



Robert W. Wood

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Enjoy Your Last Cheap Clicks Before Online Sales Tax Sticks

The [Senate Committee on Commerce, Science & Transportation](#) may sound like a big yawn. [Washington](#) is chock-full of committees and hearings that aren't exactly rip-roaring. But this committee's meeting August 1st covered a vast and controversial landscape: online taxes. The narrower scope: The so-called [Marketplace Fairness Bill](#) and what [some say is the necessary leveling of the playing field](#).



Amazon was right there pitching online taxes, urging the Senate to push the bill through quickly. More than a few people find it odd that Amazon is behind it. The online giant was long the darling of those regarding sales taxes with a Scrooge-like “Bah! Humbug!”

But the writing is on the wall for Amazon. Plainly, its helping itself by making sure its competitors have to pay tax too. A representative of Amazon.com urged Congress to enact the Marketplace Fairness Act. The bill, [S. 1832](#), would require online retailers who exceed a revenue threshold to collect and remit state sales tax on online purchases in all states.

The Senate's Commerce, Science, and Transportation Committee hearing doesn't mean passage is a certainty. Still, consider that the Senate bill has 240 supporters including [Best Buy](#), Target and Walmart, not to mention Amazon. But eBay objects to the small-business exemption which maxes out at \$500,000 in gross annual sales.

There are [three federal bills](#) on internet sales tax kicking around Washington. The House bill exempts sellers up to \$1 million in gross annual sales. The Senate bill exempts only half that. Brian Bieron, senior director of federal government relations at eBay, complains the \$500,000 figure is too long and that small businesses will suffer hugely.

Nexus? Current law requires online retailers to collect and remit state sales tax only in states where they have **physical** operations. Amazon, which remains No. 1 in Internet Retailer's [Top 500 Guide](#), thinks the lower the better for the exemption. That way merchants of even modest sales figures would have to collect the tax.

Isn't this unconstitutional? No. In 1992's [Quill Corp. v. North Dakota](#), the Supreme Court ruled that no state can constitutionally force an out-of-state merchant to collect sales or use tax unless it has a nexus—physical presence—in the state.

But the Court actually **invited** Congress to pass a **national** law. The constitutional prohibition is only on the states. Today, twenty years after [Quill](#), change is coming. Better click soon if paying sales tax makes you say “Bah! Humbug!”

*Robert W. Wood practices law with [Wood LLP](#), in San Francisco. The author of more than 30 books, including *Taxation of Damage Awards & Settlement Payments* (4th Ed. 2009 with 2012 Supplement, [Tax Institute](#)), he can be reached at Wood@WoodLLP.com. This discussion is not intended as legal advice, and cannot be relied upon for any purpose without the services of a qualified professional.*