Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

$100,000 annual sales threshold, multiple large U.S. businesses as well as organizations such as the National Taxpayers Union Foundation have expressed their reservations or ...

Jul. 16, 2018

On June 21, the Supreme Court overturned a ruling which exempted businesses that don't have a physical location from paying sales tax. The Court decision on South Dakota v. Wayfair, Inc. means that states may now require online retailers to collect sales tax.

While congressional action on the issue is still expected, potentially this decision means that the same state rules and requirements that apply to brick-and-mortar stores may also come to apply to online vendors. Among those requirements is also the common requirement to post a sales tax bond in order to obtain a business license in a given state.

Read on for a brief overview of the court ruling and an explanation of what tax bonds are, and how they work.

South Dakota v. Wayfair, Inc.

It has long been argued that the 1992 Supreme Court decision on Quill Corporation vs. North Dakota has created an unfair advantage for businesses who sell their goods online. While the initial decision was made before the advent of the e-commerce industry as we know it today, it has influenced its development since its inception.

Now, this may be about to change. With its June 21 decision, the Supreme Court seems to have overturned the Quill decision in favor of "leveling the playing field".

While the South Dakota law which lead to the Supreme Court ruling envisions a

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

some of the same licensing requirements as their brick-and-mortar counterparts which they currently don't need to comply with.

One such common requirement is the sales tax surety bond that must be obtained by many retail businesses in various states. Surety bonds are financial guarantee agreements that must be obtained or secured by a business, often when they apply for a license in their state.

These agreements guarantee that the bonded and licensed businesses comply with their tax responsibilities and obligations as defined by state or federal law. If a business violates such a requirement, and thereby causes losses or damages to a party that it has obligations toward, a claim can be filed against their bond to compensate claimants.

Typically, a general sales tax bond must be posted by retailers. Alcohol, cigarette, fuel or marijuana sellers in particular may need to get a specific sales tax bond that is tailored to their type of business.

Sales tax surety bonds are required of retailers to guarantee that when making sales, retailers will pay the necessary tax to the state. These bonds often also guarantee that businesses will report their earnings to their respective state agencies.

Sales Tax Bond Cost

Usually, when a business is required to obtain a bond, they will be asked that their bond be in a certain dollar amount. The amount of a bond is the maximum amount of compensation which it guarantees to cover. Bond amounts vary from state to state and from bond type to bond type.

But the bond amount is not the same as the cost of getting bonded. When you apply

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

In other words, while surety bonds, if required of e-commerce vendors in the future, will place an additional financial burden on them, this burden may not be too large. Whether or not internet retailers will be required to get bonded and comply with other licensing requirements currently shared by brick-and-mortar retailers remains to be seen.

What is your take on the Supreme Court decision? Do you think it will place an unnecessary burden on businesses or will it level the playing field, as claimed by some? Let us know in the comments!

———————

Todd Bryant is the President and Founder of Bryant Surety Bonds. He is a surety bonds expert with years of experience in helping business owners get bonded and start their business.

Sales Tax

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved