



Future Marketplace: Free and Fair

Report Highlights

Free markets offer the lowest price on the most efficient basis.

- Government actions that “distort” a free market include taxes, subsidies, and regulations.
- Current federal policy creates special treatment for out-of-state sellers in the 45 states, home to 97 percent of Americans, with general sales taxes.

Federal policy will put the location of up to \$330 billion sales in play in 2012.

- This number reflects estimates of estimates from the National Conference of State Legislatures about the impact of out-of-state sales and an average state and local sales tax rate of 7.05%.
- Out-of-state sellers benefit from a federal policy loophole that keeps states from requiring out-of-state sellers to collect the sales tax.
- The techniques of out-of-state selling have expanded from catalogs to include electronic data interchange and Internet web sites.

The price difference from the tax loophole distorts the market, just as other taxes, subsidies, and regulation do.

- A market in which some sellers must collect sales tax and other, out-of-state sellers do not, distorts which sellers have the lowest price.
- Compared to an unsubsidized market, more sales go to out-of-state sellers.

Changes in information technology (IT) are will make the future marketplace different from that of today.

- The Internet is bringing more sellers within reach of buyers.
- Goods which have standard characteristics and low weight are most likely to see increases in sales by out-of-state sellers.
- Software, both off-the-shelf and customized, has made it easier for sellers to figure the sales tax owed in all states.