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**AMAZON TO COLLECT SALES TAX IN IOWA**

**Announcement.** Earlier this month, Amazon announced that the company would be required to collect and remit sales tax in Iowa beginning January 1, 2017. This follows recent similar announcements in Alabama and Utah, although those states had other state-specific laws in place which appeared to impact the changes. Iowa becomes the 31st state in which Amazon is remitting sales taxes.

**Nexus and Use Tax Issues.** Every retailer who makes a taxable retail sale in Iowa is required to collect sales tax at the time of selling the property or service. "Retailer maintaining a place of business in this state" is a term generally meant to encompass retailers that have a sufficient "nexus" with Iowa so the State can constitutionally require them to collect sales tax from customers. A retailer has "nexus" with Iowa for purposes of the sales and use tax when the retailer has some sort of physical presence in Iowa (see *Quill Corp. v. North Dakota*, 504 U.S. 298 (1992)). Since Amazon lacked a nexus in Iowa, it was not remitting sales tax on purchases made and delivered to Iowa residents.

Use tax on the use of any property or service which is not collected by a retailer maintaining a place of business in this state is required to be paid directly by the consumer. Use taxes are meant to minimize unfair competition between sales made in and out of state. Generally, if an Iowan buys a taxable good out of state and they transport it back into the state, or it is delivered to the Iowan's house, that resident is required to pay the use tax. The amount of full compliance with this law is unknown.

**Revenue Estimating Conference Impact.** The Revenue Estimating Conference already accounted for this announcement at the December meeting. The Department of Revenue estimates that sales tax collections from all online retailers could be in the range of \$18.0 to \$24.0 million per year. Amazon is assumed to be a significant portion of the amount.

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