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3 Ways To Still Avoid Sales Tax Online

Sales tax pays for many valuable public services, so first consider if you *want* to skirt it. Many people remain adamant about not paying it. Leona (“only the little people pay taxes”) Helmsley was caught evading sales tax by having merchants (like jeweler Van Cleef & Arpels) ship empty boxes to her out-of-town home. For most people, though, unless you live in one of the few states without a sales tax, if you go down to the store and buy a sofa, TV or laptop, you’ll pay sales tax.

Go online instead, and maybe not. If you buy online from a merchant that has a store in your state, you pay sales tax even if you buy online, and even if the goods are shipped from out-of-state. These days, even if the online merchant doesn’t have a store in your state, you still might pay. In all, 45 states and the District of Columbia have [sales tax](#). The only states without statewide sales and use taxes are Alaska, Delaware, Montana, New Hampshire, and Oregon. Every state with a sales tax has a use tax too. Property purchased online and brought into your state triggers use tax, whether the purchase was personal or business.



(Photo credit: danielbroche)

Internet retailers don't have to collect sales tax from customers in states where they have no physical presence. [Many states](#) have expanded the nexus that make sales tax apply. [Amazon](#) collects tax in 20 states: Arizona, California, Connecticut, Georgia, Indiana, Kansas, Kentucky, Massachusetts, Nevada, New Jersey, New York, North Carolina, North Dakota, Pennsylvania, Tennessee, Texas, Virginia, Washington, West Virginia and Wisconsin. Commencing in January, 2016, you'll be taxed on Amazon purchases in South Carolina too.

But even if you buy from a small merchant that doesn't charge you, you are still liable for use tax, the counterpart to your state's sales tax. Brick-and-mortar merchants have long complained that this gives online retailers a competitive advantage. The Marketplace Fairness Act, which passed the [Senate](#), would allow states to require online retailers to collect state sales taxes.

States miss out on billions in uncollected taxes from remote sales, and the figure keeps going up. Many states need the revenue, and a number of governors have indicated support for the Marketplace Fairness approach. They include [Nikki Haley](#) of South Carolina, Bill Haslam of Tennessee, Mike Pence of Indiana, [Rick Snyder](#) of Michigan and Paul LePage of Maine. Former GOP governors like [Jeb Bush](#), Mitch Daniels and [Haley Barbour](#) have spoken in favor of the concept too.

Some states plan to make the Internet sales tax revenue-neutral, with efforts to cut taxes elsewhere if [Congress](#) passes it. In Virginia and Maryland, the legislatures have marked the potential revenue for transportation. But still, any tax—whether or not one can fairly call it a new tax—is a tough sell.

[Americans for Tax Reform](#) and the Heritage Foundation object to the burdens online retailers would face. They claim it would not level the playing field. Quite the contrary, it would favor brick and mortar stores, they say. Online retailers would have to deal with numerous state and local taxes that differ from customer to customer.

As all these debates continue, if you want to avoid sales tax, consider these basics.

1. Read the Website. Many websites make their sales tax policy clear. In some cases, you may have to wait until checkout to know if you'll pay tax. Some online sellers make deals to remit tax for sales in certain states. The website will tell you or will add the tax when you check out.

2. Try Smaller Websites and eBay Merchants. You might escape sales tax if you buy from smaller merchants who don't collect tax on shipments to your state.

3. Get to Smaller Merchants Directly. Some people still claim they 'showroom' Amazon, getting to the merchant directly to try to bypass sales tax.

Just remember, avoiding the tax at checkout doesn't mean you've avoided it forever. You are liable for use tax if you bring the goods into your state or have them shipped to you. States historically didn't enforce use tax except against businesses, but that's changing. Many state income tax forms now collect use tax, and remember, you sign tax returns under penalty of perjury.

You can reach me 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.