South Carolina E-Commerce Sales and Use Tax Revenue Estimates for FY 2014-15

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- E-Commerce retail trade represents 5.3% of all United States retail sales in the second quarter of 2013. Federal restrictions limit South Carolina's ability to compel entities that do not have a physical presence in the state to collect and remit sales tax on these transactions. Some retailers do voluntarily remit sales tax in South Carolina.
- Growth in U.S. E-Commerce retail and wholesale sales is decreasing the traditional sales tax base in states like South Carolina.
- Since 1998, U.S. E-Commerce retail trade has grown at an average annual rate of 32.5% and 18.9% annually over the last ten years.
- U.S. E-Commerce wholesale trade has grown 6.7% per year since 2002 when the U.S. Census Bureau began to estimate these sales.
- Recent legislation progressing through the legislative process at the federal level, the Marketplace Fairness Act of 2013, would allow a state to collect sales tax from remote sellers opening up a potential new revenue source. The average tax rate estimate is due to the optional aspect of the local sales taxes and is based on the amount of sales taxes collected by ZIP codes weighted by population.
- Our analysis finds that total taxable E-Commerce retail and wholesale sales in South Carolina for FY 2014-15 will total $5.1 billion. These sales would potentially produce $366.6 million in sales tax revenue at the combined average state and local rate of 7.2%. The $366.6 million total includes sales tax revenue remitted by retailers, use tax remitted by businesses and individuals, and uncollected taxes.
- We estimate that retailers, businesses, and individuals will remit $274.8 million in sales and use tax revenue to South Carolina on E-commerce retail and wholesale transactions in FY 2014-15.
- The remaining uncollected sales and use taxes are expected to total $91.8 million statewide in FY 2014-15. These taxes are theoretically collectable since purchases of tangible goods for use in South Carolina on which no South Carolina sales or use tax has been paid are subject to the use tax. In reality, compliance is difficult to enforce given federal restrictions and lack of voluntary compliance. If the proposed federal law enhances the collection of these taxes by requiring remote or E-Commerce retailer to collect the sales tax, we estimate that $51.0 million of this revenue would be allocated to the General Fund from the 4% sales tax. The Education Improvement Act Fund and the Homestead Exemption Fund allocations would increase by $12.8 million each for the 1% tax allocated to each of these Funds. Allocations to local sales and use taxes would increase by an estimated $15.3 million statewide. Local revenue shares of this revenue would depend on the local option sales taxes in effect for the various counties.

South Carolina E-Commerce Sales and Use Tax Revenue Estimates for FY 2014-15

This study estimates the sales and use tax collections and revenue potential from E-Commerce transactions in South Carolina. Our first step is to estimate total U.S. E-Commerce sales. The U.S. Census Bureau annually estimates E-Commerce sales for the retail, wholesale, manufacturing, and service sectors of the economy. We exclude services from this analysis because very few of the sales in this sector are subject to South Carolina sales tax. We also exclude manufacturing since this production is usually for the wholesale market rather than for direct sale to household consumers. However, in a few instances, some manufacturers sell at retail to household consumers through the mail. These sales by manufacturers' sales branches and offices are included in the wholesale trade estimates. Historical retail and wholesale trade data from the U.S. Census Bureau are then inflated by historical growth rates to FY 2014-15 amounts. From data in the 2007 Economic Census that provides retail and wholesale trade estimates by state, we calculate the South Carolina share of U.S. retail trade at 1.386%, and wholesale trade at 0.846%.[1]

We then estimate the amount of retail and wholesale sales that are statutorily exempt from S.C. sales tax. From 2007 Economic Census data, we estimate that 33.8% of all E-Commerce retail sales and 45.5% of E-Commerce Wholesale sales are exempt from sales tax in South Carolina. Our estimates for exempt retail and wholesale sales by NAICS category are in Table 1 and 2 below, respectively.

