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# Amazon's loathsome tax scheme: How behemoths defeat Main Street — and how we can stop them

If Amazon had to pay its fair share of taxes, its bottom line would be squeezed. Finally, a level playing field

KATHLEEN SHARP

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Jeff Bezos (Credit: AP/Reed Saxon/[spirit of america](#) via [Shutterstock](#)/Salon)

A motley group of boomers and millennials recently filed into Scottish Rite Center on the shores of Lake Merritt in Oakland, California, to talk about economics. Dressed casually in denim, lace and cotton and sporting dreadlocks, bobs and buzz cuts, these small-business owners hailed from rural bergs, little towns and long-neglected urban cores from around the country. It's safe to say that most of them were not members of Amazon Prime. Rather, they were true believers in the saving grace of local living economies. Assembled in this temple-like structure built by the Freemasons, they are convinced that the only way out of this Unending Recession is to adopt a model in which local business owners make up most of the local economy and drive that region's wealth.

"We're trying to nudge Wal-Mart and Amazon out of the picture so everyone else can make a little bit more money," said a wag from Missoula, Montana.

As it is, Amazon is getting slapped by a great equalizing force — taxes — specifically retail sales

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taxes. For the past two decades, shoppers at Amazon and other online retailers haven't had to pay retail sales taxes (also called consumption taxes), unlike the patrons of brick-and-mortar stores. This has been a huge advantage for Amazon and is why so many of your favorite bookstores went out of business, along with local toy stores, baby shops, beauty suppliers and other mom and pop operations.

But thanks largely to local economy advocates, some 22 states now require Amazon to collect sales taxes from shoppers. According to two recent studies, that change is hurting Amazon by squeezing its already thin profit margin of 1 percent and threatening to depress its stock price. The behemoth won't report second quarter earnings until July 24. But we already know that it expects to report flat sales of \$20 billion or so and another quarterly loss. Fund managers and investors would punish a brick-and-mortar retailer like J.C. Penney's for not delivering solid profits. But Wall Street doesn't mind a continuous run of annual losses from Amazon, headed by a former executive at an investment banking firm. In the parallel universe of dot.coms and apps, barn-burning growth is what counts, especially growth that burns your rival's barn.

And that's precisely what's wrong with Amazon's business model, according to the congregation in Oakland.

\* \* \*

*Kathleen Sharp reports on business and entertainment from Southern California.*

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