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Why isn't Amazon collecting sales tax in Ohio?

Amazon.com soon will be collecting sales tax on consumer purchases in 23 states, including all but two of those where the tax is levied and it has facilities. The Ohio Tax Credit Authority recently approved tax breaks valued at \$81 million over 15 years for a subsidiary of the company, covering a possible new data center in Ohio. But the deal does not require Amazon to collect sales tax in the state on the online purchases that consumers make, according to a new brief issued today by Policy Matters Ohio.

“Ohio is losing tens of millions of dollars a year in revenue because Amazon doesn’t collect the tax, hurting our ability to finance needed public services,” said Zach Schiller, research director at Policy Matters Ohio. “This also gives Amazon a continued price advantage over Main Street Ohio retailers who must collect the tax.”

“Ohio has struck a bad deal,” Schiller said. “The state should go back and renegotiate it.”

Under a 1992 U.S. Supreme Court decision, companies are not required to collect sales tax unless they have a physical presence in a state. The tax is still due on such purchases, however.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.