



Impact Note: South Dakota v. Wayfair Inc.

16 October 2018 By: Krista Tedder, Ian Benton

As digital commerce has developed over the past 30 years, the Supreme Court of the United States (SCOTUS) has twice ruled on the issue of taxation. Most recently, a June 21, 2018 ruling in South Dakota v. Wayfair Inc. now allows a state to collect sales tax on goods and services sold to its residents from out of state. This decision has the potential to dramatically affect e-commerce and m-commerce merchants across the country, especially small business owners and sole proprietors with limited access to tax expertise.

In 1992, the SCOTUS decision in Quill Corp. v. North Dakota prohibited states from collecting sales tax from e-commerce unless the merchant had a "sufficient physical presence," also called nexus. States were left to develop laws defining principles for establishing nexus, which 45 states and the District of Columbia have enacted.

With the previous decision overturned, states are now able to impose sales tax obligations on out-of-state merchants selling goods and services online to state residents. Further complexity may be added with local and city taxes.

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javelinstrategy.com

inquiry@javelinstrategy.com

925.225.9100