Hartford, CT 06106

Honorable Cameron C. Staples
House Chairman
Finance, Revenue and Bonding Committee
Connecticut General Assembly
Legislative Office Building
Room 3700
300 Capitol Avenue
Hartford, CT 06106

Re: Opposition to the New Tax Collection Proposal in Raised Bill No. 5481

Dear Chairwoman Daily and Chairman Staples:

Amazon.com respectfully opposes the new tax collection (a.k.a., "nexus") proposal in RB 5481. It is unconstitutional and would produce little or no revenue for Connecticut.

In its *Quill v. North Dakota* decision, the U.S. Supreme Court held that the Commerce Clause of the U.S. Constitution prohibits a state from requiring sales tax collection by sellers that lack physical presence in the state. The nexus approach of RB 5481 is unconstitutional because it ultimately would require sellers with no physical presence in Connecticut to collect sales tax merely on the basis of contracts with Connecticut advertisers.

Last year, North Carolina and Rhode Island each enacted a new tax collection scheme functionally identical to the one proposed in Connecticut RB 5481, so Amazon simply ended its advertising relationships with NC- and RI-based participants in the Amazon "Associates Program."

(Often known as "affiliates" in other companies' programs, participants in the Associates Program place Amazon advertisements on their websites, and then are compensated for purchases made by visitors whom they refer to Amazon's website.)

Accordingly, despite laws like Connecticut RB 5481, out-of-state retailers that closed the accounts of NC- and RI-based affiliates have collected no sales tax for these states. Officials in both states have confirmed that little or no new tax revenue has been collected under the nexus laws. Meanwhile, Amazon and other out-of-state sellers continue to sell to NC and RI consumers, and Associates/affiliates in other states continue to earn referral fees, including those based on sales to NC and RI consumers.

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If Connecticut were to enact RB 5481, Amazon and presumably dozens of other out-of-state retailers would simply sever affiliate advertising relationships with Connecticut residents. Of course, residents of other states could still participate in the affiliates programs and earn referral fees based in part on retailers' sales to Connecticut consumers.

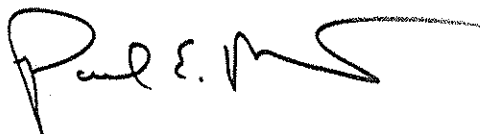
Thus, RB 5481 would provide no new tax revenue collected by Amazon or others who sever their relationships with Connecticut-based advertisers and, regrettably, because of the unconstitutional approach of RB 5481, Connecticut-based small businesses, community organizations, and individuals would lose the referral fees they currently earn from out-of-state retailers. And, of course, these referral fees could simply shift to affiliate advertisers in other states.

Connecticut instead could heed the direction of the U.S. Supreme Court, which said that out-of-state sellers may be required to collect only if the states simplify and harmonize their sales tax laws. The well-established multistate Streamlined Sales Tax Project ("SSTP") is the legally-permissible path for states to follow.

Because the approach of RB 5481 would undermine the purposes and viability of the streamlining effort, this approach is opposed by the National Conference of State Legislatures ("NCSL"), the Council on State Taxation ("COST"), and the Business Advisory Council to the SSTP, all of which support SSTP instead.

In sum, Amazon.com respectfully opposes RB 5481. Please let me know if you have any questions. I can be reached at 202-347-7390 or pmisener@amazon.com.

Sincerely yours,

A handwritten signature in black ink, appearing to read "Paul E. Misener". The signature is stylized with a large, sweeping flourish at the end.

Paul Misener
Vice President for Global Public Policy