

A close-up photograph of a hand holding a gold credit card over a laptop keyboard. The image is split vertically by a blue semi-transparent overlay on the left side. The text 'SALES TAX FAIRNESS' is written in white, bold, sans-serif font on the blue overlay. A thin white horizontal line is positioned below the text.

# SALES TAX FAIRNESS

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## STATEMENT:

The Florida League of Cities SUPPORTS legislation to reform Florida's sales and use tax laws that apply to online/e-commerce sales from out-of-state retailers. Changes are needed to ensure in-state retailers are treated equitably.

## BACKGROUND:

Forty-five states and the District of Columbia levy taxes on the sale of goods and certain services, including those sold remotely. Florida's sales and use tax is a 6 percent levy on retail sales of most tangible personal property, admissions, transient lodgings, commercial rentals and motor vehicles. Additionally, Florida has nine types of local discretionary sales surtaxes (also referred to as local option sales taxes) that are currently authorized in law and represent potential revenue sources for counties, municipalities and school districts. The local discretionary sales surtaxes apply to all transactions subject to the state tax imposed on sales and use tax. The local discretionary sales surtax rate varies from county to county, depending on the particular levies authorized in that jurisdiction.

On June 21, 2018, the U.S. Supreme Court issued an opinion in *South Dakota v. Wayfair*, overturning its earlier precedents in *National Bellas Hess and Quill*, and eradicated the decades-old "physical presence" requirement for sales and use tax nexus. The case centered on a South Dakota law that imposes sales tax collection obligations on certain remote sellers, based on the dollar amount or volume of sales into the state. This "economic nexus" case impacts thousands of state and local jurisdictions across the United States that impose a sales or use tax.

The issue of fairness is an important one. Local businesses, which sponsor youth sports teams or help sponsor local fireworks displays or other activities for their communities, are forced to collect and submit sales taxes on items they sell in their communities. The cost of these goods then can be higher because the out-of-state or international seller is not collecting or remitting sales taxes. This gives these "foreign" businesses an unfair advantage. Local businesses ultimately become nothing more than local showrooms for goods ultimately bought online. ■

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**Florida is one of only two states that levy sales tax that has not enacted an economic nexus or similar remote sales tax policy.**

Source: Sales Tax Institute