



Retail Real Estate Group

Sales Tax Fairness

BRONXVILLE, NY – March 8, 2013 – Admiral Real Estate Services Corp. congratulates its CEO, Jonathan Gordon, who has been recognized as a **CoStar Power Broker** by CoStar Group, commercial real estate’s leading independent research firm. This annual award recognizes the “best of the best” in commercial real estate brokerage by spotlighting the U.S. firms and individual brokers who closed the highest transaction volume in commercial property sales or leases for the entire year of 2012 in their respective market.

Sales Tax Fairness

During 2012, Admiral Real Estate Services Corp. closed over \$35 million in lease and sales transactions on behalf of its clients. Though Admiral was able to help many of its clients fill vacancies, bricks-and-mortar retail continues to be undermined by the unfair tax advantage provided to internet commerce.

Through his participation in the International Council of Shopping Center’s Government Relations Committee, Gordon is lobbying Congress to enact legislation that restores the right for states to enforce sales tax collection across all retailers, thereby creating a level playing field for all sellers.

Below is a summary of the concern from ISCS’s Issue Paper - Sales Tax Fairness:

Summary: *Internet retailers should not be given a competitive advantage over bricks-and-mortar retailers that serve as the backbone of our communities. States should have the ability to enforce their sales tax laws across all retailers, and only Congress can restore that right.*

- *States are expected to lose about \$23 billion in uncollected sales tax revenue in 2012.*
- *Total online sales grew 16.1% during 2011, while overall retail sales grew by only 4.7%*
- *64% of consumers are confused about how to comply with existing online sales tax requirements.*

Background: *In 1992, the U.S. Supreme Court ruled in Quill Corporation v. North Dakota that complex state and local sales tax rules were too much of a burden to interstate remote retailers, and, therefore, internet and catalog retailers should be exempt from collecting sales taxes unless they have a physical presence, such as a store or warehouse, in the purchaser’s state. Thus, the burden to remit sales tax on Internet and catalog purchases has fallen on the consumer, who is usually unaware of the responsibility. Notably, the Supreme Court also stated that “Congress may be better qualified to resolve [the problem].”*

During the last 20 years, since the Quill decision was handed down, states have attempted to address the issue on their own through varying legislative efforts. Congressional action is ultimately required to grant states the authority to collect taxes from retailers located out of state.

Current Activity: After a similar bill died in 2012, in February the Marketplace Fairness Act of 2013 was introduced in the U.S. Senate as S. 336 by Senators Mike Enzi (R-WY), Dick Durbin (D-IL), Lamar Alexander (R-TN) and Heidi Heitkamp (D-ND) and in the House of Representatives as H.R. 684 by Representatives Steve Womack (R-AR), Jackie Speier (D-CA), Kristi Noem (R-SD), John Conyers (D-MI) and Peter Welch (D-VT). These bills provide the federal solution necessary to close the online sales tax loophole and level the playing field for all retailers. Importantly, the legislation has strong bipartisan support in both the House and Senate.

Rationale: The current sales tax system is fundamentally flawed and out of touch with the realities of 21st Century commerce. Not only is it unfair to traditional bricks-and-mortar retailers, it is also placing an impractical burden on taxpayers and costing state and local governments billions in much-needed revenue. As budget deficits continue, many states and local governments are looking to raise other taxes and fees to make up the lost revenue. These increases will further burden bricks-and-mortar businesses, putting these sellers at an additional disadvantage to their remote counterparts.

All retailers deserve to compete on a level playing field through business attributes like product selection, customer service and convenience. Shipping costs are an attribute that a company can choose to waive; however, sales taxes are mandatory for local retailers to collect. Local retailers should not be forced to compete on this government-imposed mandate.

According to data from the Center for Business and Economic Research at the University of Tennessee, in 2012 alone, New York is expected to have lost just under \$1 billion in state and local sales tax revenue from e-commerce sales.

On April 9th, Admiral's Jonathan Gordon will travel to Washington D.C. along with other members of the ICSC Government Relations Committee to lobby congress for change. If you have a personal example where a retailer could not open or closed a retail store, citing competition from internet sales, please contact Jon prior to his 4/9 trip.

Admiral Real Estate Services Corp is a full-service commercial real estate firm, offering leasing, investment sales, property management and advisory services. Based in Westchester, the company currently lists and/or manages over 75 retail, office, residential and development properties in the New York metropolitan area.

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