



Terry E. Branstad
GOVERNOR

OFFICE OF THE GOVERNOR

Kim Reynolds
LT. GOVERNOR

June 7, 2012

The Honorable Charles Grassley
U.S. Senator
135 Hart Senate Office Building
Washington, D.C. 20510

The Honorable Tom Harkin
U.S. Senator
731 Hart Senate Office Building
Washington, D.C. 20510

Dear Senator Grassley and Senator Harkin:

I am writing to encourage passage of S. 1832, the *Marketplace Fairness Act*. I understand that the coalition supporting this legislation is now very broad which gives me hope that, under your leadership, this legislation can be passed yet this year. S. 1832 provides an opportunity for federal leaders to enact an equitable solution that allows for a predictable, simple, and streamlined approach for Iowa and other states to consistently enforce sales tax laws. I join governors of both parties and a bipartisan group of US Senators in support of this legislation. Simply put, S. 1832 allows for Main Street Iowa businesses to be treated more fairly, recognizes the states' rights to enforce their own tax laws and provides a solution to a long-standing issue and tax loophole.

The Marketplace Fairness Act would level the playing field and fairly apply sales tax laws across every type of retailer. There has been an inconsistent application of sales tax laws since the *Quill v. North Dakota* case in 1992. Since then, the distortion of the marketplace has only compounded with the growth of Internet sales. The Internet is now a robust, mature, and dynamic marketplace that does not warrant special protections. The application of sales taxes only to "brick-and-mortar" retailers, many of which are small businesses, puts those very entities at a competitive disadvantage.

When this issue first arose in the 1990s, there were legitimate concerns about technological capabilities to calculate sales taxes for online retailers, but through technological advancements, those concerns are no longer applicable. Quite simply, technology exists to enforce sales tax laws without over-burdening online retailers with significant sales. The legislation also includes an important exemption for businesses that do not exceed \$500,000 in remote sales. In addition, *Amazon*, which initially opposed solutions like S. 1832, now supports this legislative fix, because it would allow for a predictable path forward that reflects the realities of the current marketplace.

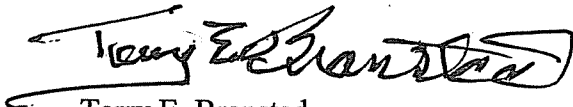
I know that you welcome opportunities to embrace solutions that enact equitable policies and attract a broad and bipartisan coalition of supporters. The *Marketplace Fairness Act* is one such opportunity and I hope the US Congress seizes it in 2012.

Since returning to the Governor's Office, I have proposed property tax relief for all classes of

property and a reduction to our highest in the nation corporate income tax rate. Both of those proposals are part of a comprehensive and long-term approach to equitable tax policy that supports job creation and increasing family incomes. I believe passage of S. 1832 will level the playing field for Iowa businesses and lessens the tax compliance burden for all citizens. Passage of S. 1832 will be a positive step by the federal government recognizing states' rights to control their own fiscal destinies and restoring fairness for Main Street businesses.

Thank you for your time and consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Terry E. Branstad". The signature is written in a cursive, somewhat stylized font with a large initial "T".

Terry E. Branstad
Governor of Iowa

cc: US Senate Majority Leader Harry Reid
US Senate Minority Leader Mitch McConnell
Iowa Members of the US House