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TO: Midwest Public Affairs Group

FROM: Nick Panagakis

SUBJECT: Internet Sales Tax Poll - Illinois

The purpose of this survey was to determine public reaction to the collection of sales taxes on purchases made over the Internet and to obtain reaction to specific arguments for and against such collection. A total of 400 interviews were conducted with Illinois registered voters residing in households participating in recent, past elections. The survey was conducted September 6-8 and has a potential margin of error of  $\pm 5\%$  at the 95% level of confidence.

Questions asking whether voters favored or opposed Internet sales taxes were asked both before and after arguments for and against collection were made. The purpose of this was to obtain prevailing public attitudes about the issue and then to obtain attitudes after both sides of the issue were aired. Five arguments favoring collection of sales taxes and two opposed were presented.

In Illinois, 71% of voters have access to the Internet at home, work, or someplace else, a rate higher than the national polls household average (although we include use anywhere and others don't). Access ranges from 41% among those earning under \$35,000 up to 97% among \$75,000+ households. We found that 45% of all voters said they or another household member had made a purchase on the Internet and 30% purchased an item which "could have been bought in a retail store instead". Goods purchased and frequency was not obtained.

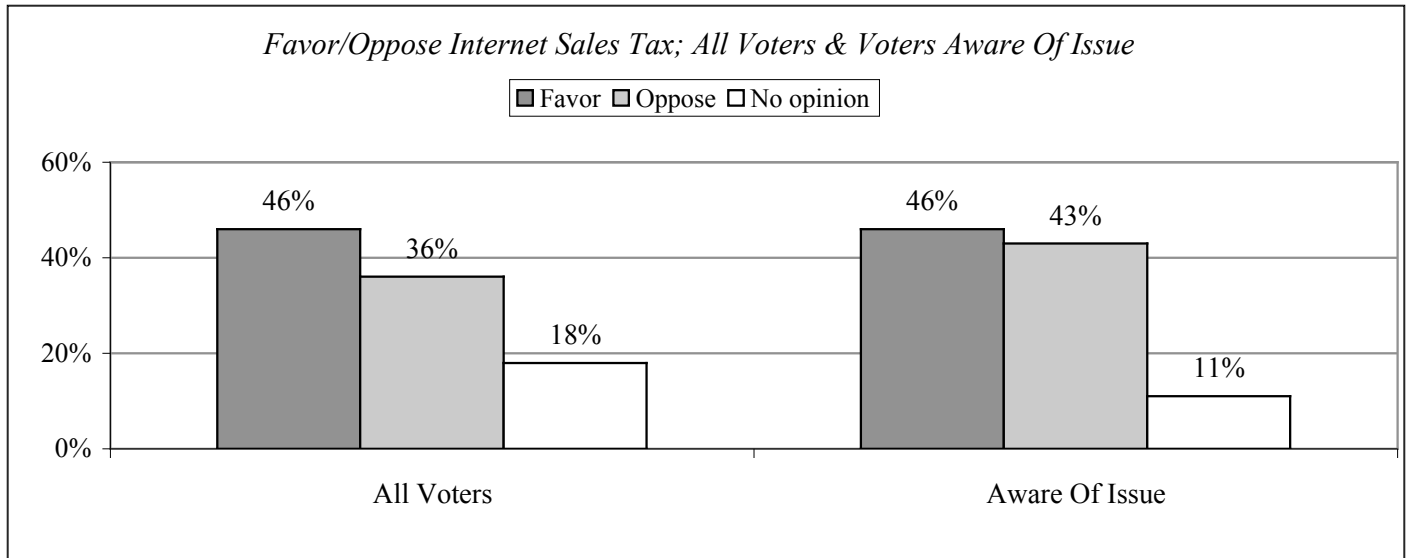
As in a national study conducted last June, half of Illinois voters are aware of "the issue of whether or not sales taxes should be collected" for purchases made on the Internet. Internet users and purchasers were more aware than others. Negative response, even from purchasers below, indicates that many are not fully aware of the issue.

	Whether Aware Of Internet Sales Tax Issue						
	All Voters	Party ID			Internet Access		
		Dems	Independent	GOP	Any Access	Purchased Retail Item	No Access
%	%	%	%	%	%	%	
Yes	48	43	46	55	55	68	31
No	51	55	52	44	44	32	65
Don't know	2	2	2	1	*	-	4
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 6. "Have you read, seen, or heard anything about the issue of whether or not sales taxes should be collected for Internet purchases?"

