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Amazon takes sales hit in states with online tax, study finds

The study, conducted by researchers at Ohio State University, finds that purchasers in states where Amazon has begun collecting sales taxes have reduced their spending by 10 percent.

Seattle Times business staff and wire reports

Amazon.com is taking a hit in states that are collecting an online sales tax, according to a report by two Ohio State University doctoral students and an associate professor there.

In one of the first efforts to quantify the impact of states accruing more tax revenue from Web purchases, the Ohio State researchers found sales dropped for Amazon when the online charge was introduced.

In states that have the tax, households reduced their spending on Amazon by about 10 percent compared with those in states without the tax. For online purchases of more than \$300, sales fell by 24 percent, according to the report, "The Amazon Tax."

Researchers studied the daily transactions of 2.8 million households from Jan. 1, 2012, to Dec. 31, 2013, combing through anonymized data provided by personal-finance websites for research purposes.

From that data set, the researchers tracked the spending of about 245,000 households that shelled out at least \$100 on Amazon during the first six months of 2012, then kept tabs on them through the end of 2013.

About a third of the subjects lived in California, New Jersey, Pennsylvania, Texas and Virginia — states where new tax laws were implemented during that time.

Researchers found that the introduction of the tax resulted in a 9.5 percent drop in the value of products purchased on Amazon. The company separately reported a 29 percent gain in North American sales of electronics and other general merchandise in 2013.

One of the report's authors, Ph.D. student Brian Baugh, said the paper doesn't look at the growth from new customers.

"The issue we do address is how existing customers react to the introduction of a price increase (in the form of a tax), and we find that the average consumer purchases 9.5 percent less products on Amazon after states implement the sales tax," Baugh said in an email exchange.

Amazon, scheduled to report quarterly earnings Thursday, has enjoyed an edge against brick-and-mortar retailers because consumers have avoided paying sales tax on many purchases from its site. But that has eroded as the Seattle-based company begins collecting sales tax in more states, including California and Texas.

The push by states to collect taxes on Internet purchases has gathered momentum. Amazon now collects sales tax in 20 states, according to its website.

More are set to follow as the company has become a popular target to help state governments generate more revenue to cover budget shortfalls. Florida is to begin charging a tax May 1.

States lose an estimated \$23 billion a year in uncollected sales taxes from Web retailers.

“As analysts have noted, Amazon offers the best prices with or without sales tax,” company spokesman Ty Rogers said in an email.

Amazon and other online retailers have fought some efforts to implement the taxes, with the U.S. Supreme Court in December rejecting the company’s appeal to rule against a New York law forcing it to collect money from customers. New York and others have said the push to tax Amazon is an effort to treat online and brick-and-mortar retailers equally.

Amazon supports federal legislation that would explicitly let states require tax collections by all online retailers above a certain size.

Some analysts previously said the online taxes had a minimal effect on Amazon’s sales. In a 2012 report, Matt Nemer, an analyst at Wells Fargo, said consumers in Texas, which had recently introduced the levy, generally weren’t aware of the tax and doubted it would “materially impact” Amazon’s revenue.

Material from Bloomberg News and Seattle Times business reporter Jay Greene is included in this report.

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