



Testimony Regarding Bill 6624

I'm Tom Caporaso, President and Chief Operating Officer of Clarus Marketing Group, located in Wethersfield, CT. I wanted to communicate our strong opposition to Bill 6624, AN ACT CONCERNING THE COLLECTION AND REMITTANCE OF THE SALES TAX BY REMOTE SELLERS.

The purpose of this legislation is to attempt to collect sales taxes from out-of-state businesses (online retailers) that have advertising relationships with businesses in the state of CT (aka "The Amazon Tax" or an "Advertising Tax"). This proposed legislation would attempt to create nexus in the State of CT for online retailers, simply because they have an advertising relationship with our company, or hundreds of others like us.

We are in strong opposition to this legislation because we know it will harm our business, kill CT jobs, and most disturbingly, not even generate new revenue for the state.

Our business attracts consumers through a network of websites, and at the heart of our business model is advertising relationships with hundreds of online retailers across the country. Advertising relationships are the lifeblood of our business, and without them we would certainly not be able to compete with other companies located out of state, and our growth would be hindered, if not eliminated completely.

While this legislation might seem like a fair way to collect CT sales taxes and help bridge the revenue gap, you must consider what an out-of-state retailer's response will be: They simply will not do business with affiliates that reside in the State of CT. That's right, online retailers like Amazon.com, Overstock.com and hundreds of others will LEGALLY sidestep this legislation by simply severing ties with Connecticut affiliates. They have already stated this previously.

This is not just our guess of what will happen, it is a fact... other states that passed similar legislation including Hawaii, North Carolina, Rhode Island, and most recently Illinois have resulted in immediate termination of advertising relationships with companies located in those states (thus no collection of sales taxes for these retailers). Their response is immediate, and swift. There is also legislation pending in Rhode Island to repeal this new law, since literally no revenue was realized because of the termination of affiliate relationships.

We urge the committee to understand and consider three critical points regarding this legislation:

1. The State of Connecticut's OWN ANALYSIS concludes that Connecticut will not realize ANY meaningful revenue from this legislation, because out-of-state retailers will simply sidestep this legislation by terminating our advertising relationships, and the relationships of other companies like us.

2. As soon as you pass this legislation, it will have an IMMEDIATE negative impact on our business (and others like us), a growing Connecticut company.
3. Not only does this harm existing CT businesses, it discourages NEW businesses from starting up in our state. Who will you be discouraging? Any person or company who wants to launch a website with an advertising component... clearly a growing aspect of our economy. Why would we want to discourage technology investments in CT?

This is a lose-lose-lose proposition unfortunately... the unintended consequences are severe for CT businesses, JOBS, and our local economies.

Clarus Marketing Group is a true entrepreneurial success story. Founded and currently located in Wethersfield, Clarus Marketing began in a spare bedroom of our founder's house, and has grown into a significant marketing firm locally employing more than 20 professionals, and contributing millions of dollars in tax revenue to the state and also helping to fuel the local economy by creating jobs. We currently have 4 open positions we are staffing this quarter, and expect our growth to continue throughout the year (assuming this legislation does not prevent our ability to grow).

Ironically, just this week, we are moving into new office space with double the square footage to accommodate our growth plans. And unfortunately, as soon as we learned of this legislation we also began to examine the out-clauses of our lease, in case we need to consider an out-of-state move to a more business friendly environment.

The bottom line and the questions the committee really needs to ask itself is this:

Would you knowingly enact legislation that would harm over 2,800 growing Connecticut entrepreneurs and businesses, if you knew it would not result in any new revenue?

That is the question at hand.

On behalf of our business, and other growing businesses in CT, we respectfully urge you join our opposition to this harmful legislation.

Sincerely,

Tom Caporaso

Bill 6624 Fact Sheet

Q: What is the goal of Bill 6624?

A: Bill 6624, aka the Amazon Tax attempts to create a new tax revenue stream for internet purchases made by Connecticut Residents. This bill is designed to create "nexus" for an out-of-state retailer when they do business with an advertising company or affiliate located in CT, thus allowing the state to require these retailers to collect taxes.

Q: Will Bill 6624 generate Revenue?

A: NO. The problem with this legislation is that out-of-state retailers will simply sidestep this legislation by terminating their advertising contracts with Clarus Marketing Group, a growing Connecticut marketing company, and hundreds of others just like us. The obvious advantage of the Internet is that these retailers don't *need* partnerships with CT companies to reach CT consumers. With no advertising relationships in the state, these retailers will legally avoid collecting sales taxes from CT customers. The result? **No new revenue.**

Q: What will happen to high-tech marketing businesses like Clarus Marketing Group if this bill is passed?

A: There will be an IMMEDIATE negative impact on our business (and others like us), since our advertisers (online merchants) will simply terminate our business relationships, and make it much more difficult for us to secure new contracts in the future. These are not idle threats; in virtually every state similar legislation has passed this is exactly what happened. Amazon and other retailers have previously notified the CT legislature of their intent, and in other states where similar legislation has passed HUNDREDS of retailers severed ties with advertising firms located in those states. With unemployment at 9%, now is not the time to penalize growing CT businesses.

Q: How does this bill deter growth of new business and jobs in CT?

A: Online marketing businesses depend on partnerships and advertising relationships to survive- this is the very nature of the Internet. If this legislation passes, it will be virtually impossible for CT will attract new Internet ventures, given that there will be an inherent disadvantage to doing business in this state whenever a company plans to deploy a marketing partnership model. Why would Connecticut legislators want to discourage new business ventures in one of the fastest growing segments of our economy?

Bill 6624 is Lose-Lose-Lose

NO New Revenue - Harms New and Growing CT Businesses - Kills Jobs

"We will make Connecticut more employer-friendly with... rational regulation and by turning state government into a partner the business community can rely on — instead of the impediment it's too often been. We will target industries that hold the greatest long-term prospects to be a sustainable source of quality jobs, and we will identify specific companies within those industries and pursue them."
Dan Malloy, January 5, 2011