For retail sales, we exclude motor vehicle sales as we expect that the motor vehicle licensing requirements and property tax enforced collection activities result in little or no loss of tax collections on these vehicle sales. Detailed Census data suggest that 74.5% of the entire motor vehicle and parts dealers (NAICS 441) category are motor vehicle sales. The remainder of this category is taxable vehicle parts. Food is exempt from most sales and use tax in South Carolina, and detailed data suggest that 67.8% of all food and beverage store (NAICS 445) E-Commerce sales are for food exempt from S.C. sales tax. We exclude nonstore retailers (NAICS 454) as these retailers make direct sales at the customers' locations in South Carolina. We expect that sales tax nexus is already established, and S.C. sales tax is currently collected on these sales.

NAICS 4541 is Electronic shopping and mail-order houses which represents 84.1% of all E-Commerce retail sales. From these sales we exclude items exempt from S.C. sales tax such as prescription drugs, groceries, motor vehicles, musical instruments, optical goods and hearing

[1] U.S. Census Bureau, 2007 Economic Census, Retail and Wholesale Trade: Geographic Area Series: Summary Statistics for the United States, States, Metro Areas, Counties, and Places, 2007. The U.S. Census Bureau will provide more timely data in the 2012 Economic Census which should be released in late spring 2014. We will update this analysis when the data are available.

aids. Non-merchandise receipts are receipts from rentals, storage, and other services provided to customers, and are excluded as these sales are not subject to sales tax.

For Wholesale sales, we exclude motor vehicle sales that represent 14% of total wholesale E-Commerce sales, 21% for prescription drug sales, and 10.5% for food sales by grocery stores. The many other exemptions listed in §12-36-2120 of the South Carolina code allow other exemptions not listed here. The data required to identify the amount of retail or wholesale sales for these detailed exemptions are not available.

Table 1: South Carolina E-Commerce Retail Trade
Estimated Sales Tax Exemption Percentages

NAICS	Description	Percentage of Online Sales	Exempt from Sales Tax
44-45	Total E-Commerce Retail Trade	100.00%	33.81%
441	Motor vehicles and parts dealers *(74.5% is motor vehicle sales)*	10.30%	7.7%
445	Food and beverage stores *(67.8% of this category is food for human consumption)*	0.40%	0.3%
454	Nonstore retailers (excluding electronic and mail order)	0.30%	0.3%
4541	Electronic shopping and mail-order houses	84.1%	
	Prescriptions		22.1%
	Groceries and other foods for human consumption off the premises		1.6%
	All nonmerchandise receipts		0.7%
	Cars, trucks, motorcycles and other powered transportation vehicles		0.5%
	Musical instruments		0.5%
	Optical goods, including eyeglasses and contact lenses		0.2%
	Hearing aids and supplies		0.02%

Source: U.S. Census Bureau, 2011 Annual Retail Trade Survey and 2007 Economic Census

Table 2: South Carolina E-Commerce Wholesale Trade
Estimated Sales Tax Exemption Percentages

NAICS	Description	Percentage of Online Sales	Exempt from Sales Tax in South Carolina
42	**Total E-Commerce Merchant Wholesale Trade Including Manufacturers' Sales Branches and Offices.**	100.0%	45.5%
423	**Durable goods**	**40.1%**	
4231	Motor vehicles and automotive equipment *(72.6% is motor vehicle sales)*	19.4%	14.0%
4232	Furniture and home furnishings	0.7%	
4233	Lumber and other construction material	0.5%	
4234	Professional and commercial equipment and supplies	7.3%	
4235	Metals and minerals, excluding petroleum	1.3%	
4236	Electrical goods	4.1%	
4237	Hardware, plumbing and heating equipment	1.0%	
4238	Machinery, equipment and supplies	4.0%	
4239	Miscellaneous durable goods	1.9%	
424	**Nondurable goods**	**59.9%**	
4241	Paper and paper products	2.8%	
4242	Drugs, drug proprietaries and druggists' sundries *(76.8% is prescription drugs)*	27.3%	21.0%
4243	Apparel, piece goods, and notions	2.1%	
4244	Groceries and related products *(95.3% is food for human consumption)*	11.0%	10.5%
4245	Farm-products raw materials	*	
4246	Chemicals and allied products	8.0%	
4247	Petroleum and petroleum products	2.2%	
4248	Beer, wine, and distilled beverages	2.7%	
4249	Miscellaneous nondurable goods	1.8%	