In the chart below, at the outset of our interview 46% of voters were in favor of collecting sales taxes on Internet purchases and 36% were opposed. So the prevailing opinion in Illinois on this issue is a plurality in favor of collecting sales taxes on Internet purchases.

Also shown below is response among the 48% who before said they were aware of the issue. This group, which includes more Internet users and purchasers, are more divided in their opinion about collecting sales taxes; i.e., less than a majority, 46%, are in favor, 43% are opposed, and 11% have no opinion on the issue.



Q7. "Do you favor or oppose requiring Internet businesses to collect sales taxes on Internet purchases just as retail stores must do? (IF FAVOR/OPPOSE) Is that strongly or just somewhat?"

The table below presents this response by party identification and by Internet access.

Response by party ID shows some differences. Democrats are more likely to favor (+15 point margin) and so are Independents (+11 point margin) while Republicans are divided. Voters with Internet access including those who made purchases of retail items are divided. Voters with no Internet access are strongly in favor, by 57% to 16%.

	Whether Favor / Oppose Collecting Sales Taxes On Internet Purchases						
	All Voters	Party ID			Internet Access		
			Dems	Independent	GOP	Any Access	Purchased Retail Item
	%	%	%	%	%	%	%
<b>Favor (Net)</b>	<b>46</b>	<b>48</b>	<b>47</b>	<b>43</b>	<b>41</b>	<b>48</b>	<b>57</b>
Strongly	27	34	26	19	24	28	34
Somewhat	19	14	21	24	17	20	23
<b>Oppose (Net)</b>	<b>36</b>	<b>33</b>	<b>36</b>	<b>41</b>	<b>44</b>	<b>43</b>	<b>16</b>
Strongly	22	18	23	25	27	25	11
Somewhat	14	15	13	16	18	18	5
Don't know	18	19	17	16	14	10	27
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

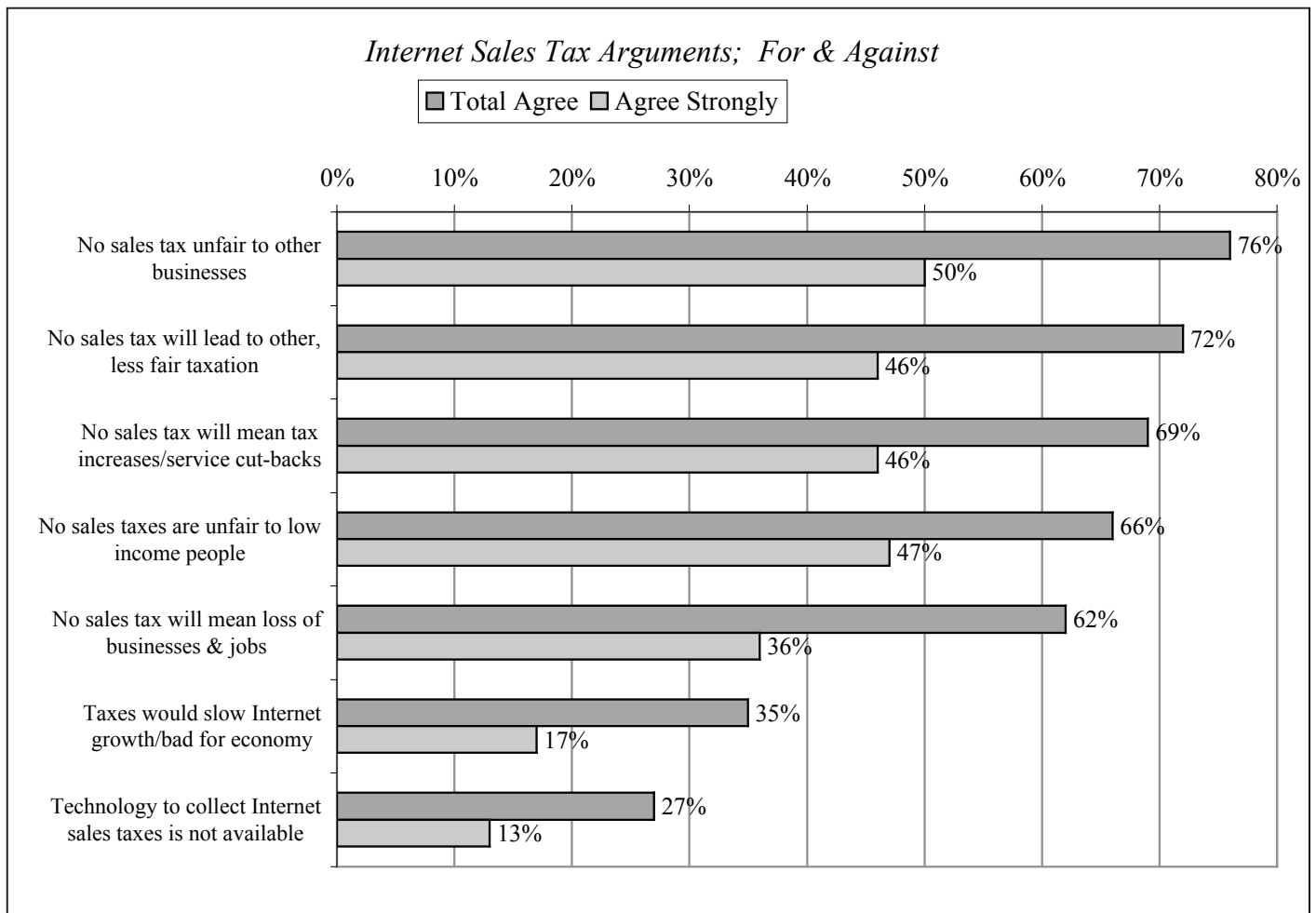
The detailed tabulations show little difference by regions of the state; i.e., 45% in favor vs. 35% opposed in Chicago, 44% in favor vs. 39% opposed in Chicago suburbs, and 48% in favor vs. 34% opposed in the 96-county downstate area. Older voters were more in favor and voters under age 65 are more divided.

