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Escalating demand for certain essential items due to the novel coronavirus (COVID-19) pandemic has caused Amazon to prioritize shipments of high-demand products to fulfillment centers in the European Union and United States. Doing so will allow the company to more quickly receive, restock, and deliver these essential products to customers.

It could also create lasting tax implications for some Amazon sellers and suppliers.

The move comes as people across the U.S. and world hunker down to slow the spread

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being out in public.” Prioritizing delivery of essential products is a stopgap measure in effect until April 5.

Impact on suppliers and sellers

With diapers and toilet paper flying off the shelves of brick-and-mortar stores and consumers leaving home as little as possible, suppliers and online sellers of essential products are experiencing a surge in sales. On the other hand, businesses that supply and sell nonessential goods through Amazon may be experiencing a lull in sales. According to CEO of Prime Guidance Steven Yates, Fulfillment by Amazon (FBA) sales of non-essential goods have **dropped by 40% to 60%**.

Of course, once pantries are sufficiently stocked, people with the means to shop for nonessentials will likely do so. It's one way to fill the hours.

In the meantime, suppliers of nonessential items could look for other ways to distribute products that aren't being prioritized by Amazon. Those already selling directly to consumers could focus on boosting their direct sales. Others could take this time to develop B2C channels or relationships with other marketplaces.

The same is true for Amazon's marketplace sellers. Though FBA sellers may **continue to sell nonessential products** that are already in and/or on the way to fulfillment centers, they'll be in a bind once that inventory runs out. Increasing direct sales or selling through other marketplaces could be a good next step.

Another option open to Amazon sellers is to fulfill orders themselves. Amazon's **Seller Fulfilled Prime** service allows retailers to deliver directly to domestic Prime customers from their own warehouses. This may be best for companies that already have their own warehouses and delivery systems set up. For the time being, there's currently a waitlist to sell through Seller Fulfilled Prime.

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(e.g., \$100,000 in sales or 200 transactions into the state in the current or previous calendar year).

These thresholds will likely be surpassed by suppliers and retailers of diapers, toilet paper, and other essentials, at least in states where residents are being encouraged to work and shop from home. For suppliers, this could create new reporting and exemption certificate obligations. For retailers, this could increase obligations to collect, remit, and report sales and use taxes.

Marketplace facilitators like Amazon are required to collect and remit tax on behalf of their marketplace sellers in most states with economic nexus laws. Yet [marketplace facilitator laws](#) don't necessarily relieve marketplace sellers from all sales and use tax obligations in those states. Some states require marketplace sellers — even those selling only through collecting marketplaces — to register and file returns. State-specific details are available in this [state-by-state guide to marketplace facilitator laws](#).

Furthermore, growing direct sales for marketplace sellers may establish economic nexus in states where they currently have no reporting requirements. That can be true even if Amazon handles sales tax for their marketplace sales. Businesses that heavily lean on Amazon to take care of sales tax will have to ensure sales through other channels are being correctly taxed and reported.

The COVID-19 pandemic is shifting the scales for Amazon sellers and suppliers. Those selling high-demand products need to worry about the potential sales tax ramifications of meeting customer demand.

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legislation more digestible for accounting and business professionals — or anyone

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