Source: U.S. Census Bureau, 2011 Annual Wholesale Trade Survey and 2007 Economic Census

The amount of sales tax collected or avoided on E-Commerce retail and wholesale sales also depends on who purchases the items. Sales to households or individual consumers at the retail level are generally taxable except for the sales tax exemptions discussed above while sales to businesses are mostly exempt. Table 3 summarizes Census data reporting that 79.9% of all retail E-Commerce sales are to households and the remaining 20.1% are sales to

businesses. Of the business sales, we further estimate that 13.9% is subject to S.C. sales tax and 6.2% are nontaxable sales for resale.

For wholesale sales the opposite is the norm. Table 4 below reports that only 0.6% of all wholesale sales are to households or individual consumers. Businesses account for the remaining amount of E-Commerce wholesale sales, of which 21.6% is subject to S.C. sales tax and 77.9% are nontaxable sales for resale.

Table 3: Estimated E-Commerce Retail Sales by Household and Business

All Types of Customer	Percent of Total Sales	Household Sales Subject to Sales Tax in South Carolina	Business Sales Subject to Sales Tax in South Carolina	Exempt from Sales Tax in South Carolina
Household consumers and individual users	79.9%	79.9%		
Retailers for resale	2.7%			2.7%
Wholesale establishments for resale	1.5%			1.5%
Repair shops for use in repair work	0.3%			0.3%
Manufacturing and mining industrial users for use as input goods in production	0.3%			0.3%
Restaurants, hotels, food services, and contract feeding	0.5%		0.5%	
Businesses for end use in their own operation, not for resale or production	8.3%		8.3%	
Building contractors, heavy construction, and special trade contractors	0.3%		0.3%	
Farmers for use in farm production	0.1%		0.1%	
Export sales	0.4%			0.4%
Governmental bodies (federal, state, and local) *sales to federal government exempt	1.6%		0.6%	1.0%
All other customers	4.1%		4.1%	
Total	100.0%	79.9%	13.9%	6.2%

Source: U.S. Census Bureau, 2007 Economic Census

Table 4: Estimated E-Commerce Wholesale Sales by Household and Business

All Types of Customers	Percent of Total Sales	Consumer Sales Subject to Sales Tax in South Carolina	Business Sales Subject to Sales Tax in South Carolina	Exempt from Sales Tax in South Carolina
Household consumers and individual users	0.6%	0.6%		
Retailers for resale	32.8%			32.8%
Wholesale establishments for resale	27.4%			27.4%
Repair shops for use in repair work	0.7%		0.7%	
Manufacturing and mining industrial users for use as input goods in production	10.8%			10.8%
Restaurants, hotels, food services, and contract feeding	3.8%		3.8%	
Businesses for end use in their own operation, not for resale or production	11.4%		11.4%	
Building contractors, heavy construction, and special trade contractors	4.3%		4.3%	
Farmers for use in farm production	1.7%			1.7%
Export sales	3.5%			3.5%
Governmental bodies (federal, state, and local) ***sales to federal government exempt**	1.7%		0.7%	1.0%
All other customers ***(estimate one-half exempt)***	1.3%		0.7%	0.7%
Total	100.0%	0.6%	21.6%	77.9%

Source: U.S. Census Bureau, 2007 Economic Census

Once all the sales tax exemptions and business use exclusions are estimated, the remaining retail and wholesale sales are estimated. We expect that total taxable E-Commerce retail and wholesale sales in S.C. for FY 2014-15 will total $5.1 billion. This suggests that total sales tax due at the combined average state and local rate of 7.2% would produce $366.6 million in sales tax revenue. See line 71 in the detailed estimate table at the end of this report.

