

Board of Directors

Emeritus

Contact:

**STATEMENT BY MICHAEL MAZEROV, SENIOR FELLOW,
ON AMAZON'S CANCELLATION OF ITS COLORADO AFFILIATE PROGRAM**

Last month, Colorado enacted a law that requires Amazon.com and other Internet retailers that do not collect and remit Colorado sales tax on what they sell in the state to tell their Colorado customers that they may owe sales tax on their purchases, and also to tell the state each year the total dollar value of items purchased by each purchaser. Yesterday, Amazon told its small business partners in Colorado that it would immediately stop doing business with them unless Colorado repeals that law. This is an act of sheer retaliation.

Those partners, often called "affiliates," are small businesses and nonprofit organizations that link to Amazon's web site from their own sites and receive a commission when readers click on the links and buy something from Amazon. Amazon is dropping all its Colorado affiliates — even though there is no connection between the affiliate program and the new law. Eliminating the Colorado affiliate program will not eliminate Amazon's obligation to comply with the law. Amazon's actions are analogous to corporate hostage-taking; the company threatens to harm its affiliates in the state and encourages them to ask their state legislators to repeal the law in order to avoid that harm.

We've long known that Amazon doesn't want to collect sales taxes. It is determined to maintain its price advantage over local Colorado merchants by not charging tax. But what's good for Amazon is bad for schools, roads, and other public services in Colorado, and it's bad for local Colorado merchants as well. It is reasonable for Colorado to insist that Amazon and other Internet retailers tell their Colorado customers that the customers are legally obligated to pay taxes to support state services, just like customers of local Colorado merchants do.

This is not the first time that Amazon has cancelled an affiliate program in a state because it didn't like a new state law. It did so in North Carolina and Rhode Island in response to laws that directly used the in-state presence of affiliates as the basis for requiring Internet retailers to collect sales taxes; by cancelling the programs, Amazon could escape that requirement. But Amazon's action in Colorado marks the first time it has retaliated against affiliates for a law unrelated to its affiliate program.

Many of Amazon's Colorado partners have worked hard to promote the company. Yesterday's action shows that Amazon would rather toss those business relationships over the side and harm its partners than accept a reasonable role in ensuring collection of legally owed taxes that help pay for necessary state services. For Colorado to reverse its law now would encourage other large corporations to engage in similar acts of retaliation.

Colorado's legislature should be recognized for its leadership on this issue. There is strength in numbers. If other states follow Colorado's lead and require businesses selling into the state to inform customers of their legal obligation to self-pay taxes on their purchases, the efforts of Amazon and possibly other corporations to pick off states one by one will be thwarted.

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