



Robert W. Wood

THE TAX LAWYER

Sep. 11 2012 — 11:43 pm

10 Surprising Facts About Online Sales Taxes

If you are already paying sales tax on all your internet purchases you're probably in the minority. Sure, a number of states now have an [Amazon tax](#). Plus, there are more taxes coming online (sorry) all the time. But if you add all your tax-free online purchases to everyone else's in America, how much is it?

Let's just say the sales or use tax alone is huge. So says the Congressional Research Service in this report: [State Taxation of Internet Transactions](#). It's packed with figures about the past and future. Here are ten facts about sales and use taxes you might not know:



monopoly-e-commerce (Photo credit: danielbroche)

1. The U.S. Bureau of the Census estimated there were \$4.1 trillion in retail and wholesale transactions over the Internet in 2010, amounting to 16.1% of all U.S. shipments and sales.
2. Estimates put lost tax revenue at approximately \$11.4 billion in 2012. California alone was projected to lose \$1.9 billion; Texas, \$870.4 million; and New York, \$865.5 million.

3. Researchers estimated in April 2009 that total state and local revenue loss from new e-commerce in 2012 will be approximately \$11.4 billion.
4. State governments rely on sales and use taxes for nearly one-third (32%) of their total tax revenue.
5. Local governments derive 11.2% of their tax revenue from sales and use taxes.
6. In 1932, Mississippi was the first state to impose a general state sales tax. By 1940, 23 other states implemented a general sales tax.
7. By the late 1960s, 45 states and the District of Columbia enacted a general sales tax. The last state to enact one was Vermont in 1969.
8. In 34 states and the District of Columbia, groceries are exempt from state and local sales taxes or taxed at a lower rate.
9. As of August 1, 2012, California had the highest state sales tax rate of 8.25%. Most states also impose **local** sales tax. Arizona has the highest combined state and local rate of 12.7%. Alabama was second at 12%.
10. The “Internet Tax Moratorium” prohibits new taxes on Internet access services and multiple or discriminatory taxes on Internet commerce. Congress has twice extended this Internet Tax Moratorium, most recently until [November 1, 2014](#). This moratorium has **nothing to do** with the use tax collection issue.

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*