Before we found that only half of Illinois voters were aware of the Internet sales tax issue and that many Internet users and even purchasers were not aware either. In order to gauge their reaction to the future debate on this issue, we presented seven arguments either favoring or opposing sales tax collections. They are paraphrased in the chart below. Specific wording of the questions appear in tables which appear on the following pages.

The arguments are ranked in the chart below in order of voter agreement.

Arguments in favor of sales tax collections won wide support, agreement ranged from 62% to 76%. Opposing arguments got less agreement, 35% and 27%.

Between 46% and 50% agreed strongly to four statements: not collecting sales taxes on Internet purchases is unfair to businesses who must collect them, government will find some other less fair means of taxation if these sales taxes go uncollected, the loss of revenue will lead to tax increases or a cut-back in important government services, and lower income people without Internet access will end up paying more in sales taxes than others do.



On the statement that sales tax collection would slow the growth of the Internet and adversely affect the economy, the 35% of voters above who agreed were outnumbered by 60% who disagreed. On the statement that technology does not exist to make such tax collections on the Internet, 27% agreed and 61% disagreed.

On the highest ranking statement, unfair to other businesses, partisan differences begin to blur. Both Democrats and Republicans agree by a ratio of 4:1.

Voters with Internet access agree 72% to 28%, almost as strongly as all voters. Even those who purchased over the Internet agree strongly, but not known is how often they have done so. E-commerce is said to be having problems gaining repeat consumer goods customers according to industry reports.

We do see a difference in the detailed tabulation report on income. People earning under \$75,000 agree 82% vs. 17% disagree while those earning more agree by a smaller ratio 69% to 31%.

Whether Not Collecting Sales Taxes On Internet Is Unfair To Other Businesses

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any Access</u>	<u>Purchased Retail Item</u>	<u>No Access</u>
	%	%	%	%	%	%	%
<u>Agree (Net)</u>	<u>76</u>	<u>81</u>	<u>70</u>	<u>78</u>	<u>72</u>	<u>73</u>	<u>87</u>
Strongly	50	56	47	47	44	44	66
Somewhat	26	25	23	31	28	28	22
<u>Disagree (Net)</u>	<u>23</u>	<u>19</u>	<u>27</u>	<u>22</u>	<u>28</u>	<u>28</u>	<u>11</u>
Strongly	11	7	15	12	12	12	8
Somewhat	12	12	12	10	16	16	3
Don't know	2	-	3	-	1	-	2
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 8. "Here are some statements about the issue of collecting sales taxes for Internet purchases. For each, please tell me if you agree or disagree. Letting people avoid paying taxes when they buy things on the Internet is unfair to local businesses that have to charge the sales tax when someone buys the exact same product in their store. Do you agree or disagree? Is that strongly or just somewhat?"

