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they prepared to collect and remit sales tax in all states?

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How would your retail business clients fare if tax-free shopping were to end? Are they prepared to collect and remit sales tax in all states?

[This article first appeared on the [Avalara blog](#).]

The Supreme Court of the United States has agreed to hear a challenge to the physical presence standard that currently prevents states from taxing sales by out-of-state

retailers. If it rules in favor of the state, businesses could soon be forced to collect and

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the need for physical presence — and that was in 1992, two years before Jeff Bezos started an online bookshop in his garage. Since then, Amazon and other internet sellers have dramatically altered the way we spend our dimes.

The internet puts a world of options at our fingertips, yet it also enables consumers to avoid paying sales tax. Indeed, not collecting sales tax has given many online sellers a competitive advantage over their local, brick-and-mortar counterparts, taking a bite out of state and local sales tax revenue in the process. According to the U.S. Government Accountability Office (GAO), states collectively missed out on as much as [\\$13.4 billion in 2017](#) due to untaxed remote sales.

States push against the physical presence limitation

States miss the remote sales tax revenue. As a result, many are pushing against Quill's physical presence constraint.

The most successful challenge thus far comes from North Dakota's southern neighbor. South Dakota's [2016 economic nexus law](#) imposes a tax collection obligation on remote businesses that make at least 200 separate sales transactions or more than \$100,000 worth of sales in South Dakota in the current or immediately preceding calendar year.

Several large internet businesses, including Wayfair Inc., are challenging the constitutionality of the law in *South Dakota v. Wayfair, Inc.*, which the [Supreme Court has agreed to hear](#). Arguments will be held in April, and a decision is expected this June.

If the Supreme Court rules in favor of South Dakota, the path to taxing out-of-state businesses could open to other states. Exactly what that would look like is unknown, but retailers should prepare for any eventuality, including tax collection in all states that have sales tax.

Even if the court upholds the physical presence standard, there's a good chance states

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Are your business clients prepared to collect and remit tax wherever you sell?

The assault on the physical presence limitation is unlikely to abate until states find a way to tax all sales equally. If the Supreme Court or Congress don't come up with a solution that satisfies states, states will continue to push the physical presence limitation until it breaks.

In other words, one day soon small businesses could be required to collect and remit tax on all taxable sales. If and when that day arrives, their current tax solution may let them down. Customer service could be impacted, threatening customer loyalty and impeding growth. Audit risks could multiply.

Learn more [here](#).

Sales Tax

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