

Bond Case Briefs

Municipal Finance Law Since 1971

The Evolution of Online Sales Taxes and What's Next For States.

National Bellas Hess to Quill to Wayfair

Abstract

In 1967, the Supreme Court ruled in *National Bellas Hess v. Department of Revenue of Illinois*, that a business must have a physical presence within a state's borders for the state to collect sales taxes from that business. In 1992, the court reaffirmed the physical presence requirement in *Quill Corp. v. North Dakota*, striking down a North Dakota law that required "every person who engages in regular or systematic solicitation of a consumer market in th[e] state" to collect the state's sales tax. North Dakota enacted the law because it feared that residents were eroding the state's sales tax revenue by purchasing goods in catalogues from sellers that did not collect tax. Over the 51 years since *National Bellas Hess*, the ruling has become increasingly problematic as untaxed online purchases increase and states grapple with collecting revenue from these remote sources.

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