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NEWS RELEASE

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Amazon.com needlessly fires affiliates in tantrum over tax law

Amazon.com informed its Colorado affiliates today that their contracts were being terminated in response to House Bill 10-1193, a sales tax clarification just passed by the Colorado Legislature. Amazon's mass firings are a misguided attempt to bully Colorado for trying to boost efficiency and tax compliance to partly offset deep reductions in public services.

Contrary to Amazon.com's claims, the bill has no effect on relationships between Internet retailers and their Colorado affiliates. Recognizing a growing shift to Web shopping, HB 10-1193 requires Web-based stores such as Amazon.com to alert customers to their tax liability associated with Internet purchases.

"This action to fire business associates as retaliation amounts to corporate bullying," said Alec Harris, economist with the Colorado Fiscal Policy Institute.

Internet affiliates like those Amazon.com fired use blogs and other Web sites to advertise on behalf of retailers for a commission. For instance, an Amazon.com affiliate might post a link on her blog to a recommended book sold on Amazon.com as part of a contract with Amazon. Under such a contract, the affiliate receives a commission for every click or resulting sale the advertisement generates for the online retailer.

As online retail accounts for a growing share of consumer spending, state and local governments are losing a traditional and much-needed source of revenue for schools, medical care and other vital public services. Unlike retailers with a physical presence in the state, Internet-only retailers are not obligated to collect sales tax on behalf of their customers. The fact that online retailers do not collect the tax does not eliminate the tax liability for purchase. But few consumers are aware of their tax obligation. Companies that have a physical presence in Colorado and collect the tax to help support their communities with jobs are placed at a disadvantage.

In the face of increasing losses of sales tax revenue as a result of online sales, several states have tried to collect taxes owed on internet sales. New York, Rhode Island and North Carolina have all passed laws which use an affiliate approach to require out-of-state online retailers like Amazon.com to collect sales tax on behalf of their customers. Colorado chose a different approach, asking Internet retailers to inform customers of the tax obligation of the online purchase.

Even this more moderate approach provoked Amazon.com to fire its affiliates in Colorado just as they had in Rhode Island and North Carolina.

“The Colorado bill specifically avoids affecting affiliate marketing. Yet Amazon.com has fired its Colorado affiliates,” Harris said. “Their action shows a total disregard for their Colorado-based business associates.”

Amazon.com’s position was clear in the letter of termination: “If Colorado would repeal the current law ... we would welcome the opportunity to reinstate Colorado-based Associates.” But its firing of affiliates in Colorado shows clearly that Amazon.com is simply unhappy about having its customers alerted to the tax legally due on their sales, and is willing to use its Colorado affiliates as hostages in protest.

The Colorado Fiscal Policy Institute calls on Amazon.com and other Internet-only retailers to comply with the law. By firing its affiliates, Amazon.com only hurts its own business and people working to make a living; its legal obligations do not change. Consumers, meanwhile, should remember there are alternatives for Internet purchases from retailers that provide jobs in our state and support Colorado’s communities.

The Colorado Fiscal Policy Institute is a project of the Colorado Center on Law and Policy, a nonprofit, nonpartisan research and advocacy organization promoting justice and economic security for all Coloradans.