

# Is Congress Listening?

## The Peril of Ignoring Public Opinion on the Internet Sales Tax Issue

**Conducted July 10-14, 2013 by Mercury**

n= 700 Likely GOP Primary Voters

Margin of Error +/- 3.7%

80% Landline; 20% Cellphone

**Conducted July 10-11, 2013 by Mercury**

n= 1,000 Likely Voters

Margin of Error +/- 3.1%

80% Landline; 20% Cellphone



Free markets. Real solutions.

# About the Organizations



National Taxpayers Union (NTU) is America's independent, non-partisan advocate for overburdened taxpayers. NTU mobilizes elected officials and the general public on behalf of tax relief and reform, lower and less wasteful spending, individual liberty, and free enterprise. Founded in 1969, the organization works at all levels for the day when taxpaying citizens' right to a limited government is among our nation's highest democratic principles. For more information about NTU, please visit [www.ntu.org](http://www.ntu.org).



The R Street Institute is a new non-profit, non-partisan think tank that supports free markets, limited and effective government, and responsible environmental stewardship. Founded in 2012, R Street strives to craft pragmatic solutions to domestic budget, tax, and regulatory challenges. For more information about R Street's work, please visit [www.rstreet.org](http://www.rstreet.org).

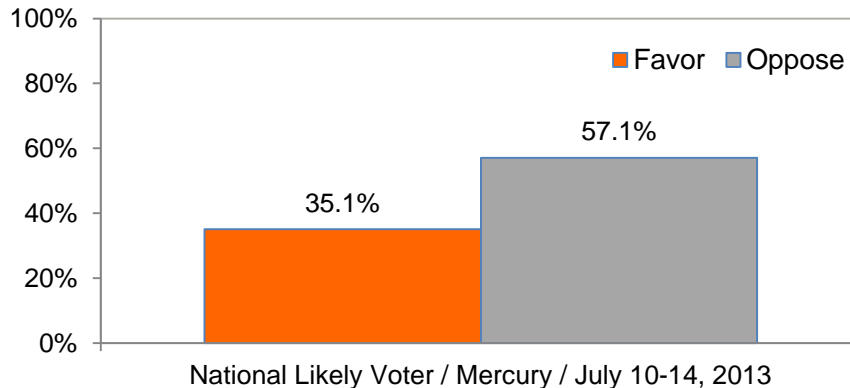
# Key Takeaways

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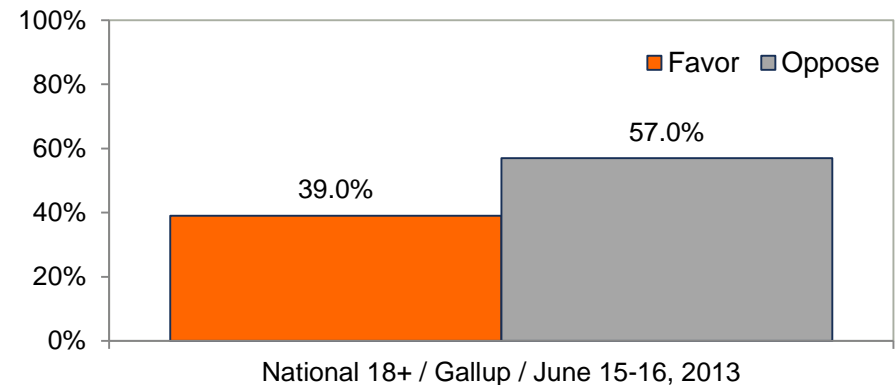
- Voters across ideologies and demographics oppose the Marketplace Fairness Act and support the current policy regarding Internet sales tax.
- Powerful issue for Republicans to either energize the base in a GOP primary or appeal to swing voters in a general election.
- Republicans are well-positioned to use MFA issue as a way to inject both tax issues and role of government issues into campaign against pro-MFA Democrats.
- Opposition to MFA can be a bridge issue for the GOP to reshape perception among Millennials and “born digital” voters.
- Support of MFA is a dangerous vulnerability for Republicans facing a GOP Primary.

# Public Opinion on Internet Sales Tax: Why Isn't Congress Listening?

Online retailers must collect and process sales tax on purchases made over the Internet ONLY in states where that retailer has a physical presence. For larger companies like Target or Wal-Mart, this may be all states. However, many small online retailers who only have a presence in one state are exempt from collecting sales taxes from customers in other states. Congress is proposing to change the law – giving states the authority to force all online retailers to collect sales taxes from customers in that state – even if the retailer has no physical presence there. Knowing this, would you favor or oppose new legislation that changes the system for how states collect sales taxes from Internet purchases?



