



Online Sales and Streamlined Sales Tax

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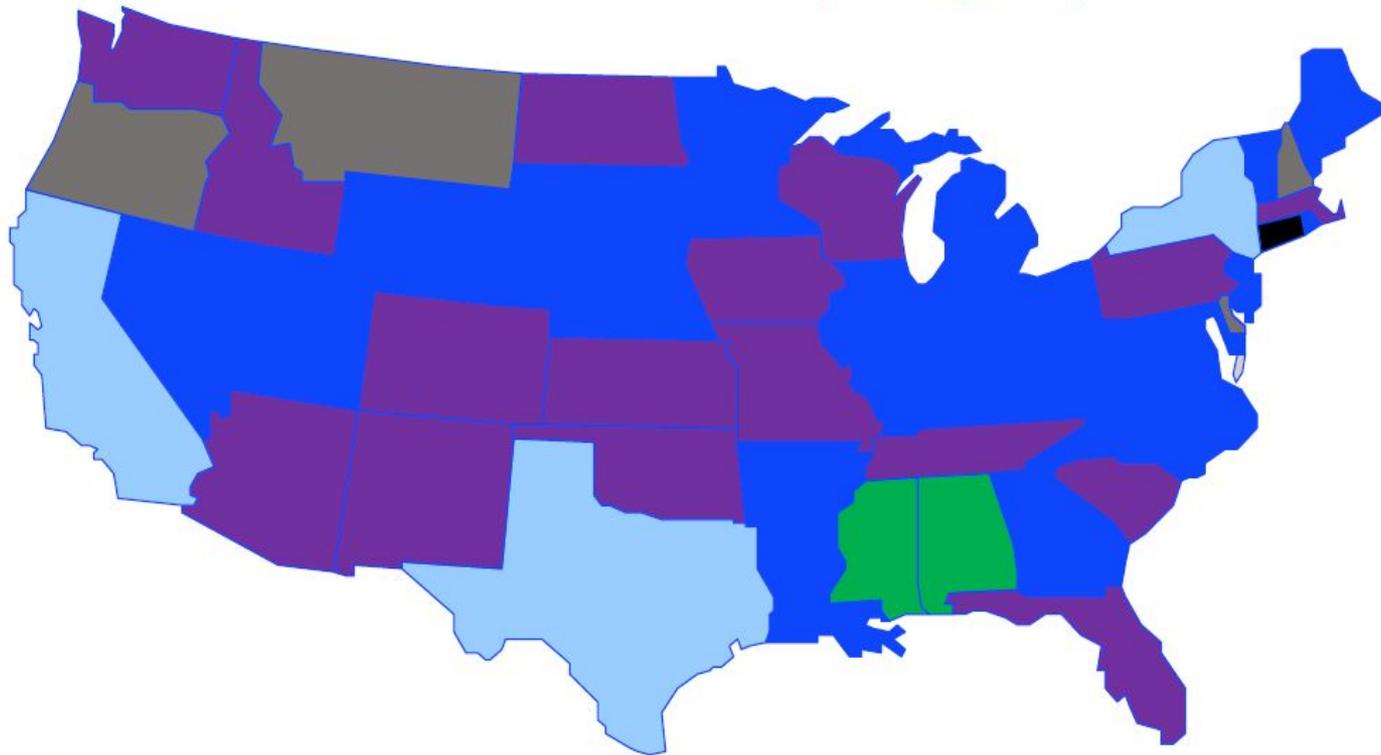
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South Dakota v. Wayfair, Inc.

- U.S. Supreme Court decision issued June 21, 2018
- Overruled prior case (*Quill Corp. v. North Dakota*) requiring “physical presence” nexus
 - Allows for what is often referred to as “economic presence nexus”
- Court noted factors of S.D. law that made economic nexus reasonable for out-of-state sellers:
 - Seller needed to generate \$100,000 of gross revenue **or** make 200 separate transactions into the state
 - Law was not retroactive
 - S.D. is member of Streamlined Sales and Use Tax Governing Board
- More information: tax.iowa.gov/south-dakota-v-wayfair

Economic Nexus Thresholds

As of July 1, 2021



- >\$100,000 sales/200 transactions
- >\$100,000 sales
- >\$500,000 sales
- No Sales Tax

