

Remote Sales Tax Collection in Michigan as a result of *South Dakota v. Wayfair*

How does the U.S. Supreme Court's decision impact Michigan?

For more than thirty years, Michigan has followed U.S. Supreme Court precedent and only required sellers with a physical presence in the state to collect, pay or remit sales tax. The June 2018 U.S. Supreme Court decision in *South Dakota v. Wayfair* overturned its previous decision in *Quill* that required only a physical presence.

Why is Michigan making this change?

Michigan's standards for when sales and use tax are required are provided in administrative guidance from the Michigan Department of Treasury and changes to this guidance have been issued as a result of the Supreme Court's recent decision.

Who will be impacted?

Treasury is committed to the fair and efficient administration of the tax system. This change allows Treasury to consistently and fairly collect sales tax from both in-state and out-of-state businesses. Individuals are already required to pay sales tax on out-of-state purchases. This allows for more efficient collection of the sales tax by collecting from businesses rather than individuals.

What is the financial impact for Michigan?

Out-of-state (remote) sellers with sales exceeding \$100,000 or 200 or more transactions in Michigan in the previous calendar year will be required to collect and remit sales tax. These thresholds are consistent with South Dakota's thresholds that were upheld by the U.S. Supreme Court.

When will the changes go into effect?

Based on the thresholds above, Treasury estimates \$203 Million in additional FY 2019 sales tax collection, rising to \$236 Million in 2020 and \$248 Million in 2021.

Updated Administrative Guidance was posted August 1, 2018. All applicable mail order and online retailers physically located outside of Michigan must pay state sales tax and file tax returns for taxable sales made after Sept. 30, 2018. The first payments will be due on November 20, 2018.

