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WAYFAIR TAX POLICY REVISITED
ECOMMERCE AND OMNICHANNEL BRANDS

Are You Ready to Collect Sales Tax Nationwide?

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Read Time: 3 minutes

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Ecommerce and Omnichannel Brands: Are You Ready To Collect Sales Tax Nationwide?

On June 21, 2018 the landscape of ecommerce in the U.S. forever changed thanks to South Dakota sales tax. The U.S. Supreme Court Wayfair Decision ruled in favor of South Dakota and sent the case back to the state for final adjudication. South Dakota sales tax can now be collected on ecommerce transactions shipped into the state. The ruling has nationwide implications, but many companies took a wait-and-see planning approach. How would other states react? What should we do?

Think about it from a state government perspective for a moment. The Wayfair tax policy enables an entirely new revenue stream. Do you think this potential revenue will be left on the table? The answer is an emphatic "no!". 25% of the states thought South Dakota might prevail and already had economic nexus legislation in place. And while the rest of the states may have been surprised, they did not sit around contemplating their next steps.

By July 1, three more states had laws in place. Mississippi joined them in September.

Twelve more will go into effect on October 1st. California and New York will join the crowd by the end of the year. The remaining states will join them next year. By July 1, 2019, we can expect that 46 states and the District of Columbia will be collecting ecommerce sales tax on out-of-state transactions. We no longer need to wait, to see.

But what does it all mean? Each state has its own method for determining economic nexus and thresholds. The variables used are typically a combination of the types of goods sold, the annual dollar volume of business or the total number of transactions. For South Dakota for example, the threshold is $100,000.00 or 200 transactions, whichever occurs first. Any company shipping more than that will pay South Dakota sales tax on those transactions. But that's just South Dakota. Other states have different thresholds and different means of assessing tax at state, county and local jurisdictions.

"A complex, new requirement emerged virtually overnight and with NetSuite we already have a solution in place to address it."

Tony Drockton, Chief Cheerleader, Hammitt

This creates an incredibly complex web of threshold rules, multiple taxing authorities, individual item eligibility and tax liabilities for remote sellers and ecommerce brands to manage. Given that sales tax is often a combination of state, city and local rates, just determining the correct sales tax rate is extremely difficult. Zip codes are not granular enough. Couple this with the fact each state has its own rules about item eligibility and some states add luxury tax on high dollar items or the opposite, choosing to forgive sales tax on amounts above some seemingly arbitrary threshold.

The ecommerce sales tax liability is very real. The states that have passed these laws have already earmarked the revenues they intend to collect from this new source of funding. The money is already spent, as it were. Their tax boards are busy sending out letters of compliance to any ecommerce retailer selling into their state. It is their job to ensure they collect this revenue and they leverage a network of web crawlers to identify companies selling into their states. They will find you and you must comply. Tax returns will need to be filed with each of these states, and in some cases, county or local tax returns will also be required.

Needless to say, branded manufacturers and other ecommerce retailers will need systems in place to track, collect, pay and account

for all these new taxes. These requirements affect commerce and shopping cart engines, merchandising systems, payment systems, shipping, and or course accounting. And while the largest brands have, for the most part, readied themselves for these changes, there are thousands of mid-market and smaller companies that are left scrambling to react. Given the wide impact on systems, many brands are reevaluating their business platform strategy and moving to cloud-based platforms that are inherently nimbler and already wired to handle the Wayfair Decision fallout.

Here at NetSuite we have partnered with Avalara to provide a soup-to-nuts solution for:

- Monitoring state and local sales tax law rules and rate changes.

- Real time tax rate assessment based on:
  - Item eligibility
  - Shipping destinations rules
  - Transactional and item thresholds

- Sales tax collection for ecommerce, point of sale, call center and omnichannel transactions.

- Tracking tax collections by tax authority.

- Preparation of annual sales tax returns by tax authority.

- Accounting audit trails to prove compliance.

With NetSuite, brands can rest assured they are ready for the Wayfair tax policy. Additionally, they can sleep better at night knowing they will also be better prepared for the next sea-change that will rock the world of retail. By leveraging the global power of Oracle and NetSuite, apparel brands are assured that their platform will be able to accommodate future compliance issues as they arise. Who knows what shape the next "Wayfair Decision" will take? The real question is: will you be ready? With NetSuite the answer is—yes.