# State Taxation of Interstate Mail Order Sales

## Estimates of Revenue Potential 1990-1992

Advisory Commission on Intergovernmental Relations M-179

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# PREFACE AND ACKNOWLEDGMENTS

State and local governments have been unable to require collection of their sales taxes by out-of-state mail order firms since the U.S. Supreme Court's 1967 *National Bellas Hess* decision. In that ruling, the Court held that out-of-state mail order houses could not be required to collect state and local sales and use taxes for states in which their only business presence consists of distributing catalogs and other advertising materials.

In 1984 and 1985, the staff of the Advisory Commission on Intergovernmental Relations undertook a study of state and local taxation of out-of-state mail order sales. The results of the staff study were presented to the Commission in the spring of 1985, and two public hearings were conducted to give interested parties an opportunity to express their views.

On September 20, 1985, a majority of the Commission voted to recommend to the Congress that legislation be enacted negating *National Bellas Hess* by requiring mail order vendors to collect state use taxes on interstate sales delivered in any state in which the vendor engaged in regular or systematic sales solicitation. Because the Commission was keenly aware of the compliance costs which the recommendation would impose on mail order vendors, particularly small companies, it recommended that Congress ease these problems by incorporating a substantial *de minimis* provision and a single state-local tax rate provision in the legislation. Six members of the Commission filed a strong dissent from the recommendation. The Commission's recommendations, the dissent from the recommendations, and the staff study were published in April 1986 as *State and Local Taxation of Out-of-State Mail Order Sales* (A-105). The revenue loss estimates were updated for 1985, 1986, and 1988 and were provided in a 1987 staff information report, *Estimates of Revenue Potential from State Taxation of Out-of-State Mail Order Sales.*

Interest in this area has continued to grow and, as noted in the 1987 report, many state revenue officials have launched aggressive campaigns to collect use taxes owed on out-of-state mail order purchases through various means, including interstate agreements and enhanced enforcement activities. Recently, Connecticut tried unsuccessfully to get the Court to modify its 1967 ruling to provide greater state authority to require mail order firms to collect state sales and use taxes.

Because several years have passed since publication of the revised estimates in 1987, and because of the continued interest in this issue, ACIR staff felt it necessary to update the estimates as a part of ACIR's continual monitoring function. This update seems particularly appropriate in light of the Supreme Court's decision to accept *Quill Corporation* v. *North Dakota*. This case provides an opportunity for the Court to review its ruling in *National Bellas Hess*.

ACIR commissioned Holley H. Ulbrich of Clemson University to prepare the updates. Professor Ulbrich conducted the original study in 1984-85 and prepared the 1987 update. Ulbrich, with the assistance of Rachel Baker, a graduate research assistant at Clemson, prepared this report, under the general supervision of Henry A. Coleman, Director, Government Finance Research at ACIR.

ACIR is grateful to Susannah E. Calkins for helpful input throughout the course of this project. Henry Wulf and his colleagues at the Census Bureau provided useful data. James L. Martin (National Governors' Association) and Richard Ruda (State and Local Legal Center) provided constructive comments on an earlier draft. Anita Reynolds provided valuable clerical assistance on this project. As always, ACIR assumes full responsibility for the accuracy of this study.

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# Contents

# INTRODUCTION

Consumers who purchase goods from out-of-state mail order firms owe a use tax on taxable purchases equivalent to what would have been owed if they had made the purchase from an in-state firm. Although most states have had use taxes as long as they have had sales taxes, the use tax is quite difficult to collect unless the out-of-state seller has some nexus or physical link to the state that permits the state to require collection, according to the U.S. Supreme Court in *National Bellas Hess* (1967). This report estimates the potential revenue from collecting state (and local) sales or use tax on those sales that are presently untaxed. Currently, 45 states impose a sales and use tax. In 30 of those states, local sales taxes are also imposed (local sales taxes were authorized but not imposed in Idaho and South Carolina as of early 1991).

