



The Barriers Created by Complexity: A State by State Analysis of Local Sales Tax Laws in Light of the Wayfair Ruling

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THE BARRIERS CREATED BY COMPLEXITY: A STATE-BY-STATE ANALYSIS OF LOCAL SALES TAX LAWS IN LIGHT OF THE WAYFAIR RULING

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In June 2018 the Supreme Court ruled in favor of South Dakota's effort to tax remote sales in the South Dakota v. Wayfair, Inc. case, creating a pathway for states to enforce economic nexus laws. However, many states do not yet meet the presumed requirements regarding the necessary simplification of sales and use taxes. A major barrier to simplification is local sales tax complexity, which is introduced through high levels of rate discretion, overlapping jurisdictions, and differences in tax bases. This analysis categorizes states based on the complexity of their local sales taxes to determine how this complexity may affect economic nexus laws moving forward.

Keywords: Wayfair, local sales taxes, tax complexity, e-commerce

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I. INTRODUCTION

States have been working towards the goal of requiring remote vendors to collect and remit sales taxes for more than a decade. While many strategies have faltered, South Dakota's successful defense of its economic nexus law suggests that states do have the ability to enforce carefully crafted economic nexus laws. However, Justice Kennedy's opinion in the *South Dakota v. Wayfair, Inc.* ruling was clear: the Court ruled in favor of South Dakota because of its simple sales tax structure, which does not create undue burden for the collection of sales taxes by remote vendors. Nonetheless, it is not entirely clear which elements of South Dakota's law are required for other states to follow and how easily South Dakota's policies can be applied to other states that have complexities not present in South Dakota such as overlapping jurisdictions with local sales taxes. This paper describes states' local sales tax complexity – historically, contemporaneously and their potential future in the context of the *Wayfair* ruling.

In June 2018 the Supreme Court ruled in favor of South Dakota in *Wayfair*, thereby weakening dependence on physical nexus requirements, which require a physical or brick-and-mortar presence in the state to compel retailers to collect sales taxes. The *Wayfair* ruling provides states a Constitutional pathway to create substantial or economic nexus laws. Economic nexus, in contrast to physical nexus, is based on sales and economic activity rather than physical presence.¹ Establishing economic nexus matters for states and local jurisdictions because of the desire to collect forgone revenues. However, simplicity of state and local sales taxes was central to the ruling. It is reasonable to think of the complexity introduced by local sales and use taxes (hereinafter referred to as local sales taxes [LSTs]) as the largest barrier impeding acceptance of

¹ Economic nexus legislation typically requires remote vendors, once reaching a threshold of sales or economic activity within a state (referred to as a safe harbor), to collect and remit sales taxes. This is in contrast to physical nexus where the vendors only have to collect and remit sales taxes if they have physical presence in the state.

economic nexus as the basis for taxation in the past.

Early discussions regarding remote vendors largely revolved around catalog sales, telemarketers, and purchases made from infomercials, while recent discussions focus on how the growth of the Internet and e-commerce has dramatically expanded the volume of sales escaping state and local taxation (Agrawal, 2016). The tax haven created by the inability of state and local governments to require e-commerce and other remote vendors to collect and remit sales taxes is problematic for two primary reasons. First, it creates inequities among retailers and consumers in that identical goods purchased by an individual without traveling from their home are taxed differently (McLure, 1997). Second, the loss in state and local revenue is substantial.

Given the importance of how nexus is established, it is not surprising that it has been considered by the Supreme Court previously. In the *Quill Corp v. North Dakota* and *National Bellas Hess, Inc v. Department of Revenue, Ill* rulings it was noted that the complexity of state and local sales tax systems made the burden on remote vendors onerous. Due to these rulings, many states have worked to simplify their laws and apply technological advances to remove the undue burdens that would fall on remote vendors. With the *Wayfair* ruling, the Supreme Court has created a pathway for states to create enforceable economic nexus laws. However, this pathway has important, not completely clear, conditions. While many states currently have comparable economic nexus laws, there are still numerous potential barriers in place for many states—largely created by LSTs. These barriers include differences in the tax base between the state and local governments or among local governments; complicated rate structures, which include the possibility for a given jurisdiction to have multiple tax rates within its own borders; and even whether vendors remit taxes to a central tax office or to the tax offices of individual governments.

Justice Kennedy highlights the five facets of South Dakota’s law that led to the *Wayfair* ruling. The first facet is the “safe harbor” created by having a threshold of economic activity in the state that must be met before sales taxes need to be collected. Second, South Dakota’s law does not permit the retroactive collection of sales taxes. Third, South Dakota is a member state of the Streamlined Sales and Use Tax Agreement (SSUTA)—a multi-state initiative designed to simplify and standardize sales tax laws across the country, which reduces complexity and compliance costs. Fourth, South Dakota provides vendors access to sales tax administration software at no cost. Lastly, the opinion also notes destination-based taxation rather than origin.

South Dakota’s sales tax laws have now become the standard due to the *Wayfair* ruling. While many gloss over the aspects of the law that pertain to LSTs, it is critical to acknowledge and carefully examine the relative simplicity of South Dakota’s LSTs as other states seek to create and enforce their own economic nexus laws. An earlier review of LST laws characterized South Dakota as a state with low jurisdictional eligibility and discretionary authority (Afonso, 2017), which simply means that the LSTs are relatively uniform across the state and that local governments have little autonomy. While local governments may not prefer such limited discretion, it does lead to more straightforward tax collection. In South Dakota only municipalities can adopt LSTs, so there are no overlapping rates for counties or special districts, and the aggregate municipal tax base is almost the same as that of the state. The primary difference in the tax base of relevance to remote vendors is that farm machinery, irrigation equipment, and amusement devices are only subject to the state sales tax.² The burden imposed by this modest complexity is offset by South Dakota’s state-provided sales tax software. The straightforward laws and tax structures in South Dakota are not typical, which necessitates the

² There are a few other differences in the tax base, but they involve taxes on purchases of lodging, ticket sales, and in-town transportation, which are unlikely to affect remote vendors.

comprehensive analysis presented here.

This article proceeds with an overview of the legal landscape that led to *Wayfair* and discusses relevant literature. That is followed by an analysis of the simplicity or complexity of LSTs. Then a discussion and analysis of how complexity may impact state efforts to create economic nexus in the wake of the *Wayfair* ruling. The concluding section summarizes the results of the analysis.

II. CONTEXT OF THE *WAYFAIR* RULING

The *Quill* majority expressed concern that without the physical presence rule ‘a state tax might unduly burden interstate commerce’ by subjecting retailers to tax-collection obligations in thousands of different taxing jurisdictions... But the administrative costs of compliance, especially in the modern economy with its Internet technology, are largely unrelated to whether a company happens to have a physical presence in a State (Kennedy, 2018, pp. 11-12).