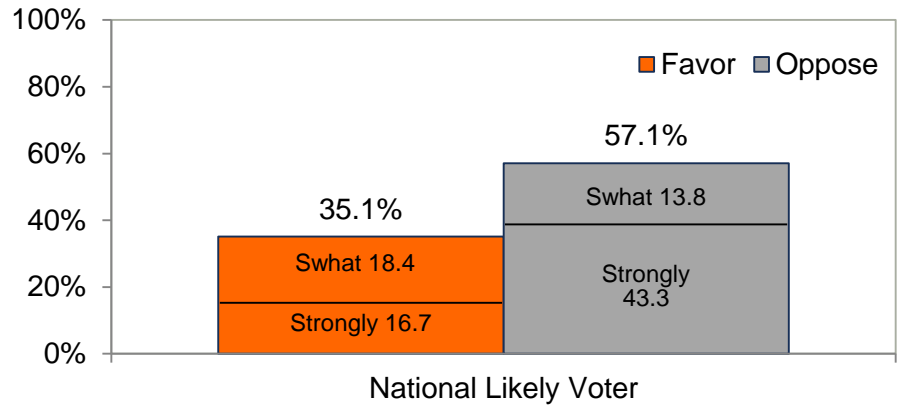
Next, suppose that on Election Day you could vote on key issues as well as candidates. Would you vote for or against a law that would allow each state to collect sales taxes on purchases its residents make online over the Internet?



- In June, Gallup found broad disapproval for online sales tax collection – reporting that not a single major subgroup approved of the legislation that was passed in the Senate.
- In July, NTU and R Street commissioned a poll to analyze public opinion further – both among general election likely voters and GOP primary voters.
- The results are consistent with Gallup's findings – this report will provide a deeper analysis of public opinion on the issue.

# MFA: Deeply Unpopular Across the Board

Online retailers must collect and process sales tax on purchases made over the Internet ONLY in states where that retailer has a physical presence. For larger companies like Target or Wal-Mart, this may be all states. However, many small online retailers who only have a presence in one state are exempt from collecting sales taxes from customers in other states. Congress is proposing to change the law – giving states the authority to force all online retailers to collect sales taxes from customers in that state – even if the retailer has no physical presence there. Knowing this, would you favor or oppose new legislation that changes the system for how states collect sales taxes from Internet purchases?\*



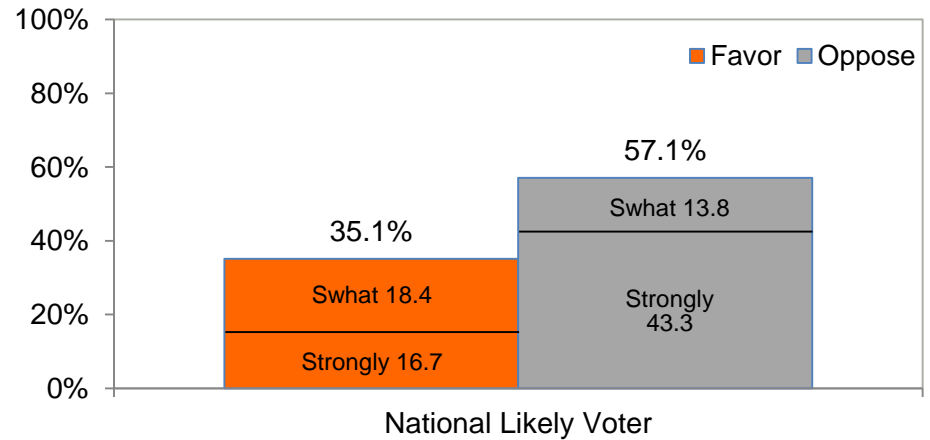
	Overall	Region				Area Live In				Vote Behavior			Income			Age		
		East	Mid-West	South	West	Large City	Small City/Town	Suburbs	Rural Area	Dem	Splits Ticket	Rep	-50K	\$50K-\$100K	\$100K+	-40	Over 40	65+
Favor	35.1	39.1	40.9	32.1	29.4	44.0	32.9	36.4	30.1	43.4	36.1	27.0	34.9	34.8	36.3	38.6	34.3	38.2
Oppose	57.1	54.2	51.6	61.0	59.3	47.8	58.1	57.9	61.4	47.5	58.4	66.2	55.5	58.7	59.0	55.2	57.7	49.2
<b>Net Oppose</b>	<b>22.0</b>	<b>15.1</b>	<b>10.7</b>	<b>28.9</b>	<b>29.9</b>	<b>3.8</b>	<b>25.2</b>	<b>21.5</b>	<b>31.3</b>	<b>4.1</b>	<b>22.3</b>	<b>39.2</b>	<b>20.6</b>	<b>23.9</b>	<b>22.6</b>	<b>16.6</b>	<b>23.4</b>	<b>11.0</b>

	Overall	Ideology			Party			Gender		Online Consumer	
		Lib	Mod	Cons	Dem	Indy	GOP	Male	Female	Yes	Never
Favor	35.1	44.9	39.5	27.7	42.8	36.5	27.1	35.8	34.4	33.5	43.9
Oppose	57.1	46.7	54.9	65.2	47.9	56.1	65.6	58.8	55.6	61.2	35.7
<b>Net</b>	<b>22.0</b>	<b>1.8</b>	<b>15.4</b>	<b>37.5</b>	<b>5.1</b>	<b>19.6</b>	<b>38.5</b>	<b>23.0</b>	<b>21.2</b>	<b>27.7</b>	<b>-8.2</b>

➤ The only subgroup of voters who support MFA are those who “never” buy goods online – just 15% of the electorate.