We estimate the total amount of tax paid by multiplying the household or individual consumer purchases by a 64.5% retail internet vendor compliance rate as estimated in *"State and Local Government Sales Tax Revenue Losses from Electronic Commerce,"* by Donald Bruce, William F. Fox, and LeAnn Luna, University of Tennessee, April 13, 2009. The authors estimated the 64.5% compliance rate for South Carolina by examining the top 50 internet retail firms and

a random sample of 50 more firms from Internet Retailer's "Top 500 Guide, 2007 Edition." Each firm's website was examined to determine the states for which the firm collects and remits sales tax. The remaining 35% is uncollected taxes. For business purchases research suggests that the use tax compliance rate for businesses in most states is between 85% and 100%. See, Peter A. Johnson, *"Setting the Record Straight: The Modest Effect of E-Commerce on State and Local Sales Tax Collections,"* Direct Marketing Association, January 2008. We rely on the 85% estimate for this analysis given the revenue collected in recent years from the increased enforced collection activities of the South Carolina Department of Revenue.

These calculations result in a $274.8 million estimate of total taxes paid in FY 2014-15 to state and local governments and an estimated $91.8 million in uncollected taxes on E-Commerce retail and wholesale sales.[2] While these taxes on purchases of tangible goods for use in South Carolina on which no South Carolina sales or use tax has been paid are subject to a use tax, real world compliance is difficult. Remote or E-Commerce retailers are not required to remit sales tax if they have no nexus or physical connection with South Carolina, but taxpayers are required to remit a use tax. South Carolina, like most states, has minimal success in enforcing these state statutes and collecting the use tax due to lack of voluntary compliance and federal restrictions.

A detailed summary of the amount of tax by state and local governments, including the General Fund, Education Improvement Act Fund, and the Homestead Exemption Fund distributions are included in the detailed estimate worksheet below. Local taxes are estimated at 1.2% statewide within a range of 0% to 2.5%. The average local sales tax rate is based on a statewide average calculated by the Sales Tax Clearinghouse, *see http://thestc.com/strates.stm*. This average tax rate includes state and local taxes and is based on the amount of sales taxes collected by ZIP codes weighted by population.

We finally estimate the potential revenue increase from the adoption of the federal Market place Fairness Act of 2013 with a small seller exemption threshold of $1 million. We anticipate that the total uncollected tax of $91.8 million on E-Commerce retail and wholesale sales would be reduced by 6% due to the $1 million dollar threshold exemption for small sellers contained in the proposed Act. This reduces the potential state and local revenue increase to an estimated $86.3 million in FY2014-15.

South Carolina eligibility, however, for the Marketplace Fairness Act (MFA) is unclear at this point. The federal legislation has passed the U.S. Senate, but to this date, has received no action in the House of Representatives. South Carolina is not a Streamlined Sales and Use Tax

[2] These estimates include the expected $3.0 million in use tax remitted on untaxed purchases on the 2014 individual income tax returns.

Agreement (SST) state that pursuant to the MFA can begin to collect the tax 180 days after publishing their intent. For Non-SST states like South Carolina, the authority to collect the tax would be delayed until the State enacts legislation containing minimum simplification requirements that include designating a single entity to administer all state and local sales and use taxes, providing a uniform tax base for state and local taxes, and developing a tax rate and boundary database.

Authority to require E-Commerce retailers and wholesalers, or remote sellers in the proposed legislation, to remit the formerly uncollected sales and use taxes would be no earlier than the first day of the calendar quarter that is at least six months after the date that the state enacts legislation to implement the proposed Act's mandatory simplification requirements.

In South Carolina, the uniform tax base is a potential problem with the current differing state and local sales tax rates on unprepared food and maximum cap items such as motor vehicles and manufactured homes. Additional legislation addressing these issues, adoption of the proposed federal Act, and waiting out the required time after the state enacts the authorizing legislation will be required before any tax collections would occur.

FY 2014-15 E-Commerce Retail and Wholesale Trade Sales Tax Estimates for South Carolina
(Dollar Amounts in Millions)