E-commerce retailers, and other remote vendors, have historically not been required to collect sales taxes when the seller lacks a physical presence in a given state. This stems from the Supreme Court’s 1992 *Quill* decision. In *Quill*, North Dakota contended that modern sales methods made the physical nexus requirement established in *Bellas Hess* obsolete; however, the Supreme Court maintained that the undue burdens that fall on remote vendors created by collecting interstate sales taxes outweighed the current economic realities of interstate trade (McLure, 2002). These burdens created by complexity are typically exacerbated, if not driven, by LSTs. This section briefly highlights research concerning the effects of the e-commerce tax haven on consumer behavior; how states may be able to respond to the complexity concerns; and how policymakers have responded to physical nexus requirements.

The tax haven created by out-of-state retailers was a concern for decades even before the introduction of e-commerce. However, as the volume of e-commerce mushroomed, so did the level of concern. The forecasted loss in state and LST revenue due to e-commerce in 2012 was

\$12.65 billion, which is likely a conservative estimate (Bruce, Fox, and Luna 2009). A 2017 analysis estimated that states were losing between \$8 and \$13 billion a year—even with Amazon collecting sales taxes in all states by mid-2017 (GAO, 2017).

Research on consumer behavior indicates that consumers who choose to make Internet purchases do so in part to avoid paying taxes and that this behavior is especially prevalent in high tax jurisdictions (Goolsbee, 2000; Ballard and Lee, 2007; Einav et al., 2014; Agrawal, 2016). One study found that when shoppers were confronted with a tax surprise (i.e., a charge for sales tax they were not anticipating), they tended to cancel the transaction and purchase a similar item from a different seller. The researchers concluded that online sales would be reduced by 12 percent if state sales taxes were applied (Einav et al., 2014). Another study found that once Amazon began collecting sales taxes, the company experienced a 9.5 percent decrease in sales, and there was a corresponding 19.8 percent increase in sales by online retailers not collecting sales taxes and a 2 percent increase in brick-and-mortar retail sales (Baugh, Ben-David, and Park, 2014). The consumers' shift back to brick-and-mortar may explain, in part, the finding that once Amazon began collecting LSTs that urban counties generated more revenue per capita than rural counties (Afonso, 2019). Of course, this is not tax avoidance, but tax evasion because the majority of states have use taxes. A use tax can be understood as a sales tax for purchases made out of the jurisdiction where it will be used or consumed. When purchases are being made from remote vendors, the purchasers should remit the use tax (which has typically the same rate as the sales tax) to the state.

Given the sizable impact of an Internet tax haven on consumer behavior and tax revenues, the academic and policy communities have responded with recommendations. In discussions of how to best structure sub-national sales taxes, two themes emerge in the literature.

The first is the recommendation to “tax everything” except business-to-business transactions. This includes sales made by remote vendors and frequently includes services (McLure, 1997; Belan and Guathier, 2006; Fox and Luna, 2006). The second theme urges exploitation of technological advances to ease the burden, including the possibility of supplying vendors tax software (Cornia et al., 2000; Zodrow, 2006).³

These potential policy solutions confront the reality of a complex mosaic of laws and tax rates across states and local governments. Each state has different policy objectives (Fox and Luna, 2006) and varying levels of dependence on sales tax revenues which leads to different levels of interest and willingness to adapt sales tax laws (Mikesell, 2000). These differing preferences and dependence on sales taxes make it difficult for states to collaborate nationally in efforts to reduce complexity (like SSUTA) and agree on a standard policy (Cornia et al., 2000; Mikesell, 2000; Cornia et al., 2004; Fox and Luna, 2006).⁴

State and federal officials and sympathetic organizations worked during the 26 years between the 1992 *Quill* decision and the 2018 *Wayfair* ruling to find a way to compel remote vendors to collect and remit sales taxes. Efforts to reduce the compliance burden on remote vendors included 1) reducing complexity by making tax bases (state and local) more uniform, 2) using destination rather than origin sourcing,⁵ 3) using more universal definitions of goods, and 4) making sales tax calculation software available to vendors by the state (Zodrow, 2006; Swain, 2006). One of the largest efforts of state cooperation was the SSUTA, in which states elected to

³ Additionally, there is a robust literature on tax complexity and the associated compliance costs (e.g., Slemrod, 1995; Forrest and Sheffrin, 2002) and the trade-offs between complexity and equity and efficiency (e.g., Kaplow, 1996, 2008; Alm, 1996).

⁴ Multi-state collaboration is further complicated by the recognition of reduced autonomy among state and local government partners.

⁵ By 2019, 12 states continued to have origin sourcing, but of those 12 only California, New Mexico, and Arizona had origin sourcing for remote purchases. California was destination sourced for state, county, and city sales taxes and had some district sales taxes that remain origin sourced.

simplify their tax codes in cooperation with other states in hopes that a reduction of the compliance burden would bring voluntary compliance by remote vendors (Cornia et al., 2004).⁶ State efforts were not limited to these strategies though. For example, starting in 2008 states began to adopt click-through and/or affiliate nexus laws. Click-through nexus typically establishes nexus when an in-state referral agent is involved and receives a commission. Affiliate nexus typically establishes nexus when the remote retailer owns or is owned by a firm that has physical nexus in the state or common employees promote the remote vendor.

While states worked on adapting their own laws and working collaboratively with other states, observers recognized the power of Congress to address the problem. In the *Quill* opinion, the Court noted that Congress had the power to legislate and require states to simplify laws to mitigate the undue burden. The dissent written by Chief Justice Roberts in the *Wayfair* ruling declared that the issue of nexus should be addressed by Congress rather than the Supreme Court. In fact, there have been numerous efforts at the federal level to establish federal law to clarify the requirements of both states and retailers, including the Marketplace Fairness Acts of 2011, 2013, and 2015 and the Remote Transactions Parity Act.⁷ These bills would have created a pathway for states to move away from physical nexus towards a standard of economic nexus while requiring states to reduce the burden of collecting sales taxes for remote vendors. However, Congress did not pass legislation and the Supreme Court was once again faced with questions of nexus. Justice Kennedy observed that “*Quill* impose[d] the sort of arbitrary, formalistic distinction that the Court’s modern Commerce Clause precedents disavow in favor of ‘a sensitive, case-by-case analysis of purposes and effects.’” The *Wayfair* ruling has changed the landscape. This analysis

⁶ An earlier effort was the Streamlined Sales Tax Project (SSTP), which was replaced with the SSUTA.

⁷ The Marketplace Fairness Acts would have required states to be members of or meet the criteria of SSUTA. The Remote Transactions Parity Act would have also created a safe harbor and required states to provide sales tax collection software to help alleviate the burden on remote vendors.

takes up Kennedy’s point by conducting an analysis of the complexity of sales taxes on a state-by-state basis.

III. THE COMPLEXITY OF THE STATES’ SALES TAX LAWS

The complexity of South Dakota’s sales tax laws was central to the *Wayfair* ruling and for states that wish to successfully implement and enforce their own economic nexus laws, complexity of both state and LSTs will be critical. There are already a great number of states with economic nexus laws in place and some states had their own economic nexus laws, or similar ones, in place before the *Wayfair* ruling, while other states reacted quickly. For example, North Dakota’s economic nexus law went into effect on June 21, 2018—the same day as the *Wayfair* ruling—and Hawaii and Kentucky had laws that went into effect on July 1, 2018—just a week and a half after the *Wayfair* ruling.