# Opposition to MFA Gives GOP Powerful Swing Voter Issue

Online retailers must collect and process sales tax on purchases made over the Internet ONLY in states where that retailer has a physical presence. For larger companies like Target or Wal-Mart, this may be all states. However, many small online retailers who only have a presence in one state are exempt from collecting sales taxes from customers in other states. Congress is proposing to change the law – giving states the authority to force all online retailers to collect sales taxes from customers in that state – even if the retailer has no physical presence there. Knowing this, would you favor or oppose new legislation that changes the system for how states collect sales taxes from Internet purchases?

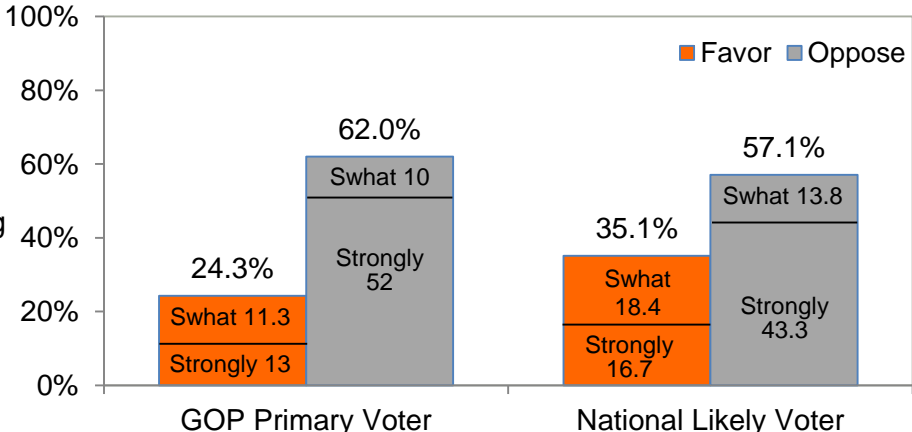


National Likely Voter Overall	Vote Behavior			Suburban Voters	Female	Female Under 40	Moderates	Independents	
	Dem	Splits Ticket	Rep						
Favor	35.1	43.4	36.1	27	36.4	34.4	40.2	39.5	36.5
Oppose	57.1	47.5	58.4	66.2	57.9	55.6	53	54.9	56.1
Strongly Oppose	43.3	37.8	42.1	53.5	44.6	39.8	31.6	39.5	40.2
<b>Net</b>	<b>22.0</b>	<b>4.1</b>	<b>22.3</b>	<b>39.2</b>	<b>21.5</b>	<b>21.2</b>	<b>12.8</b>	<b>15.4</b>	<b>19.6</b>

- Swing voters like ticket-splitters, suburban voters, independents and younger women all oppose MFA.
- Republicans are well-positioned to wield this issue against Democrats supporting MFA.

# Key Groups Republicans Have to Win in Statewide Elections Oppose MFA

Online retailers must collect and process sales tax on purchases made over the Internet ONLY in states where that retailer has a physical presence. For larger companies like Target or Wal-Mart, this may be all states. However, many small online retailers who only have a presence in one state are exempt from collecting sales taxes from customers in other states. Congress is proposing to change the law – giving states the authority to force all online retailers to collect sales taxes from customers in that state – even if the retailer has no physical presence there. Knowing this, would you favor or oppose new legislation that changes the system for how states collect sales taxes from Internet purchases?

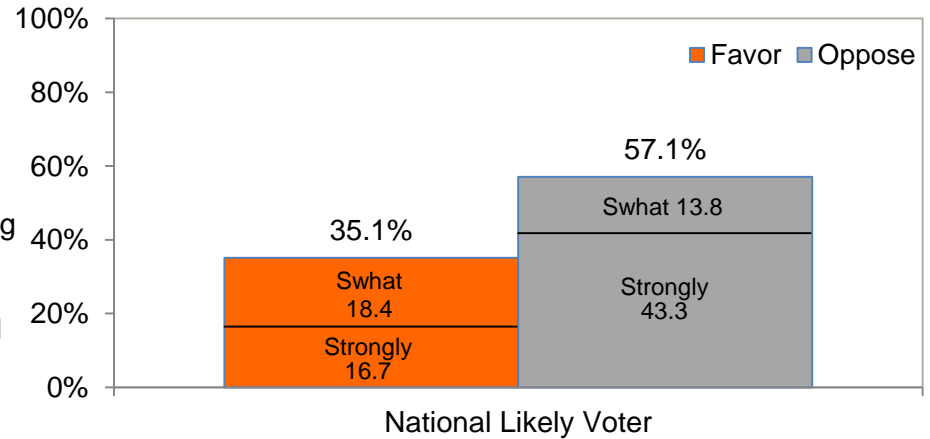


National Likely Voter Overall		Vote Behavior			Ind Male	Rural Voters	Men 55+	Ideology	
		Dem	Splits Ticket	Rep				Swh Con	Very Con
Favor	35.1	43.4	36.1	27.0	39.6	30.1	39.4	39.5	27.7
Oppose	57.1	47.5	58.4	66.2	51.9	61.4	56.7	54.9	65.2
Strongly Oppose	43.3	37.8	42.1	53.5	35.8	49.2	48.4	39.5	51.2
Net	22.0	4.1	22.3	39.2	12.3	31.3	17.3	15.4	37.5

- Republicans typically need strong support from independents, rural voters and ticket-splitters to maintain a winning statewide coalition.
- For Republican Governors in particular, MFA support would be a powerful wedge issue attack from a Democratic opponent.

