

## Tax amnesty program allows Amazon sellers to avoid penalties for unpaid liabilities



David M. Kall | Thursday, August 10, 2017

Established Amazon sellers participate in an annual trade event called the PROSPER show, at which these sellers network and share best practices. According to the [PROSPER](#) website, “[t]his conference is ideal for the established Amazon online seller seeking to learn how to build its business more profitably, while meeting leading solution and service providers that can help sellers scale their businesses more efficiently.”

Following discussions in March between Multistate Tax Commission (MTC) officials and Amazon sellers at this year’s PROSPER Show, the two entities issued a [press release](#) announcing the rollout of a sales tax amnesty program aimed at helping online sellers become compliant with sales tax nexus regulations. It is designed to achieve this goal by allowing the sellers to register for future tax collections immediately, while avoiding back taxes, interest and penalties. The amnesty period is Aug. 17 - Oct. 17, 2017.

More specifically:

For Amazon sellers that have not addressed potential sales tax liabilities to date, it can be challenging to evaluate whether to file a Voluntary Disclosure (indicating that the seller has not been paying sales taxes properly, but wants to rectify the problem) OR continue with status quo of not addressing potential sales tax liabilities, in hopes of not be identified or audited by specific states.

As of this writing, these are the participating states, and several others are considering taking part:

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1. Alabama
2. Arkansas
3. Colorado
4. Connecticut
5. Florida
6. Idaho
7. Iowa
8. Kansas
9. Kentucky
10. Louisiana
11. Nebraska
12. New Jersey
13. Oklahoma
14. South Dakota
15. Texas
16. Utah
17. Vermont
18. Wisconsin

The MTC, which is celebrating its 50th anniversary this summer, is the entity responsible for the creation of the Multistate Tax Compact, a model law with only advisory effect, whose purpose is the following:

1. Facilitating proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases and settlement of apportionment disputes.
2. Promoting uniformity or compatibility in significant components of tax systems.
3. Facilitating taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration.
4. Avoiding duplicative taxation.

The amnesty initiative is part of the MTC's Multistate Voluntary Disclosure Program. The press release explains that to take advantage of amnesty, sellers must first file [multi-state voluntary disclosure program](#) paperwork with the MTC, which will then route the documentation to each participating state for which the seller is seeking amnesty protection.

Sellers are not required to collect and remit sales and use taxes unless they have a physical presence in the taxing state. Amazon, by way of its Fulfillment by Amazon program, lets sellers pay a fee to use its warehouses and logistics operations. The reason that an amnesty deal with Amazon is so important is that the final destination of this inventory could trigger a sales tax requirement, but, according to one MTC official quoted by [CNBCTech](#), "Amazon sometimes makes it difficult to know where inventory is stored, leaving sellers liable for sales tax without their knowledge...It's a huge area of non-compliance." CNBCTech noted that sellers who use the Fulfillment by Amazon program have about \$2 billion in unpaid taxes.

CNBCTech also reported that a University of California at Davis tax law professor thinks that the amnesty program "is unlikely to work unless it's adopted and enforced nationwide. Without stringent rules, there will be some sellers not charging taxes."



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