Table 1 presents the key dates of state efforts designed to require remote vendors to collect and remit sales taxes. It presents the date that states joined the SSUTA (starting in 2005), if they have. It also presents the date that laws went into effect (not passed) for numerous types of possible alternatives to physical nexus, which include laws regarding click-through nexus, affiliate nexus, reporting requirements, economic nexus, and marketplace nexus laws. Marketplace nexus requires online platforms such as Amazon and eBay to collect and remit sales taxes for the third-party vendors using their platforms. These final two, economic nexus and marketplace nexus, are likely to be most impacted by *Wayfair* because the *Wayfair* ruling dealt with economic nexus specifically and it is fair to consider marketplace nexus as an extension and clarification of economic nexus for online marketplace platforms. Table 1 includes any safe harbor or sales threshold requirements, which dictates how much economic activity is necessary to create nexus.

<Table 1>

As shown in Table 1, SSUTA had early momentum but failed to get more than half of the states as members. Of the 24 member states, 20 joined in the first 3 years and 14 joined the first year. The failure of SSUTA to attract more states as members is likely due to the varying levels of dependence on and subsequent willingness to adapt laws regarding the sales tax (Mikesell, 2000). The majority of nexus laws, such as affiliate, click-through, and others, were passed after 2010. While this may be due, in part, to the growth of e-commerce, it may also represent a shift in strategy by the states away from collaboration towards more independent efforts. Table 1 also shows that many states have similar safe harbors to South Dakota (\$100,000 in sales *or* 200 transactions in the current or previous year), but not all of them do. For example, the safe harbor threshold in Ohio is \$500,000 in sales with no minimum number of transactions and in Connecticut the safe harbor threshold is \$250,000 in sales *and* 200 transactions.

Table 1 presents state responses to the physical nexus requirement and, in some cases, *Wayfair* and it reveals the diversity of state preferences and strategies. While most states do have a law in place intended to capture lost revenue from remote purchases, the timing, the types of laws, and the number of efforts vary considerably. However, to understand the possible barriers to enforcing these laws it is critical to examine the complexity introduced by LSTs, which is presented in Table 2. The key elements of LST complexity that need to be evaluated are 1) the discretion of local governments to set rates, 2) the presence of overlapping local jurisdictions, and 3) the differences in the state and local tax bases.

A. Local Sales Tax Rate Discretion

The first burden created by LSTs for remote vendors is introduced by the level of discretion that local governments have in setting the LST rate, which often leads to greater

variation in sales tax rates across the state. Justice Kennedy’s opinion highlights “simplified tax rate structures” as one of the factors for why the Court ruled in favor of South Dakota. Simple tax rate structures have important implications for understanding how LSTs may impact state’s ability to enforce economic nexus laws. The third column of Table 2 presents a rate discretion variable, which categorizes how much discretion local governments have to set LST rates—low, medium, or high discretion. A state is categorized as **low** discretion if its law mandates a relatively uniform fixed LST rate across the state—the only discretion may be whether to have it in place. Wisconsin’s LSTs are a good example of low discretion in setting rates. Counties can adopt a 0.5 percent LST, and most have. They are also able to adopt a 0.1 percent stadium LST and, as of April 2019, only four counties have a stadium LST in place. Therefore, there is low discretion and variation in LST rates in Wisconsin.

<Table 2>

A state is categorized as a **medium** discretion state if there are either fixed increments or rate caps on the LSTs available for adoption by local jurisdictions. In medium discretion states local governments have more choices available to them but operate in a relatively restricted environment. California has the Bradley-Burns Uniform Local Sales and Use Tax, which has a flat rate applied in every county. If that was the only LST instrument available in California, then the state would be categorized as low; however, there are other instruments available and some discretion over those rates, so California is categorized as medium discretion. A state is categorized as **high** discretion if there are high or no rate caps and a great deal of rate setting discretion by local governments. Alabama is a good example of a high discretion state. The local rates vary between 1 and 7 percent across the state.

To comply with *Wayfair* states may need to reduce the levels of rate discretion that local

governments have. Any variation in rates requires remote vendors to know the specific rate for each locality which places a greater burden on them to ensure they are collecting the correct state and LSTs. While the majority of LST rate differences are a result of greater autonomy, not all are. For example, Virginia is a low discretion state and has a non-optional, flat local rate of one percent statewide. However, there are planning districts in Northern Virginia with an additional 0.7 percent rate and a 1 percent rate in the historic triangle (Williamsburg area). So, there is rate variation in the state, but local governments do not have discretion. Thus, this complexity, while still minimal, will not appear in this coding scheme.⁸

B. Overlapping Local Sales Tax Jurisdictions

A second complexity that LSTs may introduce is overlapping jurisdictions. Overlapping jurisdictions are when LSTs are available to multiple levels of local governments, i.e., a combination of municipalities, counties, and special districts. They introduce complexity by creating the possibility that in the same jurisdiction there will be multiple sales tax rates. Overlapping jurisdictions were not highlighted by the Supreme Court in its decision, but South Dakota has only municipal LSTs, so it was not a consideration in the *Wayfair* case. The fourth column of Table 2 identifies whether counties, municipalities, and/or special districts in a given state can levy LSTs.⁹

Overlapping jurisdictions may be especially problematic because many municipalities span multiple counties, so residents of the same municipality may have different rates. For example, in Dunnellon, Florida, some residents reside in Citrus County, some in Marion County, and still others in Levy County. Thus, knowing the purchaser's municipality from a shipping or

⁸ However, more of these details are available in Afonso (2017).

⁹ This does not mean that all counties, special districts, and municipalities will have LST adoption authority. For example, Pennsylvania has county and municipal LSTs, but only one county (Alleghany) and municipality (Philadelphia) are legally able to levy an LST. See Afonso (2017) for more detail.

billing address would not be sufficient to calculate the sales tax rate if the counties levy different LST rates. To further complicate the issue, zip codes may also span county and municipal boundaries (103 cross state lines) and cannot be used to calculate accurate tax rates either. Thus, the complexity introduced by overlapping jurisdictions creates a great deal of burden for remote vendors who must ensure that the correct sales tax rate is applied, which translates into remote vendors needing to know the state, municipal, county, and special district rate for every address.