# MFA Issue Could Help GOP Engage Millennials + “Born Digital” Voters

Online retailers must collect and process sales tax on purchases made over the Internet ONLY in states where that retailer has a physical presence. For larger companies like Target or Wal-Mart, this may be all states. However, many small online retailers who only have a presence in one state are exempt from collecting sales taxes from customers in other states. Congress is proposing to change the law – giving states the authority to force all online retailers to collect sales taxes from customers in that state – even if the retailer has no physical presence there. Knowing this, would you favor or oppose new legislation that changes the system for how states collect sales taxes from Internet purchases?



National Likely Voter Overall		Moderate	Pro-Choice	Too Much Internet Regulation	Regularly Buy Online	Age	
						18-25	26-40
Favor	35.1	39.5	37.9	27.5	29.6	45.1	36.6
Oppose	57.1	54.9	55.2	67.3	66.3	52.9	55.8
Strongly Oppose	43.3	39.5	40.8	57.0	53.0	33.3	38.4
<b>Net</b>	<b>22.0</b>	<b>15.4</b>	<b>17.3</b>	<b>39.8</b>	<b>36.7</b>	<b>7.8</b>	<b>19.2</b>

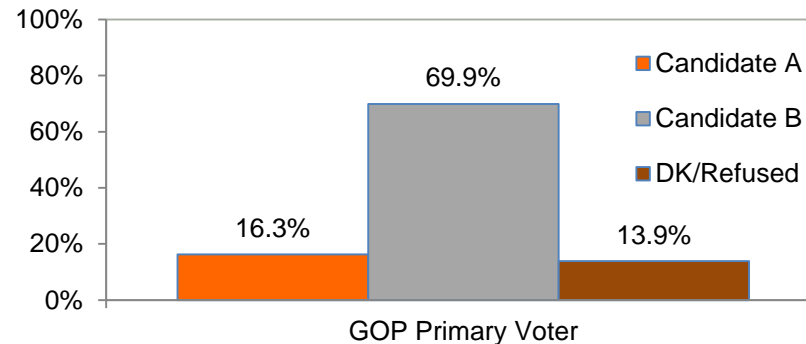
- Republicans can use MFA issue as a vehicle to make their bedrock conservative principles relevant to this elusive group of swing voters.
- The issue appeals to younger voters, heavy e-commerce users and those with more liberal views on social issues.



# MFA Issue Has the Power to Topple Incumbents in GOP Primaries

*If there were a Republican primary for Congress today, which candidate would you vote for:*

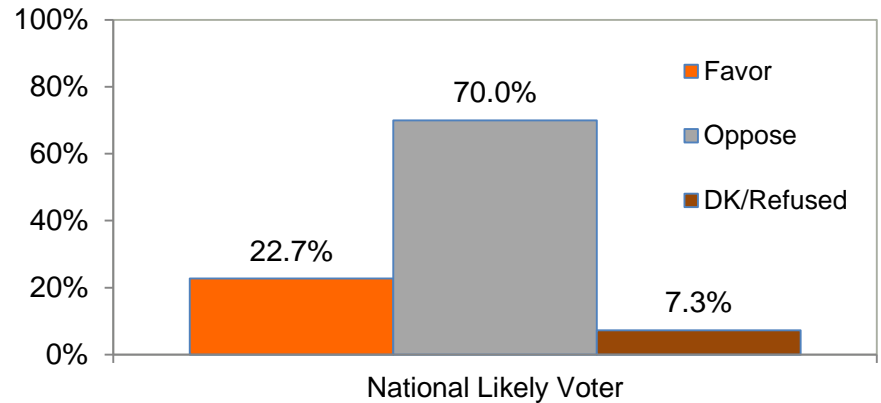
1. Candidate A: Who voted in favor of changing how states collect sales taxes from Internet purchases – essentially creating a new national sales tax collection mandate that applies to every retailer who sells goods and services over the Internet
2. Candidate B: Who opposed efforts to increase taxes on the Internet – including voting against the creation of a new national sales tax collection mandate that applies to every retailer who sells goods and services over the Internet



GOP Primary Voter Overall		Ideology		Vote in Primary		Abortion	Tea Party	
		Swl Con	Very Con	Always	Usually	Pro-Life	Support	Strong Support
Candidate A	<b>16.3</b>	21.9	11.6	16.4	16.1	14.2	15.6	12.0
Candidate B	<b>69.9</b>	66.8	73.3	70.6	68.2	72.4	71.0	76.6
<b>Net Candidate B</b>	<b>53.6</b>	<b>44.9</b>	<b>61.7</b>	<b>54.2</b>	<b>52.1</b>	<b>58.2</b>	<b>55.4</b>	<b>64.6</b>

# When Tax Enforcement Reality is Explained, Opposition Intensifies

More specifically, the proposed legislation would allow tax enforcement agents from one state to collect taxes from online retailers based in a different state. For instance, if a customer in New York makes an Internet purchase from an Oregon retailer where there is no sales tax, authorities in New York can force that retailer to collect New York sales tax and send it to New York. Knowing this, do you favor or oppose federal legislation that changes how states collect sales taxes from Internet purchases?



