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### 7 Key Rules Govern Sales Tax Online

Despite the considerable confusion surrounding sales tax online, it can seem like the only thing you need to know is how to pay. If you want to know whether and how much you're paying **before** you click, here are some tips.



#### **Sales Tax is Almost Everywhere.**

45 states and the District of Columbia have sales taxes. The only states that don't are Alaska, Delaware, Montana, New Hampshire, and Oregon. Every state with a sales tax has a **use** tax too. The use tax is the mirror image of the sales tax. It applies when the merchant doesn't collect **sales** tax but you have the goods shipped into your state.

If you order goods online and have them shipped into any of these 45 states or D.C., you should pay your **use** tax. In many states today you must report **use** tax on your **income tax** return. It is only the **collection mechanism** for the tax that is debatable. Online merchants that collect your state's **sales** tax actually save you the trouble of reporting your **use** tax.

**Brick-and-Mortar Sites.** If you buy from a site that has a brick-and-mortar store in your state, you must pay **sales** tax. This is so even if you

buy online with goods shipped from out-of-state. See [Amazon Tax Attacks](#).

**Distribution Sites.** If the site where you buy doesn't have a store in your state, a warehouse or distribution facility may be enough for the merchant to collect **sales** tax. See [Paying Online Sales Tax? Five Ways To Know](#).

**Amazon Nexus.** Many states have expanded the types of nexus triggering the merchant's duty to collect **sales** tax. See [CA's Amazon Tax Hits The Nation Sept. 15, 2012](#). 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

**Consent Deals.** Some online sellers agree with state officials to remit sales tax on sales made to that state's customers. Review the merchant's website carefully. In some cases you may need to go to the supplier's or manufacturer's website.

**Constitutional Limits.** In 1992, the Supreme Court in [Quill Corp. v. North Dakota](#) held that no state can constitutionally force out-of-state merchants to collect **sales or use tax unless** it has nexus in the state. But the Court actually **invited** Congress to pass a **national** law. Several proposed national laws are pending.

**Big Dollars are at Stake.** In [State Taxation of Internet Transactions](#), the Congressional Research Service noted that state governments get 32% of their total tax revenue from sales and use tax. Local governments derive 11.2% of their tax revenue from sales and use taxes. Estimates of lost state and local revenue from new e-commerce in 2012 are approximately \$11.4 billion. California is projected to lose \$1.9 billion;

Texas, \$870.4 million; and New York, \$865.5 million. For more, see [10 Surprising Facts About Online Sales Taxes](#).

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