On June 21, 2018, The United States Supreme Court ruled that a state may require out-of-state sellers to collect sales taxes even though the sellers do not have a physical presence in the state. This ruling (South Dakota v. Wayfair, Inc.) overturned two long-standing precedents (Quill Corporation v. North Dakota and National Bellas Hess Inc. v. Department of Revenue of Illinois) which had previously prohibited states from collecting sales taxes from sellers who didn’t have a physical presence within their borders.

In 2013, the University Research Center (URC) estimated that Mississippi lost between $62 million and $72 million in uncollected taxes on all remote sales (e-commerce and non-electronic remote sales). In 2017, we believe that Mississippi lost between $73 million and $80 million. This does not mean that Mississippi is likely to collect that amount.

In the Supreme Court ruling, the justices alluded to an undue burden test that States must respect in implementing their remote sales collection policies. South Dakota chose to exempt businesses that have less than $100,000 in sales into the state and fewer than 200 transactions. Each state will have to determine the minimum threshold that does not “unduly burden” interstate commerce. The threshold Mississippi choses may (almost certainly will) be different than South Dakota’s. This minimum threshold will reduce the taxes Mississippi can expect to collect. Additionally, there will come a point where the cost of collecting the taxes form an out-of-state seller will be greater than the taxes due. Finally, legal challenges to this Supreme Court ruling will create business and state tax collection uncertainty during the foreseeable future.

We estimate that Mississippi will likely collect between $65 million and $72 million in use taxes from out-of-state sellers by 2019. Since e-commerce sales have been growing nationally at a rate of about 15 percent per year since 2013, the amount Mississippi is likely to collect from out-of-state remote sales should increase in the future.