On the second highest ranking statement which appears in the table below, the same bi-partisan agreement appears again. The slightly less agreement by Independent voters below appears for all of the statements. Internet users also agree as strongly as everyone else.

Whether Not Collecting Sales Taxes On Internet Will Cause Gov't To Resort To Less Fair Taxes

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any Access</u>	<u>Purchased Retail Item</u>	<u>No Access</u>
	%	%	%	%	%	%	%
<u>Agree (Net)</u>	<u>72</u>	<u>74</u>	<u>69</u>	<u>74</u>	<u>70</u>	<u>69</u>	<u>77</u>
Strongly	46	45	45	46	45	44	50
Somewhat	26	29	23	28	25	25	27
<u>Disagree (Net)</u>	<u>21</u>	<u>22</u>	<u>21</u>	<u>20</u>	<u>24</u>	<u>23</u>	<u>15</u>
Strongly	10	9	12	8	11	13	9
Somewhat	11	13	9	13	13	11	6
Don't know	7	4	10	6	6	8	9
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 9. "If sales tax revenues decline as more and more people buy over the Internet and avoid paying sales taxes, the government will find some other way to tax people that will probably be less fair than a sales tax. Do you agree or disagree? Is that strongly or just somewhat?"

Here, there were no differences by income.

By a ratio of 69% to 28%, most voters agree that loss of sales tax revenue on Internet purchases will either lead to other tax increases or to a cut back on vital government services such as public schools, police and fire protection, public health, road maintenance and road improvement. Again, voters with Internet access agree as strongly as anyone else.

Whether Not Collecting Sales Taxes On Internet Will Force Other Tax Increases Or Cut-Back On Services

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any Access</u>	<u>Purchased Retail Item</u>	<u>No Access</u>
		<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
<u>Agree (Net)</u>	<u>69</u>	<u>77</u>	<u>60</u>	<u>72</u>	<u>66</u>	<u>70</u>	<u>78</u>
Strongly	46	57	33	48	42	46	56
Somewhat	23	20	27	24	24	24	22
<u>Disagree (Net)</u>	<u>28</u>	<u>22</u>	<u>36</u>	<u>25</u>	<u>32</u>	<u>27</u>	<u>20</u>
Strongly	14	10	19	10	15	13	12
Somewhat	14	13	17	14	17	14	8
Don't know	3	1	4	3	2	3	3
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 11. "Many state, county, and municipal government services are paid for with sales taxes. They include public school education, police protection, fire protection, public health, road maintenance and improvement. If some consumers don't pay sales taxes when they make the Internet purchases, government will either be forced to raise other taxes or these services will be cut back. Do you agree or disagree? Is that strongly or just somewhat?"

Although voters agree by a 2:1 margin that not collecting sales taxes on Internet purchases is unfair to lower income people, there are differences. Democrats agree more strongly and so do those with no Internet access. There was also stronger agreement by Chicago voters, 80% vs. 19%, and by people earning under \$35,000, 77% vs. 19%.

Whether Not Collecting Sales Taxes On Internet Is Unfair To Lower Income People

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any Access</u>	<u>Purchased Retail Item</u>	<u>No Access</u>
		<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
<u>Agree (Net)</u>	<u>66</u>	<u>77</u>	<u>60</u>	<u>58</u>	<u>61</u>	<u>58</u>	<u>77</u>
Strongly	47	54	48	41	40	38	64
Somewhat	19	23	12	18	22	20	13
<u>Disagree (Net)</u>	<u>31</u>	<u>20</u>	<u>34</u>	<u>39</u>	<u>36</u>	<u>41</u>	<u>18</u>
Strongly	14	8	19	17	16	20	9
Somewhat	17	12	16	22	20	21	9
Don't know	4	3	6	3	3	2	5
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 12. "In most cases, people who do not have Internet access have lower incomes than people who do. It is unfair to make lower income people pay sales taxes while people with Internet access can avoid paying sales taxes by Internet shopping. Do you agree or disagree? Is that strongly or just somewhat?"

On loss of businesses and jobs, partisan agreement emerges again. Voters with Internet access do not agree as strongly. Voters with incomes under \$35,000 in income agree more strongly, 68% to 24%.

