

Bond Case Briefs

Municipal Finance Law Since 1971

Fitch: Internet Sales Tax Ruling May Slow Declines for US States.

Fitch Ratings-New York-07 March 2018: US states and local governments could benefit from a pending Supreme Court ruling on internet sales taxes, but long-term stagnation of sales tax revenues are likely to continue, Fitch Ratings says. Sales tax collections have fallen steadily over the past 20 years as a proportion of total state tax revenues due to the growth of internet commerce and other changes in consumer spending patterns. If the Supreme Court rules to extend state sales taxes to internet purchases it would have a modest effect on sales tax collections nationally, but would not be sufficient to reverse the long-term credit challenge arising from diminished sales tax growth.

Oral arguments on *South Dakota v. Wayfair* are scheduled for April 17. A ruling in South Dakota's favor could help state and local governments extend taxes to all internet sales, providing up to \$13.4 billion in new revenue annually according to the US Government Accountability Office. This amounts to 3.6% of state and local government general sales tax collections in 2015, and less than 1% of total tax collections. Other estimates have been higher. The actual amount is likely to increase over time as internet sales grow.

The importance of sales tax revenues for state and local government budgets varies widely. Five states do not impose sales taxes while 20 rely on sales taxes for more than one-third of their total tax revenues. States with a high reliance on sales tax have the greatest stake in the court's review of this case.

[Continue reading.](#)