

Smaller states rejoice as Amazon finally collects sales tax

January 30 2017, by Matt O'brien

Many online shoppers in the United States have for years had to pay state sales taxes whenever they buy goods from Amazon. But the Seattle e-commerce giant has dragged its feet on collecting sales taxes in small and sparsely populated states where it doesn't have any distribution centers or corporate offices.

That's quickly changing this year. And governors and state legislators looking to balance their beleaguered budgets are rejoicing as they brace for a boost of revenue from Amazon sales.

Amazon customers in at least 10 [states](#) will begin paying [sales taxes](#) on their website purchases for the first time this winter. Tax collection begins Wednesday in Mississippi, Missouri, Rhode Island, South Dakota and Vermont. It already started this month in Louisiana, Iowa, Nebraska and Utah, and begins in Wyoming on March 1.

The company didn't return request for comment and hasn't explained its rapid shift, but the move follows last month's U.S. Supreme Court ruling that rejected a challenge to a Colorado law requiring online sellers to notify customers about how much they owe in taxes. Colorado officials had estimated they were missing out on as much as \$172.7 million a year.

To avoid collecting taxes, Amazon has historically relied on another high [court ruling](#) that predates the era of online shopping. That 1992 decision bans states from forcing out-of-state retailers to collect taxes if they

don't have a physical presence in the state.

Rhode Island, which has long fought for Amazon to remit sales taxes, is now counting on nearly \$35 million in tax revenue next year from the company and other online retailers that follow its lead.

"Amazon's doing the right thing," said Robert Hull, the director of the state's revenue department. "They're an \$85 billion revenue animal that's making sales, historically, into Rhode Island and not paying the 7-percent sales tax."

Customers might not be as pleased as state budget-writers. Those in Rhode Island and other states were technically supposed to declare the taxes owed on items bought online at the end of the year, but almost no one did. A proposed Rhode Island law would mimic Colorado's in ordering companies that don't collect sales taxes to post a "conspicuous" online pop-up notice informing customers about what they owe and following that up with an email and an annual tax obligation mailing. The measure is a way to effectively coerce companies to collect the tax if they don't want to burden their customers with unpleasant notices.

Excluding states that don't have a sales tax, only six states remain where Amazon doesn't collect sales taxes or hasn't announced plans to do so. Amazon already collects sales taxes in the most populous states and has been for years, so expanding to the entire country is unlikely to hurt its appeal to customers, said R.J. Hottovy, an e-commerce analyst for Chicago-based Morningstar, Inc.

"It really hasn't been that big of a deterrent in preventing people from shopping on Amazon's platform," Hottovy said. "Expedited shipping is almost as important as price in making a purchase decision."

Not celebrating the boost to state coffers is Rhode Island state House

Republican Minority Leader Patricia Morgan, who said the tax comes out of the pocket of average customers, not companies. She said it makes sense that online retailers no longer have an unfair advantage over brick-and-mortar shops but it's wrong to look at the increased revenue as an excuse for increased spending.

"Let's not give a 'high-five' over this," Morgan said. "Who is it coming from? Families that are already strained by a high cost of living."

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