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THE TAX LAWYER

TAXES | 8/22/2013

# Amazon No Longer Tax-Free: 10 Surprising Facts As Giant Loses Ground

[Amazon.com](http://Amazon.com) supports online sales tax these days. How's that for an about-face? For years, Amazon avoiding sales tax was a prime—perhaps *the* prime—company strategy. Price was even more important than convenience, and the sales tax swing was plenty big enough to make all the difference.

Lately, though, Amazon has seemed more vulnerable, including when [Amazon.com Goes Down, Loses \\$66240 Per Minute](#).

Apart from that embarrassing time-out, Amazon is also losing out on its “we’re lower” pricing. In fact, some brick and mortar stores like Bed Bath & Beyond are beating the Giant on price, as reported here: [A Problem for Jeff Bezos: The Mall is Becoming Cheaper Than Amazon](#).

Regardless of whether you love or loathe Amazon, it is way too soon to count it out. Indeed, although these 10 facts may confirm just how critical taxes were to Amazon's strategy, they also show how hard Amazon can push.



**1. Anything Goes.** Amazon founder Jeff Bezos famously said that he investigated setting up Amazon on an Indian reservation to avoid taxes. See [Internet Sales Tax Coming Too Late for Some Stores](#).

**2. 10% Advantage.** The Indian reservation deal proved to be unworkable, but Amazon had tax avoidance at its core. Low prices and convenience count, but pitching customers they could avoid tax was priceless. It was up to a 10% advantage. In a business where profit margins are thin, 10% is huge. See [Internet sales tax passes Senate](#).

**3. Barnes & Who?** One of Amazon's early comeuppances was with Barnes & Noble. See [Two Booksellers Settle Lawsuits](#).

**4. Taxes Are Your Problem.** 45 states and the District of Columbia have sales tax. The only states without it are Alaska, Delaware, Montana, New Hampshire, and Oregon. Unless you are in one of those 5 states, you probably should have been paying use tax all along on purchases escaping sales tax.

Property purchased online and brought into your state triggers use tax. Use tax applies whether the purchase was personal or business. States historically didn't enforce it except against businesses, but that's changing. Many state income tax forms now collect use tax. If you don't pay sales tax at checkout, you pay use tax later. See [Amazon Sales Tax Everywhere Very Close Now](#).

**5. Warehouses Aren't Presence.** By 2008, Amazon had distribution centers or other facilities in 17 sales tax states. Amazon was collecting tax in only four of them: Kansas, Kentucky, North Dakota and Washington. Yet it kept warehouses in Arizona, Nevada, Pennsylvania and Texas. See [2008 Amazon Annual Report](#).

Amazon claims warehouses or fulfillment centers are not a legal presence sufficient to create nexus for tax purposes. See [Sorry, Shoppers, but Why Can't Amazon Collect More Tax?](#) That argument has appeal to purists but seems a stretch. Isn't a 500,000 or 600,000 square foot warehouse with a hundred employees a presence in the state? See [Amazon's \(not so secret\) war on taxes](#).

**6. Carrot or Stick.** No one has exploited the push-pull of state taxes and incentives more cleverly than Amazon. For example, Indiana exempted

Amazon from collecting Indiana sales tax. Amazon has received over \$11 million in economic development incentives from Indiana and has five warehouses there. See [Senators stalling Ind. online sales tax proposal](#).

**7. Loyalty to Affiliates?** Amazon cut ties with affiliates in states that passed online sales tax bills, including California, North Carolina, Colorado, Connecticut, Arkansas, Illinois and Rhode Island. Amazon announced closing affiliate accounts in Minnesota as “a direct result of the unconstitutional Minnesota state tax collection legislation passed by the state legislature and signed by Governor Dayton on May 23, 2013, with an effective date of July 1, 2013.” See [Amazon Shuts Down Minnesota Affiliates](#) and [Minnesota Affiliate Marketing Law & Affiliate Nexus Tax Hurts Bloggers](#).

**8. Be Careful Traveling.** Amazon restricted company travel by employees into many states. Some states were tagged as more sensitive than others. Amazon feared that travel by Amazon employees into some states could create nexus. Don’t go there, Amazon warned. Plus, anywhere you **do** go you must be careful. Amazon didn’t want employees soliciting sales, and even warned of speaking engagements and other high-profile activities that could raise nexus issues.

**9. Big Dollars at Stake.** Lost tax revenue on Internet sales was an estimated \$11.4 billion in 2012. See [Inside Amazon’s Tax Fight](#). California alone forecast a loss of \$1.9 billion; Texas, \$870.4 million; and New York, \$865.5 million. An estimate of total state and local revenue loss from new e-commerce in 2012 was approximately \$11.4 billion.

**10. What Moratorium?** 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 use tax collection.

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