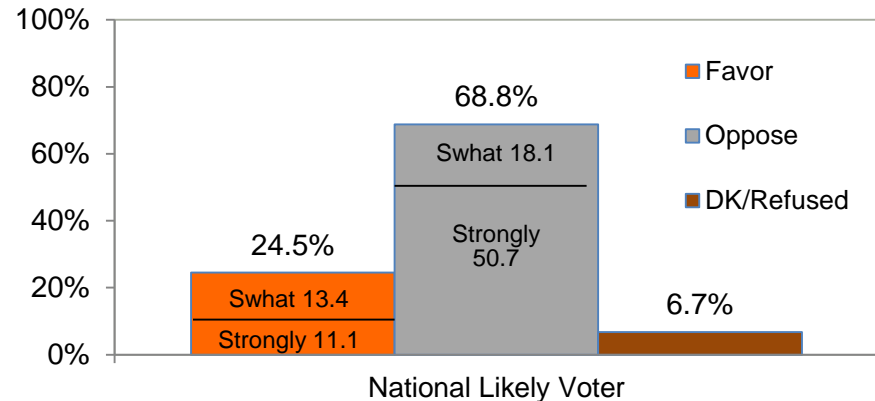
	Overall	Region				Area Live In				Vote Behavior			Income			Age		
		East	Mid-West	South	West	Large City	Small City/Town	Suburbs	Rural Area	Dem	Splits Ticket	Rep	<50K	\$50K-\$100K	>100K+	<40	Over 40	65+
Favor	22.7	23.5	28.7	19.7	19.8	24.5	18.9	25	23.2	29.5	24.3	16.4	19.2	23.9	24.1	27.8	21.2	19.3
Oppose	70.0	68.7	64.2	74.1	70.6	67.9	73.1	66.4	72.0	62.5	68.3	76.8	73.7	68.7	69.8	64.6	71.7	71.8
<b>Net Oppose</b>	<b>47.3</b>	<b>45.2</b>	<b>35.5</b>	<b>54.4</b>	<b>50.8</b>	<b>43.4</b>	<b>54.2</b>	<b>41.4</b>	<b>48.8</b>	<b>33</b>	<b>44.1</b>	<b>60.4</b>	<b>54.5</b>	<b>44.8</b>	<b>45.7</b>	<b>36.8</b>	<b>50.5</b>	<b>52.5</b>

	Overall	Ideology			Party			Gender		Online Consumer	
		Lib	Mod	Cons	Dem	Indy	GOP	Male	Female	Yes	Never
Favor	22.7	26.2	27.6	17.3	29.9	20.6	17.1	24.4	21.2	21.4	29.9
Oppose	70	64.0	66.1	76.3	63.1	70.4	76.0	70.0	70.0	72.4	56.7
<b>Net</b>	<b>47.3</b>	<b>37.8</b>	<b>38.5</b>	<b>59.0</b>	<b>33.2</b>	<b>49.8</b>	<b>58.9</b>	<b>45.6</b>	<b>48.8</b>	<b>51.0</b>	<b>26.8</b>

- When voters learn that MFA will expand government’s ability to use the Internet as a tax collection too, support evaporates.
- The data demonstrates that MFA’s role in increasing the size and power of government is driving opposition – not just a reaction towards more taxes.

# Reality of MFA as a National Sales Tax Collection Mandate Collapses Support

The proposed legislation essentially creates a new national sales tax collection mandate that applies to every retailer who sells goods and services over the Internet – including small, independently owned stores and home-based sellers. With this in mind, do you favor or oppose this legislation?



	Overall	Region				Area Live In				Vote Behavior			Income			Age		
		East	Mid-West	South	West	Large City	Small City/Town	Suburbs	Rural Area	Dem	Splits Ticket	Rep	-50K	\$50K-\$100K	\$100K+	-40	Over 40	65+
Favor	<b>24.5</b>	27.9	29.1	20.5	23.2	34	20.6	26.8	21.1	30.7	25.2	18.7	19.6	27.4	27.4	31.4	22.8	21.4
Oppose	<b>68.8</b>	64.8	63.8	73.6	69.5	59.7	70.4	67.1	73.6	61.1	70.8	74.5	71.9	66.8	69.3	62.3	70.5	69.7
<b>Net Oppose</b>	<b>44.3</b>	<b>36.9</b>	<b>34.7</b>	<b>53.1</b>	<b>46.3</b>	<b>25.7</b>	<b>49.8</b>	<b>40.3</b>	<b>52.5</b>	<b>30.4</b>	<b>45.6</b>	<b>55.8</b>	<b>52.3</b>	<b>39.4</b>	<b>41.9</b>	<b>30.9</b>	<b>47.7</b>	<b>48.3</b>

	Overall	Ideology			Party			Gender		Online Consumer	
		Lib	Mod	Cons	Dem	Indy	GOP	Male	Female	Yes	Never
Favor	<b>24.5</b>	29	29.2	19.2	30.9	21.7	19.4	26.5	22.7	23.8	28.7
Oppose	<b>68.8</b>	61.7	65.2	75.1	61.9	70.9	74.7	69	68.7	71	56.7
<b>Net</b>	<b>44.3</b>	<b>32.7</b>	<b>36.0</b>	<b>55.9</b>	<b>31.0</b>	<b>49.2</b>	<b>55.3</b>	<b>42.5</b>	<b>46</b>	<b>47.2</b>	<b>28</b>

