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Tax Alert



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Paying Online Sales Tax? Five Ways To Know

It can be darned confusing to determine if you will or won't pay online sales tax. Clearly you'll know when you get a confirming email from the company thanking you for your online order and charging your credit or debit card! Yet wouldn't it be nice to know **before** you click to confirm your order?



(Image credit: Getty Images North America via @daylife)

Increasingly, it is only at the end stages of an online purchase before you know if there is tax due. Here are five tips to help handicap the online tax man:

1. Brick-and-Mortar? Say you bought at Macys.com but there's a Macy's brick and mortar store in your state. If you buy from a site that has a brick-and-mortar store in your state, you must pay tax. This is so even if you buy online with goods shipped from out-of-state. See [Amazon Tax Attacks](#).

2. Distribution Facility? Even if the site where you buy doesn't have a store in your state, a warehouse or distribution facility may be enough for tax nexus with your state.

3. Amazon Tax. Many states now have expanded the connections—called nexus—that make sales tax apply. If you're in one of these states, expect taxes. Amazon already collects sales tax in California, Kansas, Kentucky, New York, North Dakota, Texas and Washington. Soon you'll be taxed on Amazon purchases in these states too:

- Virginia, September 2013
- Indiana, January 2014
- Nevada, January 2014
- Tennessee, January 2014
- South Carolina, January 2016

4. Consent Deals. Some online sellers make deals with particular states to remit tax for sales made to customers there. The website may tell you or may just add the tax when you check out. If you're buying from a site like Amazon, it may be hard to tell. You may need to go to the supplier's or manufacturer's **own** website.

5. Always Pay! Remember, 45 states and the District of Columbia have sales taxes. The only states that don't are Alaska, Delaware, Montana, New Hampshire, and Oregon. And every state that has a sales tax **also has a use tax**. If you are ordering goods online and have them shipped into any of these 45 states or into D.C., you should pay your use tax. In many states today you must report use tax due on purchases you make from out-of-state (including on the internet). Use tax applies and it is only the **collection mechanism** for the tax that is debatable. Enforcement has been weak, but that is changing.

Isn't This Unconstitutional? No, it doesn't appear to be although that may depend who you ask. In 1992, the Supreme Court ruled in [*Quill Corp. v. North Dakota*](#) that no state can constitutionally force an out-of-state merchant to collect sales or use tax **unless** it has a nexus—physical presence—in the state. But the Court actually **invited** Congress to pass a **national** law. The constitutional prohibition is only on the states.

With several federal tax bills to regulate online sales tax pending, stay tuned.

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