>\$250,000 sales

Alaska local gov
Hawaii, DC
>\$100,000 & 200 trans
Note: MO eff 1/1/23

2018 Iowa Acts, Senate File 2417

- Law enacted May 30, 2018
- Modeled after South Dakota's remote seller provisions
 - \$100,000 of gross revenue from sales into Iowa
 - 200 separate transactions
 - Effective January 1, 2019
 - Includes provisions for marketplace facilitators
- 2019 legislature removed transaction threshold

Remote Sellers

- Generally, a remote seller is someone that makes sales of tangible personal property, taxable services, or specified digital products into Iowa, but does not have physical presence in Iowa. A remote seller may make sales into Iowa in a variety of ways including by phone, catalog, or website.
- More information: tax.iowa.gov/remote-sellers
- Administrative rules: legis.iowa.gov/docs/iac/chapter/08-11-2021.701.215.pdf

Local Option Sales Tax

- All retailers, including remote sellers and marketplace facilitators, required to have an Iowa sales tax permit must collect state sales tax and applicable local option sales tax on all taxable Iowa retail sales.
- For purposes of this presentation, any reference to “sales tax” include any applicable local option sales tax.
- More information:
<https://tax.iowa.gov/iowa-local-option-tax-information>

Collection Threshold

- Remote sellers must collect Iowa sales tax if they have \$100,000 or more in gross revenue from Iowa sales in a current or prior calendar year.
 - “Gross revenue” means all revenue from Iowa sales.
 - “Iowa sales” means all retail sales, including taxable or exempt, wholesale, or sale for resale.
- This does **not** apply to retailers with a physical presence in Iowa.
 - Physical presence = collecting and remitting on all sales into Iowa regardless of gross revenue from online sales.

Meeting the Threshold

- Sellers must register to collect if they meet the threshold in a **current or prior calendar year**.
 - If a remote seller met the threshold in 2021, it must collect at least through December 31, 2022.
 - If a remote seller meets the threshold for the first time mid-2021, it must begin collecting starting on the first day of the next calendar month that starts at least 30 days from the day it first exceeded the sales threshold.

Meeting the Threshold

- **EXAMPLE:**

Company S, a remote seller, did not exceed the sales threshold in 2020. On September 15, 2021, S exceeds the sales threshold for the first time. S must register to collect Iowa sales tax and must begin collecting Iowa sales tax on November 1, 2021. S must continue to collect through at least December 31, 2022. S's sales volume in 2022 and later years will determine whether S must collect Iowa sales tax after December 31, 2022.

Marketplace Sales

- Sellers that make Iowa sales **only** on a marketplace may not need to collect and remit Iowa sales tax.
 - These sellers should check with their marketplace facilitators to see if they are collecting and remitting in Iowa.
 - If the marketplace facilitator is not, the seller is responsible for the tax on those sales.

Sellers Using Marketplace Facilitators with Non-Marketplace Sales

- Remote sellers that make Iowa sales through a marketplace in addition to sales on their own website or from a physical location must use the total gross revenue from all sales into Iowa to determine the \$100,000 gross revenue threshold.
- Remote sellers making marketplace and non-marketplace sales must still be registered to collect and remit on their non-marketplace sales if they exceed the threshold.
 - Retailers with physical presence still need to be registered to collect and remit on non-marketplace sales, though threshold is irrelevant.

Falling Below the Threshold

- If a remote seller does not make \$100,000 of gross revenue from sales into Iowa in the calendar year after it last exceeded the threshold, the remote seller *may* cancel its registration.
 - The end of registration in this situation is not automatic.
 - As long as a remote seller (or any retailer) has an active sales tax permit, they must collect and remit sales tax.
 - There is no option for an “inactive” permit status.
 - A taxpayer may maintain its permit to collect and remit even if it drops below the threshold.

Recap of Permit Requirements

- The following types of businesses must get an Iowa sales tax permit and file sales tax returns:
 - Retailers with a physical presence in Iowa.
 - Remote sellers that have \$100,000 in gross revenue from Iowa sales.
 - Marketplace facilitators that make or facilitate \$100,000 or more in Iowa sales.