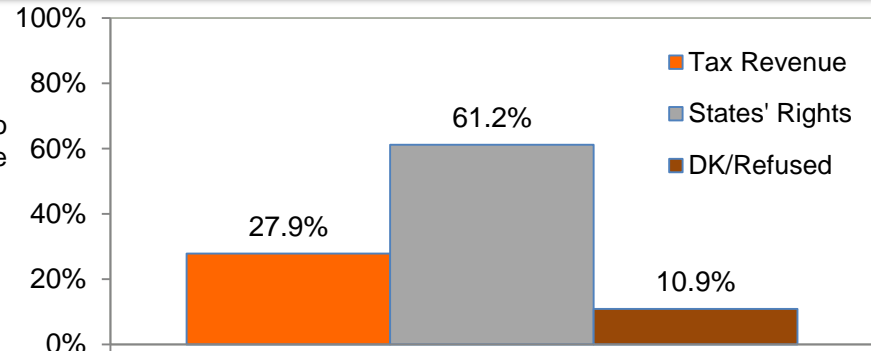
- Support for MFA turns out to be bad politics across the board.
- When MFA is explained as a national sales tax collection mandate – even liberals turn against it 2:1.

# In the Battle of Best Arguments – MFA Fails Again

## TAX REVENUE vs SUPERSEDES STATES' RIGHTS

Which of the following comes closest to your opinion:

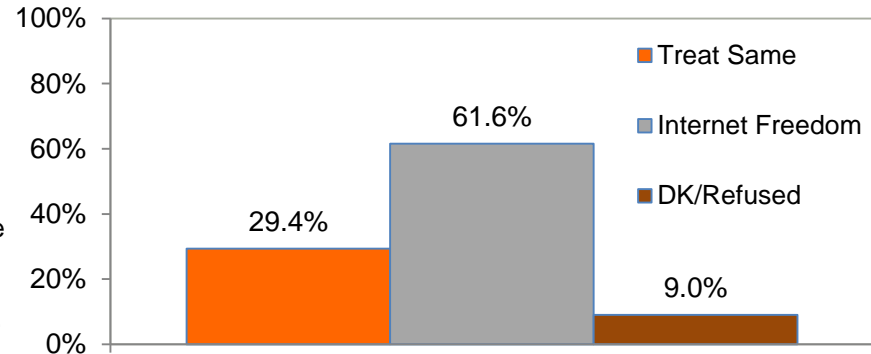
1. You support the proposed legislation because your state should be able to generate more revenue by collecting sales taxes on any Internet purchase made by a state resident – regardless of whether the online retailer has a physical presence in the state or not.
2. You oppose the proposed legislation because it enables other states to interfere with the laws and will of state voters by forcing local businesses and consumers to comply with the costly and excessive tax policies of places like New York City, Chicago and Los Angeles.



## TREAT SAME vs Internet FREEDOM

Which of the following comes closest to your opinion:

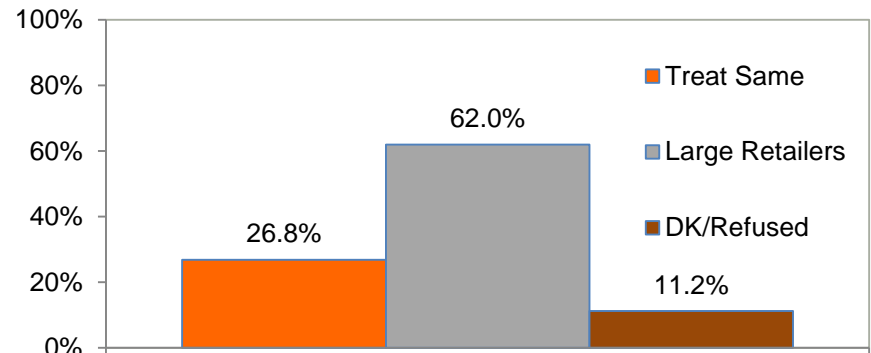
1. You support the proposed legislation because all purchases should be treated the same regardless of whether that purchase is made in a brick-and-mortar store or online especially since small local merchants with no online presence are faced with the unfair disadvantage of having to charge sales tax.
2. You oppose the proposed legislation because it opens the floodgates to more government regulation and taxation of the Internet – jeopardizing the freedom of the Internet and stifling innovation and economic growth.