Line				
	E-Commerce Retail Trade Estimate			
1	U.S. retail E-Commerce trade estimate for FY 2014-15 (millions)		$360,745.0	
2	Estimated South Carolina share of U.S. total E-Commerce retail trade (millions)	1.386%	$4,999.9	
3	S.C. total E-Commerce retail trade estimate after exclusion of motor vehicles, food, prescription drugs, musical instruments, optical goods, hearing aids, and nonstore retailers **[Line 2 less 33.81%]**	33.81%	$3,309.4	
	Household Purchases			
4	Taxable South Carolina household purchases estimate **[Line 3 times 79.9%]**	79.90%	$2,644.2	
5	Total Tax Due (All Statewide and Local Sales Taxes) This *estimate includes the expected $3.0 Million in use tax remitted on untaxed purchases on 2014 S.C. individual income tax returns.*	7.2%	$190.4	
6	General Fund	4.0%		$105.8
7	EIA	1.0%		$26.4
8	HEF	1.0%		$26.4
9	Local	1.2%		$31.7
10	Estimated Total Tax Paid (64.5%)	7.2%	$125.8	
11	General Fund	4.0%		$69.9
12	EIA	1.0%		$17.5
13	HEF	1.0%		$17.5
14	Local	1.2%		$21.0
15	Estimated Uncollected Taxes (35.5%)	7.2%	$64.6	
16	General Fund	4.0%		$35.9
17	EIA	1.0%		$9.0
18	HEF	1.0%		$9.0
19	Local	1.2%		$10.8

FY 2014-15 E-Commerce Retail and Wholesale Trade Sales Tax Estimates for South Carolina

(Dollar Amounts in Millions)

(Continued)

	E-Commerce Retail Business Purchases			
20	Taxable South Carolina business purchases estimate **[Line 3 times 13.9%]**	13.90%	$460.00	
21	Total Tax Due (All Statewide and Local Sales Taxes)	7.2%	$33.1	
22	General Fund	4.0%		$18.4
23	EIA	1.0%		$4.6
24	HEF	1.0%		$4.6
25	Local	1.2%		$5.5
26	Estimated Total Tax Paid (85%)	7.2%	$28.2	
27	General Fund	4.0%		$15.6
28	EIA	1.0%		$3.9
29	HEF	1.0%		$3.9
30	Local	1.2%		$4.7
31	Estimated Uncollected Taxes (15%)	7.2%	$5.0	
32	General Fund	4.0%		$2.8
33	EIA	1.0%		$0.7
34	HEF	1.0%		$0.7
35	Local	1.2%		$0.8

FY 2014-15 E-Commerce Retail and Wholesale Trade Sales Tax Estimates for South Carolina

(Dollar Amounts in Millions)

(Continued)

	E-Commerce Wholesale Trade Estimate			
36	U.S. wholesale E-Commerce trade estimate for FY 2014-15 (millions)		$1,941,596.0	
37	Estimated South Carolina share of U.S. total E-Commerce retail trade (millions)	0.846%	$16,425.9	
38	Estimated S.C. total E-Commerce wholesale trade after exclusion of motor vehicles, food, and prescription drugs **[Line 37 less 45.5%]**	45.5%	$8,952.1	
	Household Purchases			
39	Taxable South Carolina household purchases **[Line 38 times 0.6%]**	0.60%	$53.7	
40	Total Tax Due (All Statewide and Local Sales Taxes)	7.2%	$3.9	
41	General Fund	4.0%		$2.1
42	EIA	1.0%		$0.5
43	HEF	1.0%		$0.5
44	Local	1.2%		$0.6
45	Estimated Total Tax Paid (64.5%)	7.2%	$2.5	
46	General Fund	4.0%		$1.4
47	EIA	1.0%		$0.3
48	HEF	1.0%		$0.3
49	Local	1.2%		$0.4
50	Estimated Uncollected Taxes (35.5%)	7.2%	$1.4	
51	General Fund	4.0%		$0.8
52	EIA	1.0%		$0.2
53	HEF	1.0%		$0.2
54	Local	1.2%		$0.2

FY 2014-15 E-Commerce Retail and Wholesale Trade Sales Tax Estimates for South Carolina

(Dollar Amounts in Millions)

(Continued)

