Amazon has been involved with online sales taxes since its inception.  Originally it was one of the biggest opponents of e-commerce stores collecting sales taxes. As it built more facilities and established 'nexus' in many states it has now moved to where it collects sales tax on all sales regardless of nexus. Quite a switch from its original point of view.

Amazon not only sells its own products it also sells the products of thousands of other merchants through the Amazon website.  This has caused a lot of confusion as to what products are taxable and who is responsible for collecting the sales tax and for which state the sales tax should be collected. This issue has recently moved to the forefront with South Carolina in the news making it our current event topic.

Use the following articles to address the questions listed below:

<https://www.bloomberg.com/news/articles/2017-10-09/amazon-s-sales-tax-fight-is-heating-up-as-states-crack-down>

<https://www.cbsnews.com/news/amazon-sellers-face-big-state-sales-tax-bills/>

<https://www.cnbc.com/2017/08/15/amazon-faces-a-tax-fight-in-south-carolina-that-could-change-how-online-sellers-do-business.html>

Please address the following topics from these articles:

1. Summarize the situation described in these articles.
2. Discuss the main parties involved (states, merchants, Amazon, MTC) and where they stand on this process.
3. Define and discuss how 'nexus' is used to determine who must collect online sales tax.
4. Who is the Multistate Tax Commission (MTC) and what is their 'amnesty' program trying to do?
5. Why is sales tax law up to the states and not the Federal government?

Amazon the leading online retailer who not only sells its own goods, but also has an extensive base of merchants who sell goods and services through the retailer is in trouble for not collecting sales taxes for the merchants. The idea that there were no brick and mortar stores gave way to a loop hole that state taxes did not apply. But recently that has changed, and the government and states are demanding Amazon and the merchants to pay taxes on the locations of sale. In addition, they are being required to pay back taxes. This is causing many questions and concerns. The main question is who is to collect the taxes? Is it Amazon or the states. Each side claims the other is responsible. The merchants are especially concerned as in addition to back taxes, paying state taxes could hinder profits and potentially send the merchant into closure. They fear that the separation of Amazon and the merchants is unfair as Amazon can afford legal consultation and penalties that the small businesses cannot.

States say that there is an unequal playing field for online merchants as opposed to brick and mortar stores. Until now the online merchants did not have to pay taxes that the brick and mortar locations did. South Carolina is heading a lawsuit in which Amazon has failed to pay $12.5 million in state taxes. It states that it is Amazons responsibility to collect taxes for the merchants’ goods sold in the perspective locations. Amazon must charge sales tax in any state that has a physical presence…a nexus.

The Mulit State Tax Commission which is a group of about a dozen state tax officials has agreed to establish an amnesty program to those merchants who come forth by December 1 to forgive any past tax debt owed the states. The concern is that many merchants are unaware of the program. While the MTC does not make laws, they do have weigh in making recommendations for laws. Amazon argues that an old Supreme Court Case known as the Quill decision which states that only merchants who have a physical presence in the states it sells to must pay taxes. The decision is 25 years old and the states argue that state taxes are on a state level meaning states make the laws governing sales taxes. The federal government does not enforce the state tax laws in which sales taxes are based on the individual state decisions. It would be a challenge to make states pay taxes based on the federal government as each state has diverse needs and abilities regarding sales tax.

The battle continues to play a tug of war between Amazon, the states and the merchants who sell through Amazon. But it also is bringing a new observance of sales tax based on sells in the state. Many states are getting more involved in the process.