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# 10 sales tax myths every amazon seller should know

Within the Amazon sellers community, many myths have emerged about the collection of sales tax. Taking them at face value invites potential IRS scrutiny. Here are 10 of the most popular misconceptions, and corresponding facts you should know to help avoid an audit.

**1 Internet sales are tax-free.**

Online retail is not a tax-free zone. Sales tax is triggered by nexus. If the retailer has a physical presence – a distribution center, administrative office, or even a single employee – it is subject to the sales tax laws of that state. Currently, Amazon charges sales tax on items shipped in nearly every state.

**2 Collecting sales tax is Amazon's responsibility.**

Amazon calculates and collects sales tax on orders on a seller's behalf according to their instructions. But sellers are responsible for understanding sales tax obligations applicable to their businesses and tax laws in states where business is conducted. The onus is always on the seller to manage, file, and remit taxes.

**3 Amazon automatically collects sales tax.**

The seller must enable Amazon's sales tax collection service in Amazon Seller Central. To do this, you must have set up a sales tax registration number in every state in which you might do business. We suggest you register in all states that require sales tax.

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## 4 Products sitting in Amazon fulfillment centers don't trigger nexus.

Amazon charges you a storage fee – based on calendar month and daily average volume – for anything in its fulfillment centers. The seller rents that space, and assumes nexus in that state. How FBA nexus affects sales tax responsibilities varies by state.

## 5 Confining inventory in a single state will limit nexus exposure.

Amazon chooses the destination fulfillment center where inventory will be stored based on the seller's address, the shipping address, the size and category of the product, and "other fulfillment factors."

Inventory shipped to the FBA warehouse in one state may be transferred to a warehouse in another – triggering nexus in that state.

## 6 Amazon's inventory placement service will let me choose where goods are stored.

Using Amazon's inventory placement service allows a seller's entire inventory to be sent to a single fulfillment center, but the location is still determined by Amazon. Additionally, Amazon may move your product to other fulfillment centers at its discretion.

## 7 Fulfillment by Amazon requires sellers to collect sales tax in every Amazon state.

Not always. Sellers should verify where products are being stored and register in those states. As of November 2015, Alaska, Delaware, Montana, New Hampshire, and Oregon do not impose state sales taxes.

## 8 The Amazon Seller Central forums can provide expert tax advice.

Forums provide valuable information based on practical experience, but information gathered should be verified by a qualified tax professional.

## 9 Sellers not based in the United States need not worry about sales taxes.

This is true only for sellers not participating in the FBA program. Using FBA or any other fulfillment service based in the US will trigger nexus.

## 10 The government doesn't care about tiny sellers.

Sellers who neglect to pay sales tax on Amazon sales will likely suffer no consequences at first and may enjoy a boost to the bottom line. But eventually, a tax auditor will catch up, and require payment. Tax collectors will go back 7-10 years and charge penalties up to 50 percent of monies owed.

Contact us today to discuss an e-commerce solution for your enterprise.