Oklahoma is another good example of the issue of overlapping jurisdictions and tax rate diversity. The state rate is 4.5 percent, and the combined state-local rates range from 4.5 to 11.5 percent—there are areas that have no LSTs and others having an LST of as much as 7 percent. For example, in Texas County, Oklahoma, the municipality of Adams has a 5.5 percent combined rate and Adams’ neighbor, Hardesty (also within Texas County), has a 9.5 percent rate. The difficulty of navigating these overlapping jurisdictions is not just in rural counties either. Residents of Oklahoma City are spread across four different counties: Canadian County with a county rate of 0.35 percent, Pottawatomie County with a county rate of 1.495 percent, Cleveland County with a county rate of 0.25 percent, and Oklahoma County with no county LST. This is in addition to the Oklahoma City municipal rate of 4.125 percent. Once again, zip codes are not an adequate solution either. 73170 is a zip code in Oklahoma City that spans two municipalities and two counties with different rates.

C. Local Sales Tax Base Diversity

The largest potential source of complexity introduced by LSTs is the diversity in the tax base. Not only may it be difficult to identify the correct tax rate for a given purchaser, as established previously, the state and local tax rates may not be applied uniformly to all types of purchases and goods. These differences in tax base can be between the state and local

governments, between certain LST instruments and others, or between different local governments. The potential differences are categorized in a typology presented in the fifth column of Table 2. **Type one** states have the same tax base for local governments and the state.¹⁰ A state is categorized as **type two** if there is a difference between the state’s tax base and that of local governments, as long as the difference is uniform across all local governments and all available LSTs. For example, one of the most common exemptions from the state sales tax is food. However, some states that exempt food from the state-level sales tax base include food in the LST base, for example the state of Georgia.

A state is categorized as **type three** if the LST base differs depending on which LST is in place. In North Carolina the state has authorized five specific LSTs with different rules and tax bases. Two of the five LSTs mirror the state-level exemptions and do not tax food and the other three LSTs tax food, unlike the state. One of the three that taxes food has the same tax base as the state otherwise. The other two LSTs that tax food further deviate from the state tax base by taxing food and building materials. Another complex type three state is Illinois. LSTs in Illinois vary depending on what is taxed and what is exempted from the tax base by the instrument. While the state taxes food at a lower rate than other purchases, food is exempted altogether by the “Special County Retailers’ Occupation Tax For Public Safety, Public Facilities, Mental Health, Substance Abuse, or Transportation.”¹¹ In a type three state, remote vendors would need to not only know the state sales tax rate, but also the particular LST in place and its rate *and*

¹⁰ An exception is made in the classification of type one states. Some states have an excise tax where there is no local counterpart (e.g., tax on the purchases of vehicles). These excise taxes are typically expected to be collected by remote vendors. Nonetheless, the choice was made in these cases to categorize these states as type one if that was the only difference in the tax base, because the excise taxes were not retail sales taxes.

¹¹ The “Metro-East Mass Transit District Retailers’ Occupation Tax” can be adopted by municipalities and counties; it is subject to the same exemptions as state tax and is collected by the Department of Revenue. This is in contrast to the “Regional Transportation Authority Retailers’ Occupation Tax,” of which the highway authority may oversee enforcement or contract with the local government.

applicable exemptions in order to calculate the correct rate on different items.

A state is categorized as **type four** if a local government may choose its tax base. This is the most complex of the categories. In these states, when jurisdictions are adopting LSTs they can determine what will be included in the tax base. In the states of Alaska, Idaho, and Louisiana, jurisdictions are able to set their own exemptions and do. A less extreme example is the state of Colorado where home rule municipalities have local ordinances that govern the exemptions that apply to the LSTs, such as grocery foods and low-emitting vehicles, so while home rule municipalities may choose their sales tax bases there are restrictions in place. The difference in tax bases introduces a great deal of complexity for remote vendors. Even once the proper rate is determined, a remote vendor would be required to identify the LSTs that compromise the tax rate and identify the respective tax bases for each one and then apply the correct rates to each item in each purchase.

Table 2 also presents examples of differences in exemptions between the state and local tax bases. The exemptions noted are the most common: food, clothing, and vehicles. Twenty-seven states have differences in at least one of these three categories between available state and LSTs and nine states have at least two of these common exemptions. However, there are other relatively common exemptions, such as fuel¹², aircraft¹³, and prescription drugs¹⁴.

D. State Local Sales Tax Complexity

¹² Most states have fuel excise taxes, and some states, such as Florida, even have local fuel taxes. Georgia is an example of a state with complex fuel taxes. The tax levied on motor fuels is almost universal; however, the “Special District Transportation Tax” exempts the sale of fuel, including aviation fuel, and motor fuel for public mass transit.

¹³ Alabama applies a state rate of 2 percent, and local governments can apply a rate of up to 3 percent. Connecticut has an exemption for any airplane that has a takeoff weight of under 6,000 pounds, and numerous states have fly-away exemptions. Most states, however, have either the same exemptions for the state and the LST or the state has a reduced rate. Important exceptions are states like South Carolina, where there is a state tax of up to \$300 and aircrafts are exempt from local taxes, and South Dakota, where there is a state excise tax and no applicable local tax.

¹⁴ Prescription drugs are exempt at the state level in almost all states. Complexity arises in states like Illinois, where prescription drugs are taxed differently depending on particular LST instruments, and in states where local governments have discretion to determine the tax base.

Many states have multiple forms of LST complexity which increases the burden on remote vendors considerably. While rate discretion increases rate complexity, so does overlapping jurisdictions. This combination of factors makes it extremely difficult to identify the correct rates in states like Oklahoma, which has a high level of discretion and LSTs available to counties, municipalities, and special districts. Whether the jurisdiction is able to choose between different LSTs or set their own rate, there is great rate diversity in many states, but multiple LSTs and increased autonomy may also lead to tax base diversity.

Georgia is an example of a state with both tax rate diversity and tax base diversity. The complications for remote vendors can be seen when taking a snapshot of the metro-Atlanta area in DeKalb County. Residents living in the DeKalb County portion of Atlanta will pay a 4.9 percent sales tax on food items and 8.9 percent on non-food item purchases, while those living in DeKalb County outside of Atlanta will pay a 4 percent rate on food items and an 8 percent rate on other purchases. This is because different LST instruments are present in different parts of DeKalb County and because food is taxed differently at the state and local levels in Georgia.

Perhaps the classic example of a complex LST (or what is referred to as the transaction privilege tax [TPT]) structure is Arizona. However, Arizona has taken many strides towards simplifying its tax administration. For example, until 2017 the state collected the county and “program” cities’ TPTs but did not collect those of the “non-program” cities, which included many of the largest cities in the state. Vendors in these non-program cities had to register and remit taxes to both the city and the state Department of Revenue. Currently the state has a centralized administration system; however, there remain many choices that local governments can make regarding their TPTs. Examples of these choices include whether they want to exempt income-producing capital equipment, transactions occurring on military bases, wholesale feed,

and “big-ticket” items—local governments can define what big-ticket means. Arizona local governments also have some discretion over rate setting and overlapping jurisdictions—so even with the reforms that have been made, it remains an incredibly complex system for remote vendors to navigate.