Sellers with No Taxable Sales

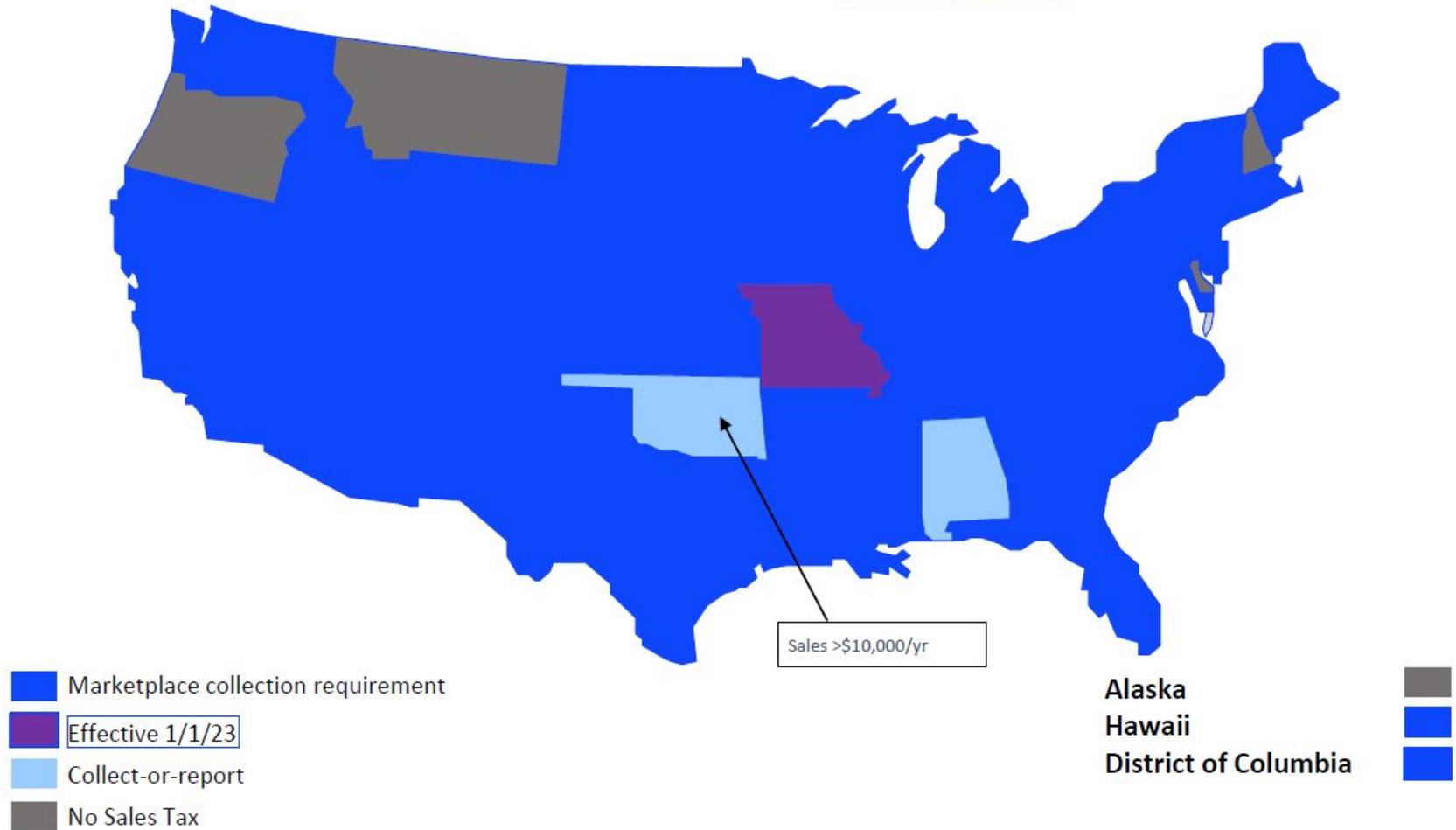
- A business does not need to get an Iowa sales tax permit or file Iowa sales tax returns if the business does not make any **taxable** retail sales.
 - If these businesses begin making taxable retail sales in Iowa, they must collect sales tax and applicable local option sales tax, get an Iowa sales tax permit, and begin filing Iowa sales tax returns.

Retailer's Use Tax

- The sales and use tax collection provisions of SF 2417 require many sellers who currently have a retailer's use tax permit to obtain a sales tax permit instead.
- Remote sellers and marketplace facilitators who do not meet the sales threshold may use a retailer's use tax permit.
- If you have a Retailer's Use Tax permit but SF 2417 requires you to collect sales tax, you should cancel that permit and apply for a new Retail Sales Tax permit.