## Highlights

The major findings are as follows:

- The revenue potential to states from untaxed interstate mail order sales is estimated to be $2.91 billion in 1990, with projections of $3.08 billion in 1991 and $3.27 billion in 1992.
- For the average sales tax state, the 1990 potential use tax revenue was $63.2 million.
- The 1990 estimated nexus-adjusted revenue potential represents an increase of 73 percent over the comparable 1985 estimates and a 34 percent increase over the 1988 estimates presented in an earlier ACIR report (SR-5, 1987).
- If states that impose a local sales tax at a statewide uniform rate were allowed to collect that tax as well, the revenue potential from untaxed interstate mail order sales is estimated to be $3.07 billion in 1990, with projections of $3.26 billion in 1991 and $3.45 billion in 1992.
- If all local jurisdictions with sales taxes were allowed to collect those taxes on interstate mail order sales, the revenue potential from untaxed interstate mail order sales is estimated to be $3.49 billion in 1990, with projections of $3.69 billion in 1991 and $3.91 billion in 1992.
- If a *de minimis* rule exempted mail order firms with sales of $5 million or less from the obligation to collect the tax in order to reduce compliance and collection cost, 93 percent of mail order firms would be exempt (based on Census size data). The estimated revenue potential would fall to $2.09 billion in 1990, with projections of $2.25 billion in 1991 and $2.41 billion in 1992.
- If a *de minimis* rule exempted mail order firms with sales of $10 million or less from the obligation to collect the tax in order to reduce compliance and collection cost, 97 percent of mail order firms would be exempt (based on Census size data). The estimated revenue potential would fall to $1.93 billion in 1990, with projections of $2.08 billion in 1991 and $2.22 billion in 1992.

# METHODOLOGY: OVERVIEW

The methodology of estimation is straightforward. We develop a base of total mail order sales that are potentially taxable, apportion those sales among the 45 states with sales and use taxes in proportion to 1990 U.S. personal income, and adjust that figure for the amount that we estimate to be already subject to sales or use taxes. The resulting figure is the nexus-adjusted state base. We then develop an exemption-adjusted rate for each state that reflects the proportion of mail order purchases in each state that consists of items subject to the sales and use tax. The exemption-adjusted rate is then applied to the nexus-adjusted base for each state to arrive at a state-estimated revenue potential. State potential rvenues are then summed to develop the national estimates.

### Overall Base Estimates

Data from the *1987 Census of Retail Trade* show that the 1,503,593 retail stores with payroll in the U.S. had sales totaling $1.5 trillion. In 1982, 1,421,988 stores had sales of $1.0 trillion.

The adjusted mail order sales and use tax base is based on data from Arnold Fishman's *Guide to Mail Order Sales 1990*. The decision to use Fishman rather than the *Census of Retail Trade* is consistent with the 1987 estimates. In addition to being less recent, the Census data are much less comprehensive than Fishman because they only identify firms whose primary business is mail order. A significant amount of mail order trade is with firms for whom it is a secondary line of business.

Fishman identifies mail order sales of products to consumers of $54.49 billion and sales of services to consumers of $32.5 billion for a total of $87 billion. An additional $50.4 billion of mail order products were sold to business firms. These sales total $130.4 billion. We included all consumer products in the original base because most state sales and use taxes cover tangible goods purchased by consumers (adjustments for exemptions are made later). Although a few states tax most services and a few services purchased by mail are widely taxed (e.g., photo finishing), for simplicity, we excluded all consumer services from the base.

Finally, we included 25 percent of business purchases in the base, a somewhat arbitrary figure that was used in earlier ACIR estimates. A review of the composition of business purchases suggests that 25 percent is quite conservative. A large share of such purchases consists of office supplies and furnishings and electronic equipment. Because such purchases are final sales (not directly incorporated in the final product), they would be taxable in many states. However, given that the 25 percent figure was used in the 1985 and 1987 estimates, we preserved that figure for consistency.

The resulting estimate of mail order sales for 1990, prior to applying state exemptions of certain items, is $67.09 billion. These sales were then apportioned among the 50 states and the District of Columbia on the basis of the proportion of U.S. personal income received in each state. After excluding mail order sales to those states without sales taxes, there will be a total base of $65.53 billion apportioned among the 45 states and the District of Columbia that have a sales tax.

### Nexus Adjustment

This base must be adjusted for taxes currently being collected because of nexus or other reasons. We subtracted the sales of Sears, Penney's, and Montgomery Ward, which meet the nexus test in most states, and the sales of the Home Shopping Club and the QVC network, which are in voluntary compliance. We also adjusted for nexus in the home state of mail order firms, using *Census of Retail Trade* 1987 data to estimate the share of mail order sales originating in each state. We assumed that in-state sales were also proportional to personal income in that state. This base reduction was then also distributed among states in proportion to their personal income. The result is a nexus-adjusted potential revenue base of $59.02 billion.

