

Statement of the Honorable David N. Cicilline for Hearing on “No Regulation Without Representation: H.R. 2887 and the Growing Problem of States Regulating Beyond Their Borders” Before the Subcommittee on Regulatory Reform, Commercial and Antitrust Law

**Tuesday, July 25, 2017, at 10:00 a.m.
2141 Rayburn House Office Building**

Small, locally owned businesses are the lifeblood of our communities.

Whether it’s a local bookstore, coffee shop, hardware store, restaurant, or grocer, these small-scale businesses form the backbone of communities that are more prosperous, entrepreneurial, and connected, as the Institute for Local Self Reliance reports.

Leading studies have also found that more than half of every dollar **invested** in a locally owned business **stays** in the community.

That’s because locally owned businesses invest in labor, goods, and services located within our communities.

Profits are paid to local owners, who live in the community, and local workers, who receive higher wages at locally owned businesses.

And in times of economic downturn or recession, locally owned businesses create and retain jobs at a higher rate than larger corporations, as leading economists at Yale University and University of Bristol found in 2012.

But for decades, the value of goods sold by locally owned businesses has diminished due to tax loopholes for online purchases.

Even though taxes are owed on these purchases in nearly every state, few consumers are aware of this requirement or can be reasonably expected to track and report their own taxes from online purchases, also known as “use taxes.”

The result of this tax loophole has been catastrophic.

Over three thousand stores are expected to close this year—*double* the number of closings during this period last year—while the number of monthly job losses in the retail sector far exceeds the losses in every other sector of the economy *combined*.

And every week, as businesses and retailers are forced to close their doors, hardworking Americans want to know: why has Congress failed to act?

I am a proud cosponsor of H.R. 2193, the Remote Transaction Parity Act, which would end these unfair tax breaks that stack the deck against locally owned businesses.

This bill is a job and economic opportunity creator.

Conservative economic experts report that this commonsense measure would create more than 1.5 million jobs over a decade and reduce or eliminate state budget shortfalls by providing equal treatment for all businesses.

This state revenue is critical to helping our communities invest in infrastructure projects like bridges, roads, and broadband internet access, not to mention important public services like education, healthcare, and law enforcement.

These are projects and services that our communities need to flourish in the 21st Century Economy.

And to those who argue that this is a new tax, several states, including Wisconsin, have already signed laws into place to ensure that revenue collected through this bill will result in tax reductions.

And yet, rather than act on this legislation, which has broad bipartisan support, we now consider H.R. 2887, the Destroying Local Owned Business and State Sovereignty Act.

H.R. 2887 prohibits states from collecting taxes on purchases from out-of-state sellers unless they are physically present in the state for at least 15 days in a taxable year.

This legislation is also a dangerous and transparent attempt to bait our local stores to negotiate against the interest of local communities.

It should come as no surprise that this bill was drafted without input from locally owned businesses, brick-and-mortar stores, or state and local governments.

At a time when online commerce is a large and rapidly growing portion of all sales, H.R. 2887 has carve-outs for online commerce and would prevent states from collecting taxes on goods from out-of-state sellers.

And according to the Congressional Budget Office, requiring physical presence requirement for corporate income taxes alone, as this bill would do, would steal billions from state budgets *every year*.

Worse still, this legislation is an existential threat to the sovereignty of state governments.

This is no exaggeration.

H.R. 2887 prohibits states from imposing standards on commerce made by out-of-state manufacturers and sellers unless they have a physical presence within the state for 15 days in a taxable year.

As a coalition of leading administrative and constitutional law scholars note, this bill “unconstitutionally ejects states from their role in the federal system” and “is anathema to long-settled constitutional law, bedrock principles of federalism, and state innovation.”

Even though the Framers of the Constitution intended state governments to secure the health, safety, and welfare of their own citizens, H.R. 2887 upends this longstanding constitutional norm in favor less safety, less services, and higher taxes for hardworking Americans.

It is unfathomable that my Republican colleagues, who have for years said that the federal government is the problem and not the solution, produced this legislation that transfers the decisions of locally elected officials to Washington insiders.

I strongly oppose H.R. 2887 and I yield back the balance of my time.