Marketplace Facilitator Collection Responsibility

As of July 1, 2021



Marketplace Facilitators in Iowa

- A marketplace facilitator generally includes businesses that facilitate retail sales by:
 - Providing infrastructure or support for retail sales to occur; **and**
 - Collecting sales price or other compensation from the retail sale.
- Marketplace facilitators may include consignment stores, auctions, and online marketplaces.
- Marketplace facilitators in Iowa are subject to the same threshold as a remote seller
 - \$100,000 in gross revenue from sales facilitated into Iowa
 - Same rules also apply regarding beginning and ending of collection obligations
- More information: tax.iowa.gov/marketplace-facilitators

Providing Infrastructure or Support

- Providing infrastructure or support for retail sales includes, but is not limited to, any one of the following activities performed by a business:
 - Listing a product or service for sale on a marketplace it owns, operates, or control.
 - Communicating offer or acceptance of a retail sale through a marketplace it owns, operates, or controls.
 - Providing a physical or electronic marketplace that sells products or services it owns or are owned by a marketplace seller, regardless of whether it ever controls the products or services sold.
 - Providing customer service, fulfillment, or storage services.
 - Setting prices for products or services available on the marketplace.
 - Branding sales as its own.

Collecting the Sales Price or Other Compensation

- Collecting the sales price or other compensation for retail sales includes, but is not limited to, any one of the following activities performed by a business:
 - Directly collecting the sales price.
 - Providing payment processing services.
 - Receiving consideration from the facilitation of retail sales. This includes selling fees, listing fees, referral fees, closing fees, dispatch fees, and percentages of sales prices, regardless of whether it ever controls the products or services and whether or not the products or services are sold.
 - Collecting payment from a purchaser and transmitting it to a marketplace seller through a third party with which it has an agreement for the collection and transfer of the payment, regardless of whether the third party payment processor is compensated for their services.
 - Providing virtual currency used to purchase property or services.

Streamlined's Goals

- Uniformity in the state and local tax bases.
- Uniformity of major tax base definitions.
- Central, electronic registration system for all member states.
- Simplification of state and local tax rates.
- Uniform sourcing rules for all taxable transactions.
- Simplified administration of exemptions.
- Simplified tax returns.
- Simplification of tax remittances.
- Protection of consumer privacy.

Streamlined Documents

- Streamlined Sales and Use Tax Agreement (SSUTA):
 - streamlinedsalestax.org/docs/default-source/agreement/ssuta/suta-as-amended-through-2021-5-20.pdf?sfvrsn=66137900_4
- SSUTA Rules:
 - streamlinedsalestax.org/docs/default-source/agreement/ssuta-rules/rules-as-amended-2021-05-20.pdf?sfvrsn=c851fb27_4
- Contract between Streamlined and Certified Service Providers:
 - streamlinedsalestax.org/docs/default-source/contracts/csp-contracts/csp-contract-from-2021-to-2023-approved-by-gb---8-31-20.pdf?sfvrsn=afb8c96_6

Certified Service Providers

- A certified service provider (CSP) is a business certified under SSUTA to perform nearly all of a seller's sales and use tax functions, including registering, filing returns, and remitting tax due.
- CSP services are provided free to sellers in the Streamlined member states in which the seller is a "CSP-compensated seller" (as defined in the CSP contract).
- More information:
streamlinedsalestax.org/certified-service-providers/certified-service-providers-about

Other Major Features

- Centralized registration for any or all 23 member states
 - sstregister.org
- Resource for businesses looking for information about all states on:
 - Remote sellers
 - streamlinedsalestax.org/for-businesses/remote-seller-faqs/remote-seller-state-guidance
 - Marketplace sellers
 - streamlinedsalestax.org/for-businesses/marketplace-sellers
 - Marketplace facilitators
 - streamlinedsalestax.org/for-businesses/marketplace-facilitator

Certificate of Compliance and Taxability Matrix

- Annually revised and certified documents provided by member states
 - Provide information on taxability of certain items and certain sales tax administration practices in each state
- Iowa 2021 Certificate of Compliance:
 - sst.streamlinedsalestax.org/CC/Form/4671
- Iowa 2021 Taxability Matrix - Library of Definitions:
 - sst.streamlinedsalestax.org/TM/Form/4646
- Iowa 2021 Taxability Matrix - Tax Administration Practices:
 - sst.streamlinedsalestax.org/TAP/Form/4647
 - New this year: practices related to remote and marketplace sales

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and suspension of any penalty or interest for taxpayers whose principal residence or business is located in these counties.

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Taxpayer Services:

- Phone: 800-367-3388 or 515-281-3114
- Email: idr@iowa.gov

Tax Guidance Requests:

- <https://tax.iowa.gov/request-tax-guidance>

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Thank you!