### Exemption-Adjusted Rates

The 1990 state sales tax rate for each state was adjusted to account for four commonly used exemptions that involve a significant share of mail order purchases: food, clothing, prescription and nonprescription drugs (separately), and magazine subscriptions. In each state where one or more of these categories was exempt from the sales and use tax, we adjusted the rate for the proportion of total mail order purchases accounted for by this item. For example, clothing accounts for 3.885 percent of consumer product mail order sales, and consumer products are 81.2 percent of the mail order base used in our estimates, so we reduced the effective tax rate in each state that exempts clothing by 3.155 percent (3.885 X 0.812) of the official rate. (In Connecticut, the adjustment was smaller because that state only exempts clothing for children under age 10.) The result of these adjustments was an exemption-adjusted effective sales tax rate in each state. The average adjusted sales tax rate for the 45 states and the District of Columbia was 4.92 percent.

## Estimated Revenue Potential

The final step was to apply this exemption-adjusted rate to the nexus-adjusted base to arrive at an estimated revenue potential for 1990 for each of the 45 states with sales taxes and the District of Columbia. The resulting state-by-state estimates for 1990 are reported in Table 1. We place more confidence in the aggregate figure than in the individual state estimates because our allocation among states is at best an approximation. (Some states may make more mail-order purchases relative to personal income than others, depending on how rural they are, how many elderly persons there are in the state, the distribution of increasingly upscale purchases by mail, etc.) The total revenue potential is estimated at $2.91 billion dollars for 1990.

As the recession continues, we chose to make conservative projections of growth in the base and the revenue potential for 1991 and 1992, estimating 6 percent growth each year (the same rate as Fishman reported for 1990). We adjusted state sales tax rates to reflect tax increases in some states taking effect either in January or July of 1991. Thus, revenue potential is estimated to rise to $3.08 billion in 1991 and $3.26 billion in 1992.

## Comparison to Prior Estimates

It should be noted that the 1990 estimated revenue potential represents a 73 percent increase over ACIR's estimates for 1985 and a 34 percent increase over the projected revenue potential for 1988 in the 1987 ACIR report, *Estimates of Revenue Potential From State Taxation of Out-of-State Mail Order Sales* (SR-5). This increase is more than one would expect from growth rates of mail order sales ranging from 6 to 10 percent per year in the intervening period. In fact, we anticipated a smaller increase because we chose to make further adjustments for exemption of purchases of drugs and a more generous nexus adjustment for in-state mail order sales than in previous estimates. However, Fishman points out in both his 1989 Guide and his 1990 Guide that the increase in reported mail order sales in both years is considerably larger than the actual growth. The difference is accounted for by improved reporting, resulting in a more accurate and inclusive data base. For example, between 1988 and 1989, Fishman's reported total mail order sales grew by 12.6 percent, of which 8 percent was actual sales growth and 4.6 percent was the result of improved reporting.

## Further Refinements

### Local Taxes

Numerous efforts have been made in the last ten years to reverse *National Bellas Hess* either through litigation or legislation. In the course of those efforts, two issues have arisen repeatedly. One is the collection of local taxes by cities, counties, and school districts. The other is the possibility of a *de minimis* rule that would exempt small firms from the obligation to collect the tax. Both of these refinements involve several issues, including trading off revenue considerations against compliance costs. It is not the purpose of this report to weigh the merits of either of these issues, but merely to provide some adjusted revenue estimates that reflect both of these possibilities.

### Local Tax Collections

Tables 2 and 3 present combined state and local revenue potential under two different assumptions. The first assumption, reflected in Table 2, is that the local tax is only collected in those states that have a uniform statewide tax rate applied in all jurisdictions of one kind (counties or municipalities). Five states (California, North Carolina, Utah, Virginia, and Washington) meet this test. This proposal involves little if any increased compliance cost. If mail order firms were required to collect these local taxes as well as state taxes in all states, the resulting revenue would be $3.07 billion instead of $2.91 billion. The projections for 1991 and 1992 are $3.26 billion and $3.45 billion, respectively.

