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January 30, 2013

Governor's Transportation Funding Proposal Bets Big

Safer Bet is Closer to Home

RICHMOND, VA – More than a third of the revenue Governor McDonnell is banking on to fund his transportation proposal would come from federal legislation that has been the subject of heated debate in Congress for decades and has so far gone nowhere at the federal level.

The Marketplace Equity Act cited by the governor when he introduced his proposal would allow Virginia to require out-of-state (“remote”) sellers to collect sales taxes when they sell something online to a consumer in Virginia. The legislation, last introduced in 2011, has yet to be reintroduced in Congress, and is one of several competing proposals. But even if any of them were to make it through Congress, the amount of revenue Virginia would gain is a very real question because they likely would be paired with legislation that cuts state revenue.

“The likelihood of any one of these bills passing Congress any time soon is minimal,” says Michael Cassidy, President of the Commonwealth Institute for Fiscal Analysis. “Assuming Congress will act in a way that yields new revenue for Virginia this year amounts to a risky bet, not a real transportation solution.”

Instead, if policymakers are serious about modernizing Virginia’s sales tax and bolstering revenue collections from e-commerce activity, there are state-level solutions available. One example is taxing digital goods and services like audio, computer programs and other files downloaded from the Internet.

By extending the state sales tax to these purchases, Virginia could bring in roughly \$11 million more in revenues each year.

“In 2012, Virginia took a step in the right direction by requiring Amazon and other companies with warehouses in the state to collect sales taxes on sales made to purchases in Virginia,” says Cassidy. “Virginia legislators have the authority to make additional changes to the state sales tax structure to deal with other remote sellers that wouldn’t require an act of Congress.”

The Full report, [Remote Possibility](#), is available [here](#).

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