Table 3 presents a matrix of the states that permit LSTs. The states are categorized by tax rate and base complexity.¹⁵ The majority of states have high rate complexity, but approximately two thirds of the states have low tax base complexity. Although most states that are members of the SSUTA (designated in bold), have high rate complexity, only two also have high tax base complexity. Of the states categorized as having both high rate and base complexity, only a third are currently enforcing economic nexus laws for state and LSTs. Of those with low base complexity and high rate complexity, two-thirds require remote vendors to collect and remit all state and LSTs. Not surprisingly, the information in this table suggests a correlation between LST complexity and economic nexus laws. While these tables identify the major components of LST complexity across the states, they still omit some of the nuances of state laws. For example, in Iowa the LST is only applied in the portions of the jurisdiction where it passed. If the residents of unincorporated areas of a county and those living in one of the county’s municipalities pass an LST but the residents of another municipality within the county do not, the LST will only apply to the unincorporated areas and the municipality that passed it.

<Table 3>

IV. MOVING TOWARDS ECONOMIC NEXUS

Many states have already introduced economic nexus laws, as Table 1 demonstrates. The *Wayfair* ruling demonstrates that this may be the most feasible strategy for states looking to

¹⁵ In states like Arkansas and Virginia where food is taxed at the state and local levels but where the state has a lower rate for food, their laws are classified as having low base complexity.

compel remote vendors to collect and remit sales taxes. However, it remains unclear what components of South Dakota's laws are required to successfully enforce economic nexus laws, and while many of the economic nexus laws are extremely similar to South Dakota's, there is great diversity in the LST laws between states. Therefore, it is not surprising that where states' economic nexus laws have deviated from South Dakota's the most is in the treatment of LSTs.

Figure 1 presents the status, as of April 2019, of whether there are laws in effect that require remote vendors to collect state and/or LSTs. What it shows is that this is not a simple question. While 41 states have some economic nexus law in place, there are many different laws and strategies currently being employed. On the two ends of the spectrum are states like Arizona that has not yet moved forward with economic nexus legislation and states like Washington where remote vendors are required to collect and remit all state and LSTs. However, there are many states whose laws fall between those two extremes. States like Colorado only require remote vendors to collect the state taxes and those LSTs that are currently collected by the state, but not the ones that are administered by localities. States like Alabama and Louisiana which have, in light of overly complex LSTs that are in some cases collected by localities themselves, a flat combined rate across the state for remote vendors to collect. Texas also has pending legislation that would institute a flat rate.¹⁶

The statewide flat rate is likely an attractive option for states like Colorado, Arizona, and Illinois. These states have highly complex LSTs and successful enforcement of an economic nexus law that would apply comprehensively to all state and local taxes may require a major overhaul of the current structure, and such policy changes would likely diminish local autonomy. However, a flat rate is not a perfect solution. For example, Alabama's flat rate economic nexus

¹⁶ Tennessee does not have a law in effect currently but does have the option for remote vendors to collect a flat 9.25 percent sales tax rate statewide.

law, the Simplified Seller Use Tax Remittance Act, requires collection of a flat 8 percent rate. This is in contrast to the actual rates, which vary between 5 and 11 percent. Furthermore, the revenue is distributed to local governments based on population regardless of rate. An issue with the flat rate is that it perpetuates inequities between remote and brick-and-mortar retailers that are applying different tax rates to the same consumers even if it reduces the magnitude of the inequity in many cases and with a flat rate inequity can go both ways. The extreme cases are local jurisdictions without LSTs, where citizens are subject to an LST for their online purchases but pay no such tax for purchases made locally.¹⁷ Outside of a statewide flat rate for remote purchases, another option may be what Idaho, New Mexico (until 2021), and Mississippi have done which is to not require remote vendors to collect LSTs.

A. Streamlined Sales and Use Tax Agreement

The states that have joined the SSUTA may have certain advantages and be better positioned to enforce economic nexus under *Wayfair*. First, the fact that South Dakota was a participating state was highlighted by Justice Kennedy, suggesting that the state's membership in the SSUTA was part of the decision to rule in favor of South Dakota. Second, to become a SSUTA member some simplification of sales tax structures must be in place. This does not mean, however, that there are no issues of complexity for some of the member states as shown in Table 3.

Third, the SSUTA provides a centralized registration system for remote vendors selling in member states. The tax is reported and paid directly to each state using the state's online filing system. Member states also have listings of tax rates, and some have online tax calculators that can be used. Furthermore, and perhaps most critically, remote vendors have access to certified

¹⁷ Alabama consumers can apply for a refund of the excess LSTs they paid.

service providers (CSPs) that have been reviewed and certified by the Streamlined Sales Tax Governing Board. The CSP interfaces with the seller's system to determine the taxability of products and the proper tax rates, compiles and files the return, and remits the sales tax due to each of the SSUTA states. The presence of a CSP resolves the issues of tax rate and base complexity for remote vendors. These services were highlighted in the *Wayfair* case as a reason why the burden on remote vendors was sufficiently low to justify the ruling. States that are not members of the SSUTA are exploring ways to work with CSPs and their own systems, though many states note the high cost of providing CSPs. Pennsylvania was the first non-SSUTA state to certify a CSP, and Louisiana is considering emulating the SSUTA system and revisiting the flat rate currently in place.

B. Considerations for State and Local Policies Moving Forward

The majority of states have bypassed many of the barriers created by LST complexity through CSPs, flat rates, not collecting LSTs, and/or only collecting select LSTs. These policy choices are likely to sufficiently reduce the burden on remote vendors to allow many economic nexus laws to stand. Given the complexities outlined above, the *Wayfair* ruling, and the current structure of states' laws, this section considers potential pressures to modify state and local laws.

Of the states that currently have economic nexus laws in place New York¹⁸ and South Carolina are the two most likely to have their laws successfully challenged. They both have comprehensive laws, so remote vendors must collect and remit all state and LSTs and they have complex LST laws. They may want to consider providing higher levels of support to remote vendors in calculating appropriate taxes, perhaps in the form of contracting with CSPs. However, until laws are challenged and courts offer more clarity on what the key components of South

¹⁸ In New York, there are local consumption taxes (occupancy, telecommunications, and energy) that are self-administered.

Dakota's laws are, this is speculative.

Of the states without economic nexus laws in place, there are three states that are particularly poorly situated to enact one: Arizona, Florida, and Alaska. Arizona and Florida have state-level sales taxes, but highly complex LSTs. To implement a comprehensive economic nexus law would be challenging given the current structure. Florida confronts barriers even more formidable than those faced in notoriously complex Arizona, because Florida still has some decentralized collection of LSTs so it may choose to follow the example of Colorado which only requires remote vendors to collect LSTs that are remitted to the state. Alaska has no state sales tax, which makes the prospect of centralized collection of LSTs a particularly arduous barrier, without which it is unlikely that an economic nexus law would be enforceable due to the burden placed on vendors to register with and remit taxes to individual localities.