Whether Not Collecting Sales Taxes On Internet Will Lead To Loss Of Local Businesses & Jobs

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any</u>	<u>Purchased</u>	<u>No</u>
		<u>%</u>	<u>%</u>	<u>%</u>	<u>Access</u>	<u>Retail Item</u>	<u>Access</u>
<u>Agree (Net)</u>	<u>62</u>	<u>64</u>	<u>56</u>	<u>64</u>	<u>58</u>	<u>58</u>	<u>72</u>
Strongly	36	38	32	33	28	28	54
Somewhat	26	26	23	31	30	29	18
<u>Disagree (Net)</u>	<u>33</u>	<u>32</u>	<u>37</u>	<u>32</u>	<u>40</u>	<u>39</u>	<u>18</u>
Strongly	16	15	21	14	20	22	8
Somewhat	17	17	16	18	20	18	10
Don't know	5	4	7	3	2	3	9
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 14. "Local businesses employing local people...an important part of the Illinois economy...are at an unfair disadvantage because they have to charge sales tax. Some of these businesses will be seriously harmed and jobs will be lost as more and more people shop on the Internet. Do you agree or disagree? Is that strongly or just somewhat?"

Below, only one in three agree that sales tax collection would curb Internet growth and affect the economy.

Agreement comes from unexpected sources. Democrats voice more agreement as do people with no Internet access. People earning under \$35,000 per year are divided, 47% agree vs. 44% disagree. Apparently, people with less experience with the Internet give more credit to its economic importance than others.

Whether Collecting Sales Taxes On Internet Will Slow Internet Growth & Adversely Affect U. S. Economy

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any</u>	<u>Purchased</u>	<u>No</u>
		<u>%</u>	<u>%</u>	<u>%</u>	<u>Access</u>	<u>Retail Item</u>	<u>Access</u>
<u>Agree (Net)</u>	<u>35</u>	<u>39</u>	<u>36</u>	<u>33</u>	<u>33</u>	<u>27</u>	<u>41</u>
Strongly	17	17	19	18	15	13	22
Somewhat	18	22	17	15	18	13	18
<u>Disagree (Net)</u>	<u>60</u>	<u>56</u>	<u>57</u>	<u>64</u>	<u>65</u>	<u>69</u>	<u>47</u>
Strongly	28	25	29	25	28	27	26
Somewhat	32	31	29	39	37	43	21
Don't know	6	5	6	3	2	4	13
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 10. "The Internet is a powerful part of the U.S. economy that has been growing rapidly. Collecting sales taxes on purchases made on the Internet will slow the growth of the Internet and may affect the U.S. economy. Do you agree or disagree? Is that strongly or just somewhat?"

Very few agree that the technology for collecting sales taxes on the Internet does not exist.

