

E0036-1: Estimate additional revenue from Supreme Court ruling in Wayfair

Current Law On June 21, 2018, the Supreme Court overturned the Quill physical presence nexus requirement and allowed states to impose a sales tax collection obligation on remote sellers who avail themselves of the substantial privilege of carrying on business in the state.

The Court upheld a South Dakota law that imposed a collection obligation on sellers with gross sales over \$100,000 or 200 transactions in the state in the current or preceding calendar year.

Proposal Estimate the additional potential sales tax revenue that Washington state can expect due to this Supreme Court ruling.

Effective Date October 1, 2018

Revenue Estimate The table below shows the fund(s) impacted and the source of the revenues from this proposal:

Fund - Source	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025
GF-State - Retail Sales Tax	17,748,000	20,067,000	21,992,000	24,105,000	26,407,000	28,920,000
Performance Audit - Retail Sales Tax	28,000	32,000	35,000	39,000	42,000	46,000
Fiscal Year Total	17,776,000	20,099,000	22,027,000	24,144,000	26,449,000	28,966,000
Biennial Total		37,875,000		46,171,000		55,415,000

Revenue Assumptions

- Washington State's marketplace fairness law, EHB 2163, is not superseded by Federal law.
- Revenues assume an October 1, 2018 effective date.
- Due to state marketplace fairness law, Washington has already been collecting sales taxes from marketplace facilitators and remote sellers since January 2018. Forecasted revenues for this activity have already been incorporated into the General Fund sales tax forecast. This estimate represents the additional revenue that can be expected now that state and federal law for the collection of sales taxes from remote sellers is more closely aligned.
- Low compliance is modeled in Fiscal Year 2020 and thereafter. It is assumed that the vast majority of large and medium sized known companies have already started remitting sales tax or have a plan in place with DOR to begin remitting in

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the near future so any additional revenues due to the court decision are small. The low compliance factor assumes that the majority of non-compliant businesses are very unlikely to ever voluntarily comply and will be hard to identify through enforcement efforts.

Data Sources

- Industry data
- 2014 US Census Bureau E-Stats, E-Commerce Multi-Sector Data Tables
- 2014 US Bureau of Economic Analysis, State and National GDP
- 2014 Forrester Research, US Online Retail Spending Forecast
- 2015 Top 1,000 Online Retailer Data
- 2015 eMarketer, Retail E-Commerce Sales, by Country
- 2017 Washington State Department of Revenue, Statewide Average Local Tax Rate

Local Government Impact

Local Government, if applicable (cash basis, \$000):

FY 2020 -	\$ 7,723
FY 2021 -	\$ 8,732
FY 2022 -	\$ 9,569
FY 2023 -	\$ 10,489
FY 2024 -	\$ 11,491
FY 2025 -	\$ 12,584

Note

Please note that our review, comments and any estimates provided are not intended to reflect a policy position by the Department and are solely to assist you in exploring options under development.

Further Information

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