Some states that are only collecting a portion of LSTs or are collecting a flat LST rate may face pressures to evolve their current laws. While these solutions likely satisfy the minimization of undue burden on remote vendors concern, they may not be sustainable given the sense among local governments that money is being left on the table. The increasing dependence on LSTs and the growth of the e-commerce sector make it challenging for local governments to accept that these sales taxes will not be fully collected. Thus, it is likely that Alabama, Colorado, Illinois, Louisiana, West Virginia, Ohio, and Oklahoma will consider expansions of their current policies to be more inclusive. These expansions will be most challenging for states like Alabama, Louisiana, Colorado, and Illinois, where there are LSTs that are self-administered, and in states like Colorado, Idaho, Louisiana, and Mississippi, where there are high levels of tax base discretion. Moving forward, attention should be given to the possibility of states 1) centralizing collection of all LSTs and 2) possibly partnering with CSPs or offering their own software to

calculate tax rates and taxability of items.

An example of the evolution of policy is the state of Louisiana. The state has a completely decentralized LST collection system with extremely complex LSTs—which likely explains the choice to have remote vendors collect a statewide flat rate once the economic nexus law is in effect. Additionally, there is legislation being considered to create a constitutional amendment to change the system into a more typical, centralized one. However, many local governments and their advocacy groups oppose this effort because “their system allows a better understanding of idiosyncratic sales tax collection districts and the local market conditions that a bureaucracy centered in Baton Rouge never could [achieve]” (Mitchell, 2019). If local autonomy were to be diminished and the state were to move to centralized collection Louisiana would be in a position to reconsider the flat rate.

A few states have economic nexus laws for state sales taxes and not LSTs: Idaho, Mississippi, and New Mexico. These states face different barriers with regard to LSTs. Idaho municipalities set and administer their own LSTs. Mississippi requires remote vendors to collect use taxes, but local governments are not authorized to levy these taxes. However, Mississippi local governments set and administer their own LSTs, so if local governments want local use taxes then they may need to be willing to permit centralized collection of LSTs or accept a flat rate. New Mexico’s LSTs are still origin based and are expected to be collected in 2021 once a presumed policy solution has been implemented.

V. CONCLUSION

The importance of e-commerce and other remote retailers has grown exponentially over the past few decades, resulting in lost revenue for subnational governments and harm to brick-and-mortar retailers. In response, states have employed numerous strategies to require remote

vendors to collect and remit sales and use taxes, including interstate collaborations like the SSUTA, click-through nexus laws, and economic nexus laws. The recent Supreme Court ruling changed the landscape and created a pathway for states to enforce economic nexus if the undue burden on remote vendors is sufficiently low.

Undue burden, a condition cited in cases like *Quill*, is created by overly complex state and LST structures and laws. The research presented here examines a primary source of this complexity: LSTs. This analysis examines three key aspects of LST complexity: rate discretion, overlapping jurisdictions, and differences in tax base. Given this complexity, states have responded in various ways to minimize the burden on remote vendors. For instance, states like Arizona have overhauled their tax systems (however, the tax system in Arizona remains complex, and the state does not have an economic nexus law). Louisiana will begin enforcing its law in 2020 and will be collecting a flat rate rather than reducing local autonomy and changing its LST laws. While many impacted states have passed economic nexus laws, nine do not have an economic nexus law in effect, and four of these do not have pending legislation. Additionally, others may still have their laws challenged given the complexity still in place.

Understanding the current environment is key for policymakers as they continue to update laws and potentially face litigation challenging current laws, as well as for the academic community as it seeks to better understand the economic and fiscal implications of *Wayfair* and economic nexus laws. While it is likely that all states with sales taxes will have economic nexus laws in place in the coming years, this does not mean that those laws will apply to LSTs fully. Furthermore, if states begin to reform and simplify LST laws by removing local autonomy regarding tax base and rate discretion, those changes will have substantial impacts for the financial management of local governments and their revenue portfolios. The information

presented here will aid in understanding these impacts.

Previous literature examines issues surrounding the *Quill* ruling on lost revenue, the purchasing behavior of citizens, and potential policies that states could pursue to remove undue burden from remote vendors in collecting and remitting taxes. Many of those concerns remain, and many of the prescriptions are still reasonable. However, given the *Wayfair* ruling, the conversation and research agendas are likely to change considerably. For example, in the future, questions regarding how LST rates change in states with flat rates for remote vendors, how state-level policies will continue to evolve, how this additional revenue will be used (i.e., whether it is used to reduce rates on sales taxes or other instruments or to grow the size of the budget), and how states with limited LSTs evolve, are all likely to be important areas of research. This last question, regarding states with low LST autonomy, like Pennsylvania, will be particularly intriguing. Since the 1970s, LSTs have become widespread and heavily relied upon in many states; however, there remain states where LSTs are not permitted or are restrictive. If the trends continue, many states are likely to expand the availability and reliance on LSTs. Virginia is a state with no local autonomy over LSTs, but Virginia expanded the number of instruments with the introduction of regional LSTs and is considering its first local *optional* sales tax. These types of changes, and how they will interact with the *Wayfair* ruling and economic nexus laws, will be important to analyze moving forward. The research presented here provides a baseline of the levels and types of LST complexity and identifies many critical considerations for policies and research agendas that are being developed in the post-*Wayfair* environment.

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Table 1
State-Level Sales Tax Laws Regarding Remote Vendors

State	Streamlined Sales and Use Tax Agreement	Click-Through Nexus	Affiliate Nexus	Reporting Requirements	Economic Nexus	Marketplace Nexus	Safe Harbor: Sales Threshold	Safe Harbor: Transactions Threshold	Local Sales Taxes
Alabama			8/24/2012	7/1/2017	10/1/2018	1/1/2019	\$250,000		Yes
Alaska									Yes
Arizona†						9/20/2016			Yes
Arkansas	1/1/2008	10/27/2011	10/27/2011		7/1/2019	7/1/2019	\$100,000	200	Yes
California†		9/15/2012	9/15/2012		4/1/2019		\$100,000	200	Yes
Colorado		7/1/2014	7/1/2014	7/1/2017	6/1/2019		\$100,000		Yes
Connecticut		5/4/2011	5/4/2011	12/1/2018	12/1/2018	12/1/2018	\$250,000	200****	No
Florida†									Yes
Georgia	1/1/2011	7/18/2012	10/1/2012	1/1/2019	1/1/2019		\$250,000	200	Yes
Hawaii					7/1/2018		\$100,000	200	Yes
Idaho		7/1/2018	7/1/2008		6/1/2019	6/1/2019	\$100,000		Yes
Illinois		1/1/2015	7/1/2011		10/1/2018		\$100,000	200	Yes
Indiana	10/1/2005	1/1/2019	6/11/2013	1/1/2019	10/1/2018	1/1/2019	\$100,000	200	No
Iowa	10/1/2005		1/1/2019		1/1/2019		\$100,000	200	Yes
Kansas†	10/1/2005	10/1/2013	7/1/2013		10/1/2018		\$100,000	200	Yes
Kentucky	10/1/2005			7/1/2013	7/1/2020		\$100,000	200	No
Louisiana†		4/1/2016	4/1/2016	7/1/2017	7/1/2018		\$100,000	200	Yes
Maine		10/9/2013	10/9/2013		10/1/2018		\$100,000	200	No
Maryland					10/1/2017		\$500,000	100****	No
Massachusetts					10/1/2018		\$100,000	200	No
Michigan	10/1/2005	10/1/2015	10/1/2015		10/1/2018	10/1/2018	\$100,000**	100	Yes
Minnesota	10/1/2005	7/1/2013	10/1/2018		10/1/2018		\$250,000		Yes
Mississippi					9/1/2018				Yes
Missouri†		8/28/2013	8/28/2013						Yes
Nebraska	10/1/2005				1/1/2019		\$100,000	200	Yes
Nevada	4/1/2008	10/1/2015	7/1/2015		11/1/2018		\$100,000	200	Yes
New Jersey	10/1/2005	7/1/2014			11/1/2018	11/1/2018	\$100,000	200	Yes
New Mexico					7/1/2019		\$100,000		Yes
New York		5/8/2008	6/1/2009		1/15/2019††		\$300,000	100****	Yes

North Carolina	10/1/2005	8/7/2009			11/1/2018		\$100,000	200	Yes
North Dakota	10/1/2005				10/1/2018		\$100,000		Yes
Ohio	1/1/2014	7/1/2015	7/1/2015		1/1/2018		\$500,000		Yes
Oklahoma	1/1/2005				7/1/2018	7/1/2018	\$10,000		Yes
Pennsylvania									
		12/1/2011	12/1/2011	4/1/2019	4/1/2018	4/1/2018	\$10,000		Yes
				4/1/2018					
Rhode Island	1/1/2007	8/17/2017	8/17/2017	8/17/2017	8/17/2017		\$100,000	200	No
South Carolina†		7/1/2009							
South Dakota	1/1/2005		7/1/2011	7/1/2011	11/1/2018	11/1/2018	\$100,000		Yes
Tennessee†	1/1/2005*	7/1/2015	1/1/2014	3/26/2012	7/1/2017†††	3/1/2019	\$100,000	200	Yes
Texas†,††			1/1/2012		1/1/2019††††		\$500,000		Yes
Utah	1/1/2012			7/1/2012	1/1/2019		\$100,000	200	Yes
Vermont	1/1/2007	12/1/2015		7/1/2017	7/1/2018		\$100,000	200	Yes
Virginia				5/24/2011					
Washington	7/1/2008	9/1/2015	9/1/2013		7/1/2019	7/1/2019	\$100,000	200	Yes
West Virginia	10/1/2005		1/1/2014	1/1/2018	7/1/2017	1/1/2018	\$100,000	200	Yes
Wisconsin	10/1/2009				1/1/2019		\$100,000	200	Yes
Wyoming	1/1/2008				10/1/2018	7/1/2019	\$100,000	200	Yes

† Relevant legislation pending, †† No legislation passed but guidance offered by the state requiring collection of sales taxes, ††† Not enforceable until analysis of *Wayfair* ruling, and †††† Not enforceable until 10/1/2019.

* Associate Member, ** In at least 10 separate transactions, *** Includes states, counties, municipalities, and special districts where applicable, *** Pennsylvania's threshold will change to \$100,000 in 7/1/2019, and **** Must meet both thresholds (dollar and transactions).

Data collected from author's analysis of state laws, state notices, and news articles; Sales Tax Institute (2019); and Afonso (2017).

Table 2
State-Level Local Sales Tax Complexity

State	Total Jurisdictions	Rate Discretion	Local Sales Tax Jurisdictions	Tax Base Typology	Notes	States Sales Tax Software
Alabama	801	High	C, M	Two	Example of Differences in State and Local Tax Base	No
Alaska	107*	High	C, M	Four	Vehicles are taxed at a lower rate at the state level.	No
Arizona	131	Medium	C, M, S	Four	Only local taxes and jurisdictions select their own exemptions.	No
Arkansas	392	Medium	C, M	Two	Many options regarding choice of exemptions, including agricultural machinery.	No
California	323	Medium	C, M, S	One	Food is taxed at a lower rate at the state level.	Yes
Colorado	328	High***	C, M, S	Four	Food is taxed at a lower rate at the state level.	No
Florida	69	Medium	C, S	Four	Local jurisdictions choose whether to adopt state exemptions.	No
Georgia	162	Medium	C, M, S	Three	Local governments tax the first \$5,000 of vehicle purchases and choose whether to exempt food.	No
Hawaii	2	Low	C	One	Most LSTs do not exempt food.	Yes
Idaho	15	High	M	Four	Local jurisdictions set and administer their own taxes.	No
Illinois	563	High***	C, M, S	Three	Different LST instruments have different tax bases.	No
Iowa	1,002	Medium	C	One		Yes
Kansas	521	Medium	C, M	One		Yes
Louisiana	370	Medium†	C, M, S	Four	Local jurisdictions choose whether to adopt state exemptions.	No
Minnesota	70	Medium	C, M	One		Yes
Mississippi	3	Medium	C, M, S	Four	Local jurisdictions have the option to exempt clothing.	No
Missouri	1,393	High	C, M, S	Two	Food is taxed at a lower rate at the state level.	No
Montana††	7*	Medium	C, M	Four	Only local taxes and jurisdictions select their own exemptions.	No
Nebraska	230	Medium	C, M	One		Yes
Nevada	18	Medium	C, S	One		Yes
New Mexico	144	High	C, M	One	State-level excise tax on vehicles with no local counterpart.	No
New York	82	Medium	C, M, S	Four	Local jurisdictions have the option to exempt clothing with some revenue instruments.	No
North Carolina	106	Medium	C, S	Three	Some LSTs do not exempt food; others share the same tax base.	Yes
North Dakota	150	High	C, M, S	One	State-level excise tax on vehicles with no local counterpart.	Yes

Ohio	98	Medium	C, S	Two	Vehicles are not included in the local tax base.	Yes
Oklahoma	593	High	C, M, S	One	State-level excise tax on vehicles with no local counterpart.	Yes
Pennsylvania	3	Low	C, M	One	Vehicles are not included in the local tax base, and local jurisdictions may choose whether to exempt food.	No
South Carolina	45	Medium	C, M, S	Four		No
South Dakota	258	Medium	M	One	State-level excise tax on vehicles with no local counterpart.	Yes
Tennessee	299	Medium	C, M	Two	Food is taxed at a lower rate at the state level.	Yes
Texas	1,594	Medium	C, M, S	One		No
Utah	318	Medium	C, M	Two	Food is taxed at a lower rate at the state level.	Yes
Vermont	15	Low	M	One	State-level special tax on vehicles with no local counterpart.	Yes
Virginia	174	Low	C, M, S	Two	Food is taxed at a lower rate at the state level.	No
Washington	371	Medium	C, M, S	Two	Vehicles are taxed at a different rate at the state level.	Yes
West Virginia	43	Medium	M, S	One		Yes
Wisconsin	74	Low	C, S	One		Yes
Wyoming	25	Medium	C, M, S	Two	Vehicles are not included in the local tax base.	Yes

* Does not include a state sales tax, **Remote vendors collect a flat rate for local sales taxes, and ***Jurisdictions with home-rule have much more discretion about the structure of local sales taxes than those without it.

†There is a state cap on local sales tax rates, but it is common practice to have the legislature authorize higher rates, and ††Montana has a resort tax that is only levied on tourism-related industries and should not be impacted by *Wayfair*.

Data collected from author's analysis of state laws, state notices, and news articles; Afonso (2017); Bishop-Henchman, Walker, and Garbe (2018); and Loughhead (2018).

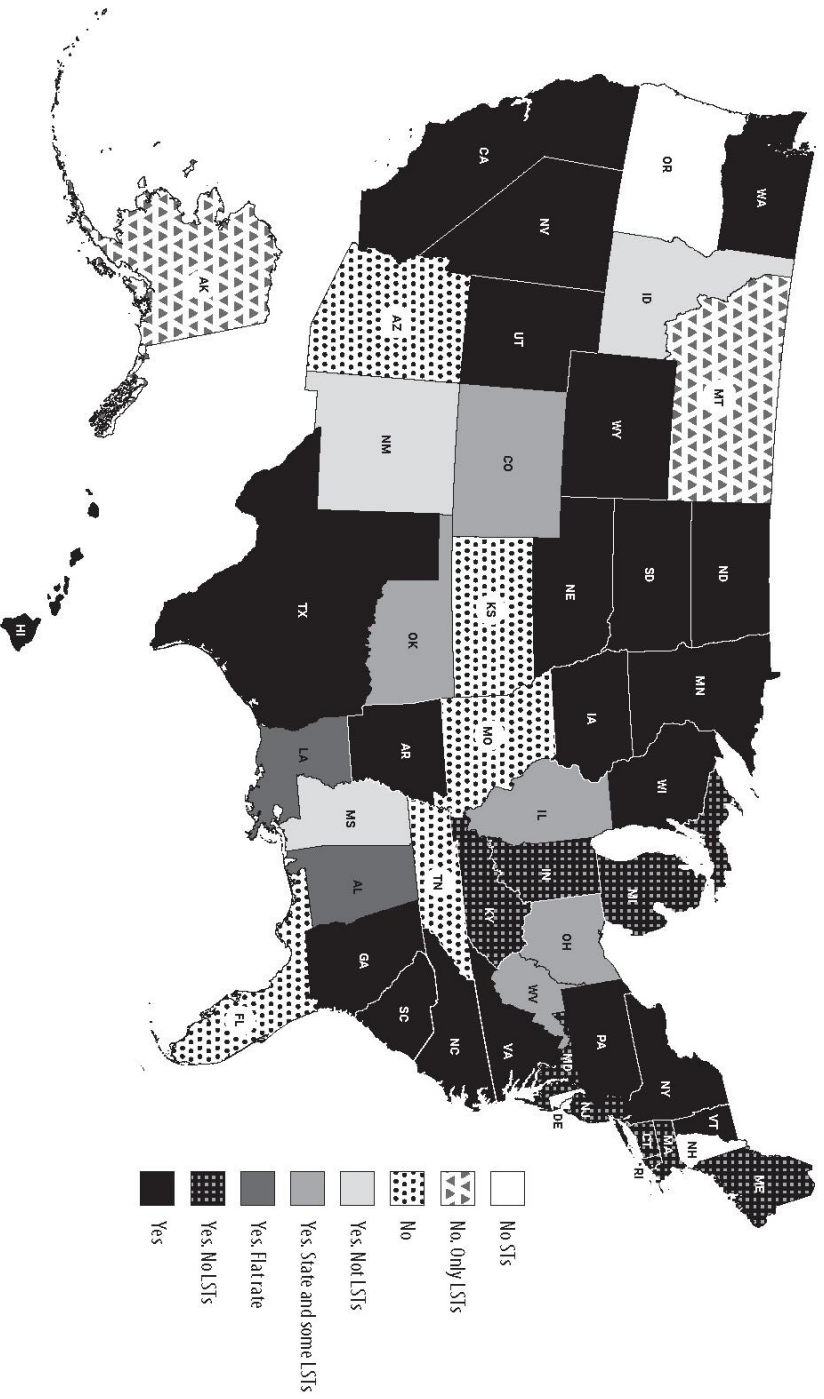
Table 3
Local Sales Tax Rate Complexity and Tax Base Complexity

Tax Rate Complexity	High	Alabama Arkansas California Kansas Minnesota Missouri Nebraska Nevada New Mexico	North Dakota Ohio Oklahoma Tennessee Texas Utah Washington West Virginia Wyoming	Alaska Arizona Colorado Florida Georgia Idaho Illinois Louisiana Montana	New York North Carolina South Carolina
	Low	Hawaii Iowa Pennsylvania South Dakota Vermont Virginia Wisconsin		Mississippi	
		Low		High	
		Tax Base Complexity			

States in bold are members of the SSUTA and provide state sales tax software to remote vendors.

Note: While the level and scope of LST complexity has important implications for states regarding the successful adoption and enforcement of economic nexus laws, there are other factors that impact the level of impediment that LST complexity may be for economic nexus. First, it is important to note that this analysis has discussed multiple types of consumption taxes and not just retail sales taxes. For example, South Carolina has local hospitality taxes that would infrequently impact remote vendors. Second, sales and use taxes have been discussed jointly; however, they are distinct. For example, in the state of Mississippi remote vendors are only responsible for collecting use taxes, and local governments do not levy use taxes. Thus, LSTs do not create complexity in Mississippi under the current laws. Third, excise taxes on products like fuel are also unlikely to impact remote vendors. Fourth, there are differences in the tax base of the sales tax between state and local governments that add to the complexity introduced by LSTs but may not create challenges for remote vendors. In New York, school districts can impose sales taxes on utilities and utility services and is unlikely to impact remote vendors. Of the common exemptions the ones most likely to affect remote vendors are those on clothing and food. Applying that standard to the information presented here, the states of Arizona and Idaho are no longer classified as having high tax base complexity.

Figure 1
Sales Taxes to be Collected by Remote Vendors by State



Key: **No STs** signifies no sales taxes in the state. **No, Only LSTs** signifies no state sales tax, only local sales taxes and remote vendors are not expected to collect sales taxes. **No** signifies no economic nexus law in place but the presence of state and LSTs. **Yes, Not LSTs** signifies that state sales taxes are to be collected, but not LSTs. **Yes, State and some LSTs** signifies remote vendors are to collect state and a portion of LSTs. **Yes, Flat rate** signifies that remote vendors are to collect a flat rate for combined state and LSTs regardless of LST rate. **Yes, No LSTs** signifies that state sales taxes are to be collected by remote vendors and there are no LSTs in the state. **Yes** signifies all state and LSTs are to be collected by remote vendors.