



Black Friday Online: The No Tax Zone is Shrinking

Posted on **November 27, 2013** by **Will Frei**



Online retailers have an ace up their sleeves on Black Friday: no sales tax. Not only can they discount that iPad Air with retina, but they can also skip the sales tax you would normally pay in a brick-and-mortar store. This is one reason many consumers prefer to shop online on Black Friday, Cyber Monday and throughout the year.

Yet this No Sales Tax Zone is shrinking. A growing number of states require many online retailers to calculate, collect and file sales tax.

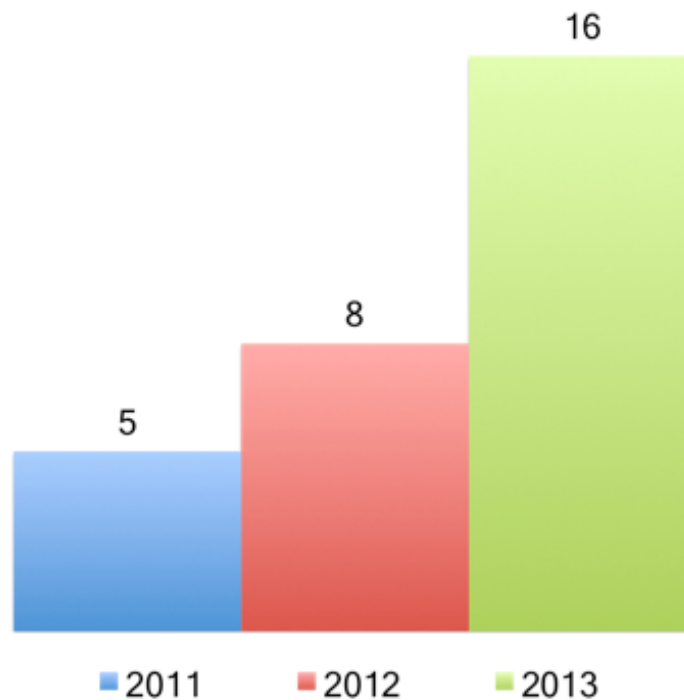
What's the deal? Will you soon have to drive to no-sales tax states like Oregon or New Hampshire to buy the iPad tax-free?

Amazon: the canary in the coal mine

One of the easiest ways to spot the online sales tax trend is play follow the leader. Changes to Amazon's sales tax policy in recent years show how the online tax is a growing phenomenon. (Amazon has had an **active hand** in trying to shape the changes too.)

In the last three years, Amazon has gone from collecting sales tax in 5 states to collecting tax in 16 states.

Number of states where Amazon Collects Tax



Why the **increase**? The Supreme Court ruled in 1992 that a state could not make a remote seller collect sales tax unless that seller had a physical presence in the state. However, more states are finding ways around this by passing so-called **Amazon laws**—laws designed to make remote sellers collect tax.

Amazon laws, they're not just about Amazon

Don't let the name fool you—*Amazon laws* impact many online businesses besides Amazon. Take California's **click-through sales tax law**: any retailer entering into an agreement with a California entity that refers potential purchasers to the retailer, whether online or otherwise, must collect the state sales tax provided they meet certain revenue specifications.*

In fact, most of the Amazon laws passed by states are broader in scope than just Amazon, so it pays to stay up-to-date on the latest online sales tax laws. If a state catches an e-tailer in violation of a sales tax law, the state can levy penalties and interest in addition to the back taxes owed.

The big guns: federal legislation and online sales tax

While many states continue to push for online sales tax, Congress is considering a **federal bill** that would reverse the 1992 Supreme Court decision and give states the right to make out-of-state businesses collect tax, regardless of physical presence.

Even if the Marketplace Fairness Act doesn't pass this year, chances are another bill like it will be introduced in the near future.

Staying competitive

As Robert Wood over at [Forbes](#) points out, only a small percentage of online shoppers currently pay sales tax.

However the tide is moving in the opposite direction.

So the [question for online retailers](#) isn't "Should we collect online sales tax?" but "Can we collect online sales tax?"

If the No Sales Tax Zone indeed continues to shrink, the ability to offer sales tax free shopping on Black Friday (or any other day) will cease to be an advantage. Instead, online businesses that can offer fast, easy and accurate [sales tax calculation](#) to their customers and fast, easy and accurate [filing and reporting](#) to the state will be ahead of the pack.

**The law applies to retailers, like Amazon, that 1) made more than \$10,000 in sales based on in-state referrals in the previous year and 2) sold more than \$1 million in goods to California purchasers in the previous year.*

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About Will Frei

Will Frei covers sales tax news including best practices, legislation and sales tax technology. He is the Social Media Manager at Avalara.