According to IT law wiki “ a state may tax a transaction if there is some connection (nexus) of the transaction to the state. If the buyer or seller is located in the state transaction may be subject to the sale tax. “  
  
Steve’s supplier lives in California but he doesn’t. His supplier also has facilities in California as well.   
In this case Steve would not be subject to state tax because he has no nexus to the state since he lives in Minnesota and sells online.   
  
His supplier is subject to state tax because he has a nexus in California. The supplier has a nexus because he has a facility that produces the supplies in that state.   
  
Steve does have to pay a use tax to his state government.   
  
A year later the supplier opens a warehouse in Minnesota to handle its online orders for an entire country. Steve will be required to pay Minnesota state tax because he now has a nexus in Minnesota.   
  
According to “Quill v. North Dakota, 504 U.S. 298 (1992), the U.S. Supreme Court ruled that retailers are exempt from collecting sales taxes in states where they have no “nexus” or physical presence, such as a store, office, or warehouse. “  
  
Also In the, “2005 case of Borders Online, LLC v. State Bd. of Equalization, 129 Cal. App. 4th 1179, 29 Cal. Rptr. 3d 176 (2005), a California court required Borders Online to collect state sales tax because Borders Online had an effective presence in California. “  
  
In conclusion Steve will have to pay sales tax in Minnesota because there is a physical warehouse in Minnesota. Steve buys his supplies from this warehouse which establishes a nexus.