The second assumption is that all local jurisdictions would be entitled to collect the tax. The revenue estimates in Table 3 are based on the ratio of local to state tax collections in states that were collecting local sales taxes by the beginning of 1990. These estimates do not include jurisdictions that have adopted local sales taxes since January 1990 (including those in Pennsylvania and South Carolina where local governments have been allowed to adopt the tax after that date). This assumption increases the revenue potential from taxing presently untaxed mail order purchases to $3.49 billion in 1990, rising to $3.69 billion in 1991 and $3.91 billion in 1992. Note that the estimates are different from the five states with statewide uniform local rates. Although revenue potential is greater under the second assumption, estimated revenue potential may be lower in some states than under the earlier (uniform local rate) assumption because they reflect the actual ratio of local to state tax collections. In some states, it is possible that state taxes are collected without collecting the corresponding local taxes.

**Summary: Revenue Potential Estimates, 1990-1992**
(in millions)

| | 1990 Base* | Nexus Adjusted Base | Estimated Revenue Potential 1990 | 1991 | 1992 |
|---|---|---|---|---|---|
| State Tax Only | $65,530 | $59,020 | $2,906 | $3,080 | $3,265 |
| State/Uniform Local | $65,530 | $59,020 | $3,072 | $3,256 | $3,451 |
| State/All Local | $65,530 | $59,020 | $3,488 | $3,694 | $3,914 |
| $5,000,000 de Minimis | $48,820 | $42,309 | $2,087 | $2,249 | $2,411 |
| $10,000,000 de Minimis | $45,544 | $39,033 | $1,925 | $2,075 | $2,224 |

*Less than $67.09 billion because it includes only the 45 states and D.C. with sales taxes.

### *de Minimis* Rule

The application of a *de minimis* rule would reduce revenue potential (and also reduce compliance costs) by exempting very small firms. We applied two *de minimis* rules; firms with sales less than $5 million and less than $10 million. These two figures are based on size distribution data from the *1987 Census of Retail Trade* applied to the broader base developed from Fishman. The *de minimis* rules are applied to the estimated state tax revenue potential only, and do not include estimated local sales tax revenue potential.

The exclusion of firms with less than $5 million in sales would exempt 93 percent of mail order firms from compliance. The exclusion of these smaller firms from the base reduces the original base by 25.5 percent from $67.09 billion to $49.98 billion at the $5 million sales threshold level. The estimated revenue potential for 1990 with a $5 million *de minimis* rule, shown in Table 4, is $2.09 billion.

The exclusion of firms with less than $10 million in sales would exempt 97 percent of mail order firms from compliance. The exclusion of these firms from the base reduces the original base by 30.5 percent, from $67.09 billion to $46.63 billion at the $10 million sales threshold level. At a threshold of $10 million in sales, the estimated revenue potential in 1990 becomes $1.93 billion, as shown in Table 4.

## Concluding Comments

Several cautions should be attached to these estimates. First, they are based on current reporting of mail order sales. There may be unreported mail order sales that are not included. Second, one of the most difficult figures to determine is the nexus adjustment, correcting for taxes already being collected. As a result of stepped-up state enforcement in recent years, this figure may be higher than our estimates, reducing the estimated revenue potential from untaxed mail order sales.

Third, we believe that the share of business purchases that would fall in the tax realm is higher than we thought to be the case in earlier estimates. For consistency, we kept that ratio the same as before. However, business mail order purchases consist largely of office supplies and equipment, which are taxable in many states. This limited inclusion of business purchases probably makes the revenue estimates too low.

On the other hand, it is possible that more firms may be either meeting the nexus test or are in voluntary compliance than we allowed for, so the nexus correction may be too high. In that case, estimated revenue potential would be overstated. Given these offsetting errors, the resulting estimates of revenue potential should be used with caution.

Finally, if states are able to tax a broader range of mail order sales than is presently feasible, they may experience increases in sales and use tax revenues close to those projected in this report, but some of that revenue may come from in-state firms rather than mail order firms. These revenue projections do not attempt to take account of any switching of purchases between in-state and mail order sellers as a result of changes in tax obligation.

### References


Fishman, Arnold, *1990 Guide to Mail-Order Sales.* Marketing Logistics, Inc., 1990.

U.S. Advisory Commission on Intergovernmental Relations, *State and Local Taxation of Interstate Mail Order Sales* (A-105), April 1986.

U.S. Advisory Commission on Intergovernmental Relations, *Estimated Revenue Potential from State Taxation of Out-of State Mail Order Sales* (SR-5), September 1987.

U.S. Department of Commerce, Bureau of the Census, *1987 Census of Retail Trade.*

*Table 1*

**Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992**

(in millions)

| | State Mail Order Base 1990 | Nexus-Adjