

ECONOMY / OPINION

# Why sales tax revenues are soaring

## By taxing internet sales, retail fairness becomes reality



JON HURST

Jan 22, 2020

FOR OVER TWO DECADES no retail organization across the country has been more engaged in Main Street taxation fairness than the Retailers Association of Massachusetts. In fact, in 1997, the association was the first state or national retail association in the country to openly advocate for remote sales tax collections from internet sellers. Our concerns were based upon real life experiences of shifting consumer spending from our Massachusetts economy to north of the border due to the powerful incentive of sales tax avoidance. Indeed, we knew that untaxed internet sales would clearly represent two strikes against our Main Streets and our retail industry in the Commonwealth.

In 2020, New Hampshire is still there, still a strike against our local economy, and still a competitive problem with far higher per capita retail sales than Massachusetts due to the sales tax. Yet years of legislative, regulatory, and legal activity finally have fixed the online fairness issue.

The first step on the internet sales tax issue came in November 2013, when Amazon voluntarily began collecting the Massachusetts sales tax on its transactions. The next important fairness landmark came in October 2017, when the Department of Revenue implemented its “cookies tax” regulation designed to extend tax nexus status to more remote sellers. Then in June 2018, the US Supreme Court effectively overturned a 24-year-old prior case and ruled in *South Dakota vs Wayfair* that states had the authority to update collection requirements and make large remote sellers and those selling through internet marketplaces collect state sales taxes.

In reaction to that important decision, Gov. Charlie Baker and the Legislature last year passed legislation to finally put the tax collection requirements on online marketplaces such as eBay and Amazon to collect all sales taxes on behalf of their third-party sellers. The new law also requires sales tax collections by those selling into the Commonwealth through their own websites once their goods sold in Massachusetts total at least \$100,000. The law became effective on October 1, 2019.

These step-by-step reforms have been a long time coming, and are vital for small retailers and for retail employees in Massachusetts. It has also been important for state budget revenue growth. Consumers have dug deeper on their purchases due to updated sales tax collection requirements. The state's average monthly sales tax collections have risen 4.6 percent since the voluntary Amazon step in 2013; 5.5 percent since the Department of Revenue cookies regulation was put in place; 5.8 percent since the *Wayfair* decision came down; and 6.6 percent since the Massachusetts Marketplace law was implemented last October.

More than \$800 million in additional annual sales taxes (excluding meals & autos) are being collected today compared to 2013 when the first step of this reform was taken. Some of those additional sales tax collections are due to growth in consumer spending, and some are due to our local consumers paying the sales tax on purchases which not so long ago would have been tax free. Either way, consumers are indeed digging deeper and arguably doing their fair share for government spending.

As debates soon go forward on additional taxes, such as making it more expensive for our consumers to drive their cars, it is important to remember three important points:

1. Consumers are paying far more today in Massachusetts consumption taxes as compared to just a few years ago;
2. Despite the internet tax fairness problem being solved, New Hampshire is still there—annually benefiting from billions in Massachusetts consumer spending and economic investment in their state rather than our Main Streets and shopping districts; and
3. Consumption taxes in general are regressive in nature.

Perhaps these points should be considered in the upcoming transportation debate. If indeed it is good public policy for transportation and environmental reasons that our consumers must spend more to fill up their cars with gasoline, why not balance those new costs off for our taxpayers by taking the progressive step to lower the regressive and avoidable sales tax? The strong growth in sales tax certainly makes it possible, and tax fairness for our consumers certainly would make it good public policy to incent spending in the Massachusetts economy, not north of the border.

*Jon Hurst is president of the Massachusetts Retailers Association.*

Tagged in: Taxes and Budget Issues

---

© 2020 Commonwealth Magazine. All rights reserved.

---