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retailers such as Amazon to ship goods into Ohio without collecting the tax.

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They may have rejected the governor's plan to greatly expand the state sales tax base, but Republicans in Ohio's state legislature are still looking to boost revenue by cracking down on the ability of Internet retailers such as Amazon to ship goods into Ohio without collecting the tax.

As Ohio waits for Congress to act on more sweeping legislation addressing the taxation of Internet sales across state lines, the House has proposed redefining what it means for such a retailer to have a "nexus" in Ohio that would trigger mandatory collection of the tax.

Language added to a proposed two-year budget bill coming to a vote next week would expand the definition of "nexus" beyond having just a physical presence and employees in the state. It would also include the use of so-called "drop shippers" located in the state that are basically used as the points at which a manufacturer's product is shipped in and reboxed as the Internet retailers' shipment.

The language was sought by the Ohio Council of Retail Merchants, which sees it as an attempt to at least partly level the playing field between retailers with brick-and-mortar stores in Ohio and Internet retailers that can arrange the same sales and ship them into the state without being forced to collect and remit the state sales and use tax. It argues that Ohio loses \$200 million a year in sales collection as a result of goods purchased online.

"This is the number-one issue for retailers nationwide," said Gordon Gough, council executive vice president and chief financial officer. "It doesn't discriminate. [Untaxed Internet sales] hurt small retailers as well as large retailers."

Ohio is part of a compact with about 25 states that collect the sales tax from Internet

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to 60,000 returns making use-tax payments...," Department of Taxation spokesman Gary Gudmundson said. "It's pretty safe to say there's a considerably larger number of people buying products on the Internet and through catalogs and not paying taxes than there are people buying and paying the use tax."

Gov. John Kasich's administration was not involved in drafting the language, he said.

"The administration is considering these proposals, but it does have concerns," he said. "Primarily, the preference is that this nexus issue be resolved, as the [U.S.] Supreme Court suggests, at the federal level rather than trying to create a state-by-state, piecemeal solution. This really needs the attention of Congress to create a uniform, consistent, and fair system across the country."

The business community in general is divided on the issue; members of the National Federation of Independent Business' Ohio chapter are on both sides of the Internet sales issue. "This debate has been going on a long time," Executive Director Roger Geiger said. "It was catalog sales before Internet sales. Our membership is divided on it. Small retailers see it as an equity issue: If I've got to collect the tax at the brick-and-mortar level, why shouldn't the Internet folks collect it? Conversely, it's complicated. If you're a small business doing intermittent sales and shipping a product into a town, should you have to know all about the thousands and thousands of sales-tax jurisdictions across the country?"

The House Finance and Appropriations Committee is expected to vote Tuesday. The House floor will vote Thursday, shifting the debate to the Senate. A final budget must reach Mr. Kasich's desk before June 30.

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