



February 4, 2010

**Statement of Teresa Casazza
President, California Taxpayers' Association
Submitted to the Subcommittee on Commercial and Administrative Law
Committee on the Judiciary
United States House of Representatives**

**Hearing on H.R. 1083, the Business Activity and Tax
Simplification Act of 2010**

Chairman Cohen, Ranking Member Franks, and members of the Committee:

On behalf of the California Taxpayers' Association, I submit this statement in support of H.R. 1083, the Business Activity and Tax Simplification Act of 2010.

The California Taxpayers' Association is a nonpartisan association, founded in 1926 to protect taxpayers from unnecessary taxes and to promote government efficiency. We serve our members through research and advocacy on significant tax and spending issues in the legislative, executive and judicial branches of government. The California Taxpayers' Association is an organization that represents hundreds of small and large businesses that conduct business both in California and nationwide.

Certainty regarding potential tax liability and compliance obligations is essential for business planning and investment decisions. With the growth of electronic commerce, however, and lack of clear guidance from the courts regarding nexus standards for this new avenue of trade, tax obligations with respect to individual states have become confusing and unpredictable.

The lack of certainty with respect to whether a business may be subject to tax in any given state will only get worse with the expansion of Internet sales activity. A uniform "physical presence" standard, which bases the state's ability to tax on the physical presence of the taxpayer in the taxing state, will provide clear guidelines and reduce the costs associated with determining whether a business is subject to tax in any individual state, including litigation costs for taxpayers and state governments.

In addition to a lack of certainty regarding whether any particular state has sufficient nexus to impose tax on nonresident businesses, such variation creates a tremendous burden on interstate commerce by making businesses reluctant to engage in any activity that may subject them unwittingly to taxation in another state.

A uniform “physical presence” standard will allow taxpayers to understand clearly the potential for tax liability in each individual state. Such certainty will allow taxpayers to make informed investment decisions and encourage the expansion of interstate commerce without fear of reprisal from multiple state taxing agencies.

As E-commerce proliferates, the inconsistent application of nexus rules is approaching chaotic. We respectfully urge you to act quickly to resolve this ever growing problem. On behalf of the California Taxpayers’ Association, I respectfully request your support for H.R. 1083, which will contribute to economic growth and expansion as the economy continues to evolve.