



SCOTUS Overturns *Quill* in *Wayfair*

Implications for Arizona Taxpayers and Governments

The SCOTUS [ruling](#) overturning *Quill/Bellas Hess* in *South Dakota v. Wayfair* is good news for Arizona businesses and taxpayers. The court sided with South Dakota and invalidated the “physical presence” test for the collection of sales taxes on remote sellers. The Court made the case for why South Dakota’s simplified sales tax law does not burden out-of-state (remote) sellers, but also insisted that states with more complex or overreaching laws would be in violation of the commerce clause. Known for having one of the most complex and burdensome sales tax systems in the United States, Arizona will be forced to simplify its sales tax if it wishes to require out of state sellers collect sales taxes in Arizona.

Importantly, this ruling might have no immediate impact for Arizonans or remote sellers doing business in Arizona. The Court effectively blessed the South Dakota model and acknowledged Congress and lower courts will determine the bright line for what constitutes “sufficient nexus” (say, \$100,000 in gross sales) and what sales tax structure constitutes a fair compliance burden for remote sellers. The Court referenced compliance with the Streamlined Sales and Use Tax Agreement (SSUTA) as evidence of South Dakota’s low burden on remote sellers. Not only is Arizona not in compliance with SSUTA, the lack of uniformity between Arizona’s state and municipal sales tax bases puts Arizona well outside these standards. In fact, the national *Tax Foundation* [ranks Arizona 47th](#) in the nation for sales tax in its Business Tax Climate Index, which is not a reflection of high rates but difficult compliance.

ATRA has long advocated for tax equity between main street retailers and online vendors as it relates sales tax on tangible personal property. This ruling provides an opening for Arizona to modernize its tax code and create fairness among retailers. However, relief for main street retailers won’t come until the state acts to simplify its notoriously cumbersome sales tax systems.

For more on this ruling, we recommend [reading Joe Henchman's](#) take at the Tax Foundation.