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Supreme Court Rules That Internet Retailers Can Be Required to Collect Sales Taxes in States Where They Have No Physical Presence

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Yesterday, the United States Supreme Court issued its opinion in *South Dakota v. Wayfair, Inc.*, ruling that states can require retailers to collect sales taxes on their online transactions regardless of whether the retailer has a physical presence in that state. The Court's ruling overturns decades-old precedent that has allowed internet retailers to be largely exempt from the collection of out-of-state sales taxes.

As a result of the ruling, physical presence is no longer a prerequisite for states to require retailers to collect sales taxes. A retailer may now be required to collect out-of-state sales taxes based solely on the amount of its economic activity within a particular state. Although the Court's ruling addressed the enforceability of the South Dakota law, it did not expressly address the enforceability of any other state's sales tax legislation. However, a number of states have already enacted laws or regulations similar to that of South Dakota and it is expected that all other states that administer sales tax will follow suit. Whether Congress will intervene to establish uniform national sales tax requirements remains to be seen.

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