## TREAT SAME vs LARGE RETAILERS

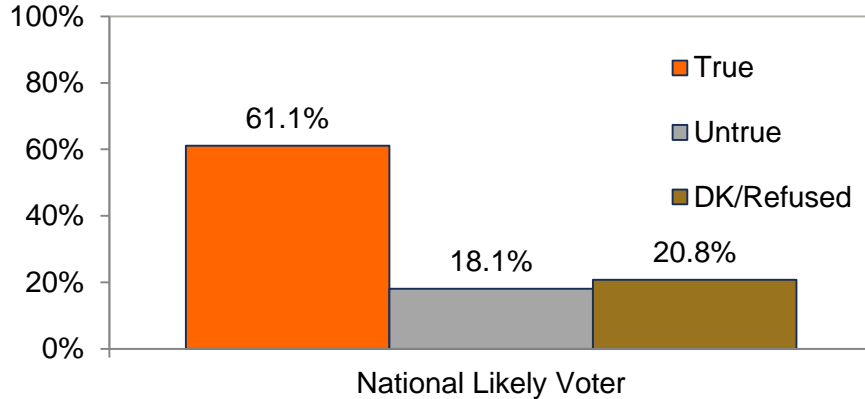
Which of the following statements comes closest to your own opinion:

1. You support the proposed legislation because all purchases should be treated the same regardless of whether that purchase is made in a brick-and-mortar store or online especially since small local merchants with no online presence are faced with the unfair disadvantage of having to charge sales tax.
2. You oppose the legislation because it gives an unfair advantage to large retailers like Wal-Mart while imposing costly new tax burdens on small online retailers and raising prices for the millions of consumers who shop online.

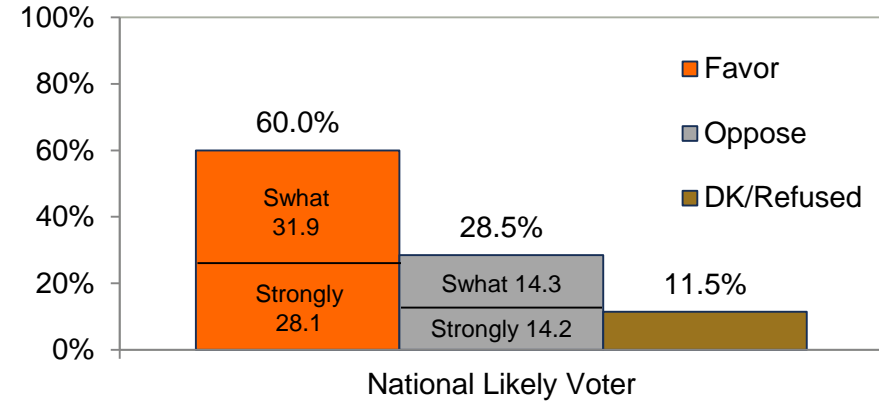


# Voters are Speaking Clearly: Strong Awareness + Support of Current IST Policy

**True/Untrue:** Currently, online retailers are only required to collect sales taxes from customers in states where they have a physical presence like a store, office or warehouse.



**If fact it is true.** Retailers are only required to collect sales taxes from customers in states where they have a physical presence. Knowing this, do you favor or oppose this current law?






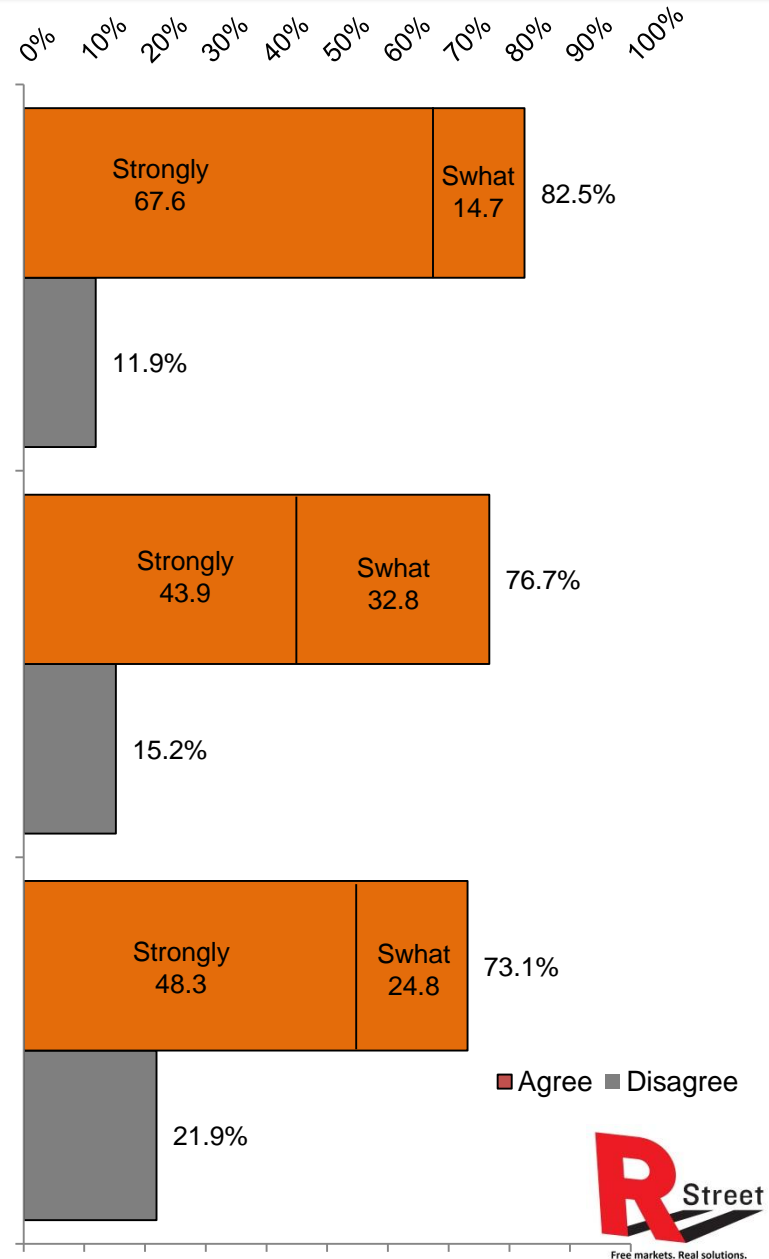
SUPPORT FOR CURRENT LAW																		
	Overall	Ideology			Party			Income			Gender		Age			Online Consumer		
		Lib	Mod	Cons	Dem	Indy	GOP	-\$50K	\$50K-\$100K	\$100K+	Male	Female	-40	Over 40	65+	Yes	Never	
Favor	<b>60.0</b>	56.5	59.2	63.0	58.8	59.3	62.3	61.9	60	59.0	58.5	61.3	61.4	59.5	55.5	64.1	38.2	
Oppose	<b>28.5</b>	31.3	30.1	25.8	29.4	29.1	26.1	24.9	31.6	33.0	32.5	24.8	29.1	28.7	26.9	27.2	35.0	
<b>Net</b>	<b>31.5</b>	<b>25.2</b>	<b>29.1</b>	<b>37.2</b>	<b>29.4</b>	<b>30.2</b>	<b>36.2</b>	<b>37.0</b>	<b>28.4</b>	<b>26.0</b>	<b>26.0</b>	<b>36.5</b>	<b>32.3</b>	<b>30.8</b>	<b>28.6</b>	<b>36.9</b>	<b>3.2</b>	

