

Chinese business benefits from sales tax loophole

Rex Solomon

The Republican Party just won a big election, in large part due to support from small business, but that victory could blow up in the party's face if Republicans unceremoniously dump Main Street for a giant Chinese "e-tailer."

Right now, the House is punting on whether to close the online sales tax loophole — a quirk in the law that allows online retailers to evade collecting state sales taxes. When you're a Main Street business that has to collect sales taxes while online retailers don't, the disadvantage is substantial. This edge for online retailers ranges from 5% to 10%. Here in Texas, it's up to 8.25%. Many small businesses can't compete against an online competitor with a government-sanctioned advantage.

Looming over this debate is the giant shadow of Alibaba, the mega e-tailer from China that just had the largest initial public offering in Wall Street history and is poised to enter the U.S. market. Alibaba would not have to collect and remit sales taxes either, and the competitive advantage would be devastating.

For context, Alibaba won't be entering the U.S. market as some tiny start-up. It already does more transactions than Amazon and eBay combined, and when it opens up full throttle in America, it's going to be impossible to compete against if our own government gives Alibaba an 8.25% price advantage.

My only hope is for Congress to do what's right and end this special deal for companies such as Alibaba before it's too late. In a rare act of bipartisanship, the Senate has already overwhelmingly passed the Marketplace Fairness Act, 69-27. It is now up to the Republican House to save American small businesses.

I got into business with a desire to compete, and it's that spirit in small-business owners that helps make America unique. I'm not asking for special treatment or a special deal, and I'm not ask-



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Alibaba Group headquarters in China.

ing our government to put up trade barriers to keep foreign rivals out.

To the contrary, I welcome all competitors, foreign and domestic. America should be the land of opportunity for all. But today's law is reverse protectionism. It gives foreign companies such as Alibaba an advantage to put me out of business. That is the height of lunacy.

Why does my one store with its 18 employees matter? Because there are millions of small businesses like mine that will suffer the same fate. Imagine what those empty storefronts will mean for unemployment, local tax revenue and property values. Not a pretty picture. It's why we need Congress to do its job and rectify this inequity.

House Republicans from my home state and across the country will have to decide whether they seriously expect small businesses to compete with one arm tied behind our back against Alibaba. Let's hope they come to their senses and restore basic free-market competition by closing the online sales tax loophole so that we all compete under the same rules.

House Republicans always used to support fair and free markets. Hopefully they still do. A great deal is at stake for millions of small retailers like me this holiday season.

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