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The Supreme Court Case That Rewrote the Rules for Online Sellers

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In June 2018, the Supreme Court handed down a decision that fundamentally altered the relationship between e-commerce businesses and state tax authorities across the country. South Dakota v. Wayfair, Inc. overturned a decades-old precedent that had shielded online retailers from having to collect sales tax in states where they had no physical presence. The ruling didn't just affect large platforms like Wayfair, Amazon, or Overstock — it set in motion a chain of legislative responses at the state level that eventually touched every online seller doing meaningful business across state lines, including those selling into New York.

What the Old Rule Actually Said — and Why It Broke Down

Before Wayfair, the controlling precedent came from a 1992 Supreme Court case, Quill Corp. v. North Dakota, which held that a state could only require a business to collect sales tax if that business had a physical presence in the state — a store, a warehouse, employees on the ground. At the time, this made practical sense. The internet barely existed as a commercial platform, and the complexity of tracking sales across dozens of state tax systems without a local foothold was genuinely prohibitive. By 2018, the logic had collapsed. E-commerce had grown into a multi-trillion dollar industry, and purely digital sellers were routinely generating millions in revenue from states where they collected no sales tax at all. Brick-and-mortar retailers, who were required to collect tax by default, had been competing on an uneven playing field for years.

What the Court Decided and How States Responded

South Dakota had passed a law deliberately designed to challenge the physical presence rule, requiring out-of-state sellers to collect sales tax once they exceeded $100,000 in sales or 200 transactions in the state within a year. The Supreme Court upheld this law in a 5-4 decision, ruling that physical presence was an outdated standard that no longer reflected the economic reality of modern commerce. The concept that emerged from the ruling — economic nexus — gave states the authority to impose collection obligations based on a seller's economic activity within their borders, regardless of where the seller was physically located. Within months of the decision, the majority of states had enacted or updated their own economic nexus laws, and the national sales tax landscape changed almost overnight.

How New York Applied the Wayfair Framework

New York was not caught flat-footed by Wayfair — the state had actually been pushing the boundaries of nexus law for years before the ruling, with its own "Amazon laws" targeting affiliates and marketplace facilitators. After Wayfair, New York formalised its economic nexus threshold at $500,000 in sales and more than 100 transactions in the state during the preceding four quarterly periods. For sellers reaching those thresholds, registration and collection obligations apply statewide — including in counties like Suffolk, where the combined local and state rate adds up to more than the statewide base. Businesses selling into Long Island need to account for Suffolk County's specific rate structure, and a **suffolk county sales tax calculator** provides the address-level accuracy that a flat state rate simply can't deliver.

What This Means for Online Sellers Today

Nearly seven years after the Wayfair decision, economic nexus is no longer a new concept — but its implications still catch businesses off guard, particularly those that have grown quickly or expanded into new product categories. The practical consequences for non-compliance have become clearer over time:

- States have become significantly more aggressive in pursuing back taxes from sellers who crossed nexus thresholds without registering
- Voluntary disclosure programs, which allow sellers to come forward and settle past liabilities with reduced penalties, remain available in most states but have tightened their terms
- Marketplace facilitator laws, passed in the wake of Wayfair, now shift the collection responsibility to platforms like Amazon and Etsy for third-party sales — but sellers who also operate their own websites remain directly responsible for those transactions
- Nexus can be triggered not just by sales volume but by other activities, including storing inventory in a fulfillment center located in a state

The Wayfair decision was a turning point, but it was also a starting point. The compliance obligations it created are ongoing, and for businesses selling into states with complex local rate structures, staying on top of where nexus exists and what rates apply is a continuous operational responsibility rather than a box checked once at setup.

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