- Unlike MFA, the current policy regarding remote tax collection is popular.
- Voters know the status quo, approve of the status quo, and do not want to change the current policy.
- Support is steady across ideological and partisan lines.

# Messaging: Internet is a Tool for Market Power – Not Gov't Power

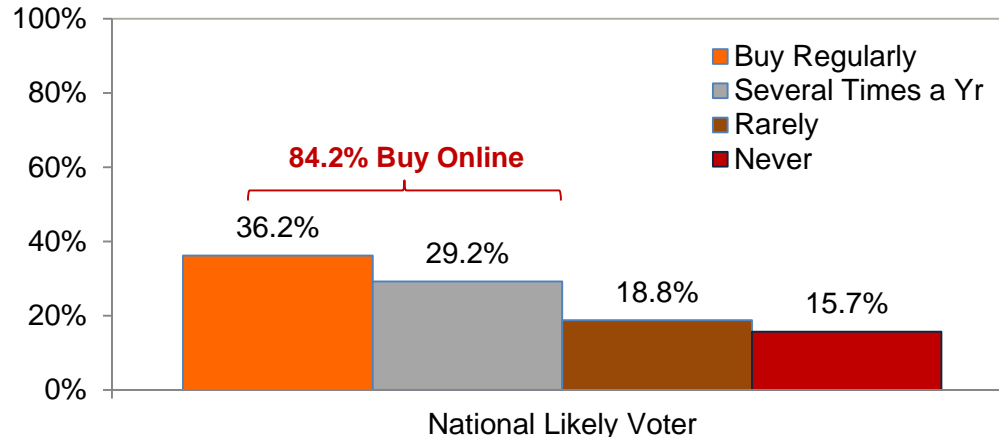
Please tell me if you agree or disagree with the following statements.

-  Elected officials need to do more to rein in government spending, not find new ways to tax hard working Americans.
  
-  The Internet helps level the playing field between small businesses trying to compete with large multi-billion dollar retailers.
  
-  The Internet should remain as free from government regulation and taxation as possible.



# Appendix: E-Commerce Users Skew Higher-Income, Younger

How frequently do you buy goods or services online?



Overall	Ideology			Party			Gender		Income			Age			
	Lib	Mod	Cons	Dem	Indy	GOP	Male	Female	-\$50K	\$50K-\$100K	Over \$100K	-40	Over 40	65+	
<b>Buy Online</b>	<b>84.2</b>	<b>85.0</b>	<b>85.0</b>	<b>84.1</b>	<b>83.0</b>	<b>84.7</b>	<b>84.8</b>	<b>83.7</b>	<b>72.6</b>	<b>90</b>	<b>92.9</b>	<b>98.2</b>	<b>80.1</b>	<b>64.3</b>	
Regularly	36.2	38.3	35.4	36.7	34.3	37.6	38.0	37.3	35.2	23.1	36.8	55.7	48.9	32	18.5
Never	15.7	15.0	15.0	15.9	16.8	15.3	15.2	15.0	16.3	27.4	10	7.1	1.8	19.8	35.7
<b>Net</b>	<b>68.5</b>	<b>70.0</b>	<b>70.0</b>	<b>68.2</b>	<b>66.2</b>	<b>69.4</b>	<b>69.6</b>	<b>69.8</b>	<b>67.4</b>	<b>45.2</b>	<b>80</b>	<b>85.8</b>	<b>96.4</b>	<b>60.3</b>	<b>28.6</b>