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HOW MANY STATES ARE FOLLOWING THE NEW SALES TAX RULES?

21 states have a model like the one the Supreme Court approved. 18 states do not have a substantial online tax regime in place at this time. 9 states have issued a plan or guidance to sellers on collection duties including “next steps” after the decision

WHEN WILL STATES BEGIN ENFORCING THE NEW SALES TAX RULES?

Many states began enforcing the sales tax collection requirements on July 1, 2018.

HOW MANY SALES TAX JURISDICTIONS EXIST?

As of October 2017, the Tax Foundation reported that there are 10,814 different sales tax jurisdictions across the United States.

WHA IS THE STREAMLINED SALES AND USE TAX AGREEMENT (SSUTA)

The SSUTA is an agreement among 24 states, that focuses on improving sales and use tax administration by advocating for a uniform state-level sales tax.

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CLIENT ALERT

New Online Sales Tax Rules Bring Changes to Businesses Big and Small

What's New?

If you do business online, your obligations to collect state sales tax may be changing soon. In June, the Supreme Court approved a South Dakota law that allows the state to require out-of-state online sellers to collect and pay sales tax to South Dakota.

Prior to the Court's decision, online sellers were only required to collect and pay sales tax to a state if they had a physical presence in that state, such as a brick and mortar store or an office. Now, anyone who does business above a certain dollar amount or specified number of transactions is required to collect South Dakota Sales Tax, regardless of physical presence. The decision is likely to lead to widespread sales tax expansion in many other states.

Who is affected by this new rule?

Anyone selling goods online or providing certain services to out-of-state customers can be affected by this rule, especially anyone doing a significant amount of out-of-state business. In South Dakota, online sellers who do more than \$100,000 in sales or 200 separate transactions with consumers in the state are required to collect and pay sales tax to South Dakota.

Why are states changing the rule?

Prior to the Court's decision, online sellers or those providing services to out-of-state consumers could generally avoid paying sales tax on the goods and services they sold a state's consumers simply by not having a store or office in the state. This created a sales tax shelter that some argued disadvantaged physical sellers and cost states significant revenue. In fact, states claimed that they were

losing between \$8 and \$33 billion dollars in revenue due to uncollected sales tax from online sellers. The new rule is intended to increase fairness and revenue.

My business is in Oregon – should I still worry about these new rules?

Yes, if your business sells goods or services to consumers in a different state. While Oregon does not have a state sales tax, Oregon businesses that do a significant amount of business out-of-state can now be required by *other* states to collect and pay sales tax on the goods and services sold outside of Oregon.

What should my next step be?

If your business sells goods or services online or in multiple states, we recommend that you:

- Keep an eye on new or changing sales tax laws where you do significant business;
- If you offer a service, ask if you are sales-tax exempt in the places you do business;
- Consider obtaining software designed to calculate sales tax across multiple states;
- Consider supporting the Streamlined Sales and Use Tax Agreement (SSUTA). The SSUTA, currently in effect among 24 states, works to establish a standardized sales tax to reduce administrative and compliance costs and burdens.

Knowing when and how to collect sales tax for other states can be difficult. This is likely the biggest challenge for businesses under the new rule. If you do business online or in multiple states and are concerned about how the change in online sales tax rules may affect you, we encourage you to contact us at Gleaves Swearingen LLP. Our experienced attorneys can guide you in understanding your obligations and assist you with any compliance needs.