	E-Commerce Wholesale Business Purchases			
55	Taxable South Carolina business purchases **[Line 38 times 21.6%]**	21.60%	$1,933.66	
56	Total Tax Due (All Statewide and Local Sales Taxes)	7.2%	$139.2	
57	General Fund	4.0%		$77.3
58	EIA	1.0%		$19.3
59	HEF	1.0%		$19.3
60	Local	1.2%		$23.2
61	Estimated Total Tax Paid (85%)	7.2%	$118.3	
62	General Fund	4.0%		$65.7
63	EIA	1.0%		$16.4
64	HEF	1.0%		$16.4
65	Local	1.2%		$19.7
66	Estimated Uncollected Taxes (15%)	7.2%	$20.9	
67	General Fund	4.0%		$11.6
68	EIA	1.0%		$2.9
69	HEF	1.0%		$2.9
70	Local	1.2%		$3.5

FY 2014-15 E-Commerce Retail and Wholesale Trade Sales Tax Estimates for South Carolina

(Dollar Amounts in Millions)

(Continued)

	Summary			
71	**Estimated Total S.C. E-Commerce Retail and Wholesale Trade Sales Tax Due (Household and Business).** *This estimate includes the expected $3.0 Million in use tax remitted on untaxed purchases on 2014 S.C. individual income tax returns.* **[Total of lines 5, 21, 39 and 56]**	7.2%	$366.6	
72	General Fund	4.0%		$203.7
73	EIA	1.0%		$50.9
74	HEF	1.0%		$50.9
75	Local	1.2%		$61.1
76	**Estimated Total S.C. Taxes Paid on E-Commerce Retail and Wholesale Sales (Household and Business) [Total of lines 10, 27, 45, and 61]**	7.2%	$274.8	
77	General Fund	4.0%		$152.7
78	EIA	1.0%		$38.2
79	HEF	1.0%		$38.2
80	Local	1.2%		$45.8
81	**Estimated Total S.C. Uncollected Taxes on E-Commerce Retail and Wholesale Sales (Household and Business) [Total of lines 15, 31, 50, and 66]**	7.2%	$91.8	
82	General Fund	4.0%		$51.0
83	EIA	1.0%		$12.8
84	HEF	1.0%		$12.8
85	Local	1.2%		$15.3
86	**Estimated Total S.C. Uncollected Taxes on E-Commerce Retail and Wholesale Sales (Households and Business)** ***With a $1 Million Small Seller Exemption as contained in the Marketplace Fairness Act of 2013 (estimated 6% reduction in taxable sales due to $1 Million threshold exemption)*** **[Line 81 less 6%]**	7.2%	$86.3	
87	General Fund	4.0%		$47.95
88	EIA	1.0%		$11.99
89	HEF	1.0%		$11.99
90	Local	1.2%		$14.38

Line Notes

1 Source: U.S. Census Bureau, Annual Retail and Wholesale Trade Surveys. E-commerce retail trade growth averaged 32.5% per year from 1998 to 2011 and from 2001 to 2011 annual growth averaged 18.9%. We used the most recent ten year growth rate to inflate 2011 data to FY 2014-15.

2 South Carolina's estimated 1.386% share of U.S. Retail Trade is based on data from the U.S. Bureau of the Census, 2007 Economic Census. For comparison, S.C.'s personal income as a percentage of the U.S. is approximately 1.21%, and population share is approximately 1.5%. S.C.'s share of U.S. Gross Domestic Product is around 1.13% annually.

3 Source: U.S. Census Bureau, 2011 Annual Retail Trade Survey and 2007 Economic Census, Retail Trade Product Line Statistics for Electronic Shopping and Mail-Order Houses (NAICS 4541) by Kind of Business for the United States. We expect that the motor vehicle licensing requirements and property tax collections result in little or no loss of tax collections on these vehicle sales. All other items listed are exempt from sales and use tax in South Carolina or are subject to the $300 maximum cap. We exclude nonstore retailers (NAICS 454) as these retailers make direct sales at the customers' locations in South Carolina. We expect that sales tax nexus is already established, and S.C. sales tax is currently collected on these sales.

4 Source: U.S. Census Bureau, 2007 Economic Census, Retail Trade: Subject Series - Misc Subjects: Sales by Class of Customer for the United States: 2007. This data allows us to determine what amount of retail sales are purchased by individuals or businesses. The amount of E-Commerce retail sales subject to S.C. tax depends greatly upon which type of consumer purchases the products. Based on the Census data, we estimate that households account for 79.9% of all E-Commerce retail sales.

