



Uncollected Sales & Use Tax from Remote Sales: Revised Figures (March 2017)

In 2009, three University of Tennessee professors released a study quantifying the uncollected state and local sales taxes resulting from electronic commerce¹. Subsequently, a team led by Dr. Lorrie Jo Brown with the Washington State Office of Financial Management expanded that analysis to include an estimation of the sales tax loss from non-electronic remote sales². Taken together, the total estimated uncollected U.S. sales and use tax from all remote sales in 2012 was \$23 billion. *For 2015, it is estimated that total U.S. uncollected sales and use taxes increased to almost \$26 billion annually.*

Methodology

Of the original \$23 billion figure, the studies indicate that \$11.4 billion were derived from electronic sales with the remaining \$11.9 resulting from non-electronic sales. Each of these elements were separately projected forward using the growth rates observed in the North American Industry Classification System's (NAICS) 4541: Electronic Shopping & Mail-Order Houses retail category. The projected uncollected taxes from electronic sales were calculated using the growth rates of the electronic shopping piece of NAICS 4541 while the projected uncollected taxes from non-electronic sales were calculated using the growth rates of the mail-order house piece.

Disaggregated Sales & Growth Rates for NAICS 4541: Electronic Shopping & Mail-Order Houses

| | NAICS 4541: Electronic Shopping & Mail-Order Houses | Electronic Shopping Sales | Mail-Order Houses ¹ Sales | Electronic Shopping % Growth | Mail-Order Houses ¹ % Growth |
|------|---|---------------------------------|--|------------------------------------|---|
| 2012 | \$ 328,655 | \$ 195,477 | \$ 133,178 | | |
| 2013 | \$ 350,487 | \$ 221,587 | \$ 128,900 | 13.4% | -3.2% |
| 2014 | \$ 386,065 | \$ 256,269 | \$ 129,796 | 15.7% | 0.7% |
| 2015 | \$ 433,692 | \$ 294,809 | \$ 138,883 | 15.0% | 7.0% |

¹ Includes Electronic Auction sales

Note: In millions

Source: U.S. Census Bureau: 2015 Annual Retail Trade Report

Projected Uncollected Electronic & Non-Electronic Sales & Use Taxes

| | Total Uncollected Sales & Use Tax | Uncollected Tax Electronic Sales | Uncollected Tax Non-Electronic Sales |
|------|--------------------------------------|-------------------------------------|---|
| 2012 | \$ 23,260 | \$ 11,393 | \$ 11,867 |
| 2013 | \$ 24,401 | \$ 12,915 | \$ 11,486 |
| 2014 | \$ 26,502 | \$ 14,936 | \$ 11,566 |
| 2015 | \$ 29,558 | \$ 17,182 | \$ 12,375 |

Note: In millions

Sources: Bruce, Fox, Luna; Brown; ICSC Research

¹ Bruce, Donald, William Fox and LeAnn Luna. *State and Local Government Sales Tax Revenue Losses from Electronic Commerce*. April 2009.

² Brown, Lorrie Jo. *Estimations of Non-Electronic Remote Sales*. 2009.

This analysis results in an estimated \$29.6 billion in uncollected sales and use taxes in 2015: \$17.2 billion from electronic sales and \$12.4 billion from non-electronic sales. However, since the 2009 studies were conducted, the largest player in the e-commerce space – Amazon.com (Amazon) – has begun to collect and remit sales taxes in a large number of U.S. jurisdictions.

To account for this, the \$29.6 billion figure was discounted by Amazon’s estimated 2015 sales tax obligations³. That amount was calculated as follows:

Amazon’s Estimated State Sales & Use Tax Collection: 2015

| | |
|--|-----------------|
| Amazon’s North America Net Sales | \$ 63,708 |
| Median U.S. State Sales Tax Rate | 5.7 % |
| Amazon’s State Sales Tax Collection (upper bound) | \$ 3,631 |

Note: In millions

Sources: Amazon.com 2015 Annual Report; Sales Tax Clearinghouse

This value represents the upper bound of Amazon’s estimated state sales and use tax collections in 2015. It is an upper bound because the North American net sales figure includes sales from Canada and Mexico and because Amazon was not collecting in 100% of the U.S. jurisdictions in 2015. It can then be said, discounting the estimated total uncollected sales and use tax by this amount would lead to a conservative estimate of \$26 billion in lost revenues to state governments.

Uncollected Sales & Use Tax: 2015

| | |
|--|------------------|
| Total Uncollected Sales & Use Tax | \$ 29,558 |
| Amazon’s State Sales Tax Collection (upper bound) | \$ 3,631 |
| Total Uncollected Sales & Use Tax Less Amazon’s Collections | \$ 25,926 |

Note: In millions

Source: ICSC Research

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³ Amazon.com: 2015 Annual Report: <http://phx.corporate-ir.net/phoenix.zhtml?c=97664&p=irol-reportsannual>