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Mar. 22, 2021

After the U.S. Supreme Court ruling in South Dakota v. Wayfair, Inc., in June of 2018, the beverage alcohol industry didn't immediately experience the same level of impact other industries felt. However, over the course of the last two and a half years, complexity has steadily increased.

With several significant changes in 2020, as well as Florida and Missouri (the last two holdouts for adopting economic nexus laws) potentially getting added to the mix in 2021, the situation is growing more and more complex for alcohol sellers to navigate.

When we talk to direct-to-consumer (DTC) shippers of alcohol, fairly consistently there's either a lack of awareness about how economic nexus laws can impact their business or a lot of confusion about when and how nexus changes their tax compliance requirements. Because of this, we compiled a resource that provides an introduction to economic nexus, as well as detailed information about each state that has recently implemented changes that matter to alcohol sellers.

Here are a few highlights from our new report, An overview of economic nexus in the beverage alcohol industry.

- Perhaps the biggest change was in **California**; it really snuck under the radar for most producers. Because most wineries are located in California, and because a substantial percentage of their volume is delivered to California customers, the majority of California wineries with DTC programs will exceed the $500,000 threshold. Requiring destination-based sales tax rate calculations at local

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Now, out-of-state businesses with no physical presence in Illinois that exceed the economic nexus thresholds must collect Retailers' Occupation Tax (ROT), including local business district jurisdictions with challenging boundaries.

- **Texas** began requiring local sales tax collection for all licensed DTC wineries.
- The **City of Chicago** introduced a new excise tax for wineries licensed to ship to Illinois.
- **Colorado**, **Iowa**, **Minnesota**, and the **District of Columbia** all require DTC shippers to register for sales tax only if they exceed economic nexus thresholds. We're watching **Florida** and **Missouri** to see if they create similar requirements in 2021.

You can download the report, An overview of economic nexus in the beverage alcohol industry to read much more on this complicated topic.

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