Whether Technology Is Not Available For Collecting Sales Taxes On Internet

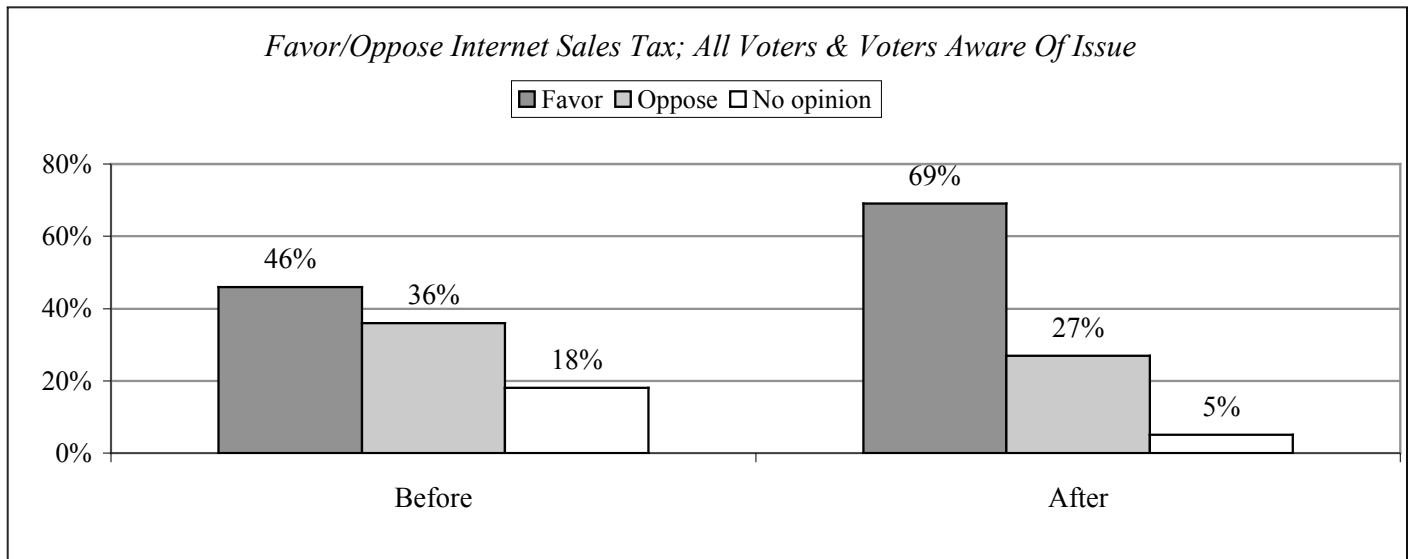
	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any Access</u>	<u>Purchased Retail Item</u>	<u>No Access</u>
	%	%	%	%	%	%	%
<u>Agree (Net)</u>	<u>27</u>	<u>25</u>	<u>30</u>	<u>25</u>	<u>25</u>	<u>18</u>	<u>32</u>
Strongly	13	11	13	13	11	6	18
Somewhat	14	13	17	12	14	12	14
<u>Disagree (Net)</u>	<u>61</u>	<u>64</u>	<u>56</u>	<u>64</u>	<u>66</u>	<u>73</u>	<u>49</u>
Strongly	41	46	40	38	45	53	33
Somewhat	20	18	17	25	21	21	16
Don't know	13	11	14	12	9	9	19
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 13. " Some people argue that the technology does not exist yet to collect sales taxes for Internet transactions - it's just too complicated. Do you agree or disagree? Is that strongly or just somewhat?"

In summary, the arguments in favor won more agreement than arguments against.

When we repeated the question asking whether they favored or opposed Internet sales tax collections, the arguments in favor also appear to have been persuasive.

The 46% to 36% favor/oppose ratio becomes 69% favor /27% oppose after the arguments were given to survey respondents, a very strong increase.



Now all groups agree by strong margins, even Internet users by 62% to 33%.

Whether Favor Collecting Sales Taxes On Internet Purchases - After Hearing Arguments For & Against Internet Access

	<u>All Voters</u>	<u>Party ID</u>			<u>Internet Access</u>		
		<u>Dems</u>	<u>Independent</u>	<u>GOP</u>	<u>Any Access</u>	<u>Purchased Retail Item</u>	<u>No Access</u>
	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>
<u>Favor (Net)</u>	<u>69</u>	<u>75</u>	<u>68</u>	<u>64</u>	<u>62</u>	<u>60</u>	<u>85</u>
Strongly	47	51	45	47	40	42	65
Somewhat	21	25	22	16	22	18	21
<u>Oppose (Net)</u>	<u>27</u>	<u>21</u>	<u>26</u>	<u>32</u>	<u>33</u>	<u>36</u>	<u>11</u>
Strongly	16	10	20	19	20	23	7
Somewhat	10	11	6	14	13	13	4
Don't know	5	4	6	4	5	4	3
Base:	(400)	(134)	(108)	(118)	(282)	(120)	(116)

Q 15. Q On this issue once again.....do you favor or oppose requiring Internet businesses to collect sales taxes on Internet purchases just as retail stores must do? (IF FAVOR/OPPOSE) Is that strongly or just somewhat?"

Summary

1. Only about half of Illinois voters say they are familiar with the issue of Internet sales tax collection. Those not familiar includes 44% of those with Internet access and 32% who have purchased items on the Internet which could have been bought in retail outlets.
2. Given less than universal familiarity with the issue, voters do favor measures to collect sales taxes on Internet purchases, by 46% in favor to 36% opposed.
3. In the impending debate, certain arguments will win wide agreement, all favoring tax collection: a) not doing so is unfair to bricks and mortar businesses, b) government only will find some other means of taxation less fair than the sales tax, c) the loss of revenue will lead to tax increases or a cuts in important government services, and d) not doing so is unfair to lower income people without Internet access.
4. Arguments against collecting sales taxes were not persuasive.
5. Based on the "post-debate" measure - after all arguments are aired - approval of the measure should win wide support - 69% in favor to 27% opposed.