

# South Carolina shoppers latest to pay taxes on Amazon sales

November 28 2015, by Seanna Adcox

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A sales-tax break the Legislature gave Amazon in 2011 expires Jan. 1, making South Carolina the last state to collect among those where officials cut similar deals with the online retail giant.

Taxing Amazon's in-state sales could add tens of millions of dollars to South Carolina's coffers in 2016, said Max Behlke, the National Conference of State Legislatures' manager of state and federal relations.

State Revenue Director Rick Reames declined to give estimates beyond saying, "We expect a significant increase in sales [tax](#) revenues."

For years, the Seattle-based company fought collecting sales taxes from its customers. The U.S. Supreme Court has twice ruled—in 1967 and 1992—that a state can't require a company to collect and remit the tax unless it has a "physical presence" in the state.

As Amazon expanded, rather than collect taxes in states that tried to force it, the company severed ties with affiliates and scrapped plans for distribution centers. South Carolina was among 10 states that gave Amazon a temporary tax reprieve in exchange for jobs and investment, Behlke said.

In all, South Carolina loses out on an estimated \$254 million in taxes from out-of-state sales—mostly online but also through catalogues and phone purchases, according to a 2014 report by the National Conference of State Legislatures.

Behlke cautioned the number's not precise.

"No one knows the full amount states are losing," he said.

But on New Year's Day, South Carolina joins 26 states where Amazon, the heavyweight of online retailing, collects the tax, according to the company's website. Five states don't have sales taxes.

Spokespeople for Amazon did not return multiple phone and email messages.

South Carolina gave Amazon a 4 1/2-year exemption from collecting sales taxes from its residents in exchange for creating at least 2,000 full-time jobs with health benefits and investing \$125 million by Dec. 31, 2013. But the deal that brought a distribution center to Lexington County—and later, a second center in Spartanburg—almost didn't happen.

The law passed in June 2011 without the signature of Gov. Nikki Haley, whose vocal opposition nearly sank one of her predecessor's last big economic deals. Gov. Mark Sanford's administration advocated extending to Amazon the five-year sales tax collection exemption that QVC received in 2006 to come to Florence.

But as details on the exemption emerged, opposition mounted. Haley left the decision to legislators while opposing it at meetings across the state, calling it bad policy that gives Amazon an unfair price advantage over retailers that must collect the tax. Opponents included tea party activists, the state's small business chamber, and national retail chains that backed an anti-Amazon advertising campaign.

Amid the opposition, the House rejected the initial deal—which promised 1,249 jobs and a \$90 million investment. Amazon then

announced it was abandoning its plans. Local legislators and elected officials launched their own public-relations campaign and Amazon upped its offer, leading to approval of the enhanced package.

How many workers Amazon currently employs in South Carolina is unclear. The company self-reported to a state Commerce survey that it employs up to 1,500 people at the two distribution centers.

While Amazon doesn't yet collect taxes in South Carolina, by law shoppers are still responsible for paying the state what they don't pay online.

As per its compromise with the Legislature, Amazon has emailed customers a yearly tally of what they've spent, reminding them they may owe the [sales tax](#) on their income tax returns. But that information is not sent to Revenue, so many people ignore it.

Still, "use tax" collections increased from \$1.4 million in 2011 to \$4.1 million in 2013, the latest year available from the agency, which attributes the rise to awareness the emails generate.

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