5 Total sales tax rate is based on a statewide average calculated by the Sales Tax Clearinghouse, see http://thestc.com/strates.stm. This average tax rate includes state and local taxes and is based on the amount of sales taxes collected by ZIP codes weighted by population.

6 to 9 These lines provide estimates for the various allocations of S.C. sales tax collections. Allocations include: 4% allocated to the General Fund, 1% allocated to the Education Improvement Fund, 1% allocated to the Homestead Exemption Fund, and local taxes that we estimate average 1.2% statewide. Local Option, Capital Project, Transportation, School Bond, and Tourism taxes are examples of the potential local taxes.

Line Notes (Continued)

10 The 64.5% retail internet vendor compliance rate is estimated in "State and Local Government Sales Tax Revenue Losses from Electronic Commerce," by Donald Bruce, William F. Fox, and LeAnn Luna, University of Tennessee, April 13, 2009. The authors estimated the 64.5% compliance rate for South Carolina by examining the top 50 internet retail firms and a random sample of 50 more firms from Internet Retailer's "Top 500 Guide, 2007 Edition." Each firm's website was examined to determine the states for which the firm collects and remits sales tax.

20 Source: U.S. Census Bureau, 2007 Economic Census, Retail Trade: Subject Series - Misc Subjects: Sales by Class of Customer for the United States: 2007. This data allows us to determine what amount of retail sales are purchased by individuals or businesses. The amount of E-Commerce retail sales subject to S.C. tax depends greatly upon which type of consumer purchases the products. Based on the Census data, we estimate that businesses account for a total of 20.1% of retail sales, of which 13.9% is subject to S.C. sales tax and 6.2% are nontaxable sales for resale.

26 Research suggests that the use tax compliance rate for businesses in most states is between 85% and 100%. See, Peter A. Johnson, "Setting the Record Straight: The Modest Effect of E-Commerce on State and Local Sales Tax Collections," Direct Marketing Association, January 2008. We rely on the 85% estimate for this analysis given the revenue collected in recent years from the increased enforced collection activities of the South Carolina Department of Revenue.

36 Source: U.S. Census Bureau, Annual Retail and Wholesale Trade Surveys. E-commerce wholesale trade growth averaged 6.7% per year from 2002 to 2011. We used that growth rate to inflate 2011 data to FY 2014-15.

37 South Carolina's estimated 0.846% share of U.S. Wholesale trade is based on data from the U.S. Bureau of the Census, 2007 Economic Census.

38 Source: U.S. Census Bureau, 2011 Annual Wholesale Trade Survey and 2007 Economic Census, Wholesale Trade Product Line Statistics by Kind of Business for the United States.

39 Source: U.S. Census Bureau, 2007 Economic Census, Wholesale Trade: Subject Series - Misc Subjects: Sales by Class of Customer for the United States: 2007. This data allows us to determine what amount of wholesale sales is purchased by individuals or businesses. The amount of E-Commerce wholesale sales subject to S.C. tax depends greatly upon which type of consumer purchases the products. Based on the Census data, we estimate that households

Line Notes (Continued)

account for a very small amount of wholesale purchases, 0.6%, of all E-Commerce wholesale sales.

45 See Line Note 10.

55 Source: U.S. Census Bureau, 2007 Economic Census, Wholesale Trade: Subject Series - Misc Subjects: Sales by Class of Customer for the United States: 2007. This data allows us to determine what amount of wholesale sales are purchased by individuals or businesses. The amount of E-Commerce wholesale sales subject to S.C. tax depends greatly upon which type of consumer purchases the products. Based on the Census data, we estimate that businesses account for 99.4% of all E-Commerce wholesale sales, of which 21.6% is subject to S.C. sales tax and 77.9% are nontaxable sales for resale.

61 See Line Note 26.

86 Source: Marketplace Fairness Act (MFA) - Estimate of State and Local Sales Tax Gain, Washington Department of Revenue. The WA DOR used Internet Retailers "2011 Internet Top 500 E-Retailers Guide and Second 500 Guide" firm sales data to calculate this estimate.