

**Statement of David Borris, Main Street Alliance Executive Committee Member and Owner of Hel's Kitchen Catering in Northbrook, IL for the Subcommittee on Digital Commerce and Consumer Protection of the U.S. House of Representatives Energy and Commerce Committee hearing on "Review of Emerging Tech's Impact on Retail Operations and Logistics"**

**Wednesday, March 7, 2018**

Chairman Latta, Ranking Member Schakowsky, and members of the committee:

Thank you for the invitation to testify today regarding the impact of e-commerce and online retailers on Main Street small businesses.

My name is David Borris and I serve on the Executive Committee of the Main Street Alliance, a national network of small business owners. Our network creates opportunities for small business owners to speak for ourselves on matters of public policy that impact our businesses, our employees, and the communities we serve.

I've been a small business owner for 32 years. My wife and I opened a homemade food store in 1985, and over the years have expanded into a full service catering company with 33 full-time employees and up to 80 or more part-time and seasonal workers. We take great pride in what we do.

The rapid emergence of technologies disrupting and remaking vast sectors of our economy unleashes incredible innovations but also pose dramatic challenges in the retail sector. Online retailers are ever more able to deliver goods and services to consumers satisfying ever increasing consumer demand. Over half ([51 percent](#)) of American consumers prefer to shop online.<sup>1</sup>

But with the incredible growth of big e-commerce companies like Amazon.com, there is an existential threat to the millions of small business owners who form the backbone of the American economy, creating jobs and ensuring that local wealth stays circulating in local economies. [Seventy-four percent](#) of small business websites have no e-commerce option.<sup>2</sup>

Ensuring that America's small businesses are able to remain competitive in this brave new world of e-commerce should be a core concern for our policymakers and significant attention should be paid to the development of laws and regulations that ensure fairness and prevent unhealthy market concentration.

Today, I will discuss **three key policy issues** that we feel are essential in ensuring a fair and competitive e-commerce marketplace for small businesses that help promote and safeguard the vibrancy of our local economies.

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<sup>1</sup> <https://smallbiztrends.com/2017/01/ecommerce-statistics-small-businesses.html>

<sup>2</sup> <https://smallbiztrends.com/2016/06/small-business-ecommerce-trends.html>

- Internet Tax Fairness
- Net Neutrality
- Affordable, high quality broadband access

## Internet Tax Fairness

Small business owners need policies that level the playing field and ensure necessary revenue for local and state investments. When e-commerce laws allow for big internet retailers to avoid their tax responsibility, small businesses suffer and our states miss out on revenue needed for adequate funding of our education system, infrastructure maintenance and improvements, public safety, healthcare and other key programs.

Since the 1992 U.S. Supreme Court [ruling](#) in *Quill Corporation v. North Dakota* -- finding nothing unconstitutional about requiring out-of-state retailers, to collect state and local sales taxes on orders shipped to in-state residents -- our dysfunctional Congress has abdicated their responsibility to create a proper legislative framework enabling states to protect bricks and mortar businesses that have historically been the heart and soul of the local economy.<sup>3</sup> The result is a regressive public policy that disadvantages local businesses and undermines local and state governments. By exempting online retailers from collecting sales tax, current public policy places anywhere from a 4 to 11 percent disadvantage on small, local businesses. This perversely incentivizes consumers to shop online, reducing local economic activity -- activity that Main Street businesses and their local communities rely upon.

Not only does this practice reduce Main Street's customer base, it also drastically undermines state and local government budgets by reducing tax revenue for schools, police, and other critical local services. As e-commerce retailers grow, and the market continues to move towards online shopping, this revenue loss will only increase. Currently, 45 states assess sales taxes, from which they receive about 25 percent of their total revenue each year. When looking across mail, online and catalog retail, this unfair tax gap [costs an estimated \\$23.3 billion to state and local budgets annually](#)<sup>4</sup>. Main Street needs Congress to act to ensure this lost revenue can be collected and our state and local governments receive the necessary resources to adequately invest in our communities.

To do this, Congress should look at proposals like the [Marketplace Fairness Act](#), which, in the past, has successfully moved through the Senate, but stalled in the House<sup>5</sup>. This bipartisan legislation authorizes states with simplified and aligned sales tax rules to require large online and catalog retailers to collect sales taxes. Small online and mail order retailers with less than \$1,000,000 in out-of-state sales would still be exempt. Legislation like this would level the playing field, providing necessary protections for small businesses, while ensuring big online retailers pay their fair share of taxes to support our local communities.

## Net Neutrality

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<sup>3</sup> <https://www.law.cornell.edu/supct/html/91-0194.ZO.html>

<sup>4</sup> <https://ilsr.org/rule/internet-sales-tax-fairness/>

<sup>5</sup> <https://ilsr.org/rule/3049-2/>

We are concerned that the FCC's regulatory changes to net neutrality will significantly and unfairly undermine market access and competition on the Internet. While only a small handful of companies sell Internet access, nearly every company in the country buys it – including many Main Street small businesses. Weakening or rolling back the 2015 protections would be disastrous for the country's small business community.

Internet providers would gain new powers to steer businesses and customers in whatever direction *they* choose. For example, our customers' ISPs could charge us new fees for the right to reach our customers, or for prioritized access to those customers. Small business owners would simply be unable to compete with large corporations on a "pay-to-play" internet.

ISPs could also charge our customers new fees for access to our websites and services. And they could favor our competitors by slowing down our traffic or exempting our competitors' traffic from users' data caps, or they could block websites and apps outright. This would create immense uncertainty for small businesses in every sector of the economy who rely on open, unencumbered connectivity as a key enabler for their business and productivity.

While countries around the world embrace strong, common sense net neutrality protections, American small businesses would be left behind. Congress must maintain strong net neutrality rules that fosters innovation and enables small businesses to equalize our goods and services big e-commerce businesses.

### **Access to Affordable, High-Quality Broadband**

Access to affordable, high-quality broadband is necessary to boost small business owners and entrepreneurs access to e-commerce marketplaces. This is particularly true in rural areas.

A recent [report](#) by the Federal Communications Commission found that nearly 40 percent of the rural population (over 23 million Americans), compared to four percent of the urban population, lack access to basic broadband service. The report notes that the rural-urban broadband disparity, "disproportionately impacts the ability of small businesses operating in rural areas to successfully compete."<sup>6</sup>

As retailers increasingly rely on the internet for access to markets, customers, and logistical support, investment in universal broadband access is critical to support the growth of a vibrant entrepreneurial economy in both urban and rural areas. Without access to reliable broadband service, small businesses cannot develop quality online platforms, and stand to lose out on both sales and relevancy as the number of online shoppers continues to grow.

Internet tax fairness, net neutrality, and access to affordable, quality broadband-- all policies that create a level playing field for small businesses in the e-commerce marketplace-- this is the recipe for small business success, a strong middle class and vibrant local economies.

Thank you again for the opportunity to testify today. I look forward to your questions.

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<sup>6</sup> <https://www.fcc.gov/document/fcc-releases-2016-broadband-progress-report>