

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

could take time for things to play out. For the moment, the Supreme Court's decision applies only to South Dakota's tax on internet retailers.

**Anjum Tunuli** • Oct. 15, 2018



On June 21, 2018 the Supreme Court ruled that South Dakota can tax out-of-state companies for internet sales made to its residents. The judgment in [South Dakota v. Wayfair, Inc., Overstock.com, and Newegg Inc.](#) is a major change from the state of play for the past two and a half decades.

**What is South Dakota versus Wayfair about?**

In a nutshell, it's about revenue, specifically all the sales tax revenue South Dakota

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

taxes on sales they make to customers in the state. It argued that though none of the companies are based in South Dakota, the thing that should really matter is the amount of sales they make to in-state customers. South Dakota claimed that by not paying the state's sales taxes, the companies hurt its bottom line and "brick-and-mortar retailers."

### **What happens now?**

Many states are likely to move quickly to impose taxes (some already have). But it could take time for things to play out. For the moment, the Supreme Court's decision applies only to South Dakota's tax on internet retailers. And South Dakota's law applies only to retailers generating at least \$100,000 in annual sales or 200 transactions a year in the state. Still, based on this major change, we expect several things to happen.

### **Three implications for startups and small businesses**

Most states will follow South Dakota's lead, drafting laws to impose taxes on remote/online retailers. Laws that are too broad will almost certainly be challenged in court, and some will probably get shot down. In general, expect the long arm of the taxman to stretch further, with states (and localities) looking to increase their tax revenue by using South Dakota's law as a model. We expect:

1. Compliance costs to increase for small businesses and startups
2. Companies to need help planning for taxes and navigating tax compliance and reporting requirements in multiple jurisdictions
3. Competitive dynamics could shift as out-of-state sellers lose an advantage over in-state ones

### **How to get ready**

Now that you know about the changes, getting systems in place to make sure you are

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

=====

*Anjum Tunuli is Early Growth Financial Services' (EGFS) Chief Tax Officer. An accomplished tax executive, with over fifteen years of experience, he works with successful small to mid-sized companies and their owners. [www.earlygrowthfinancialservices.com](http://www.earlygrowthfinancialservices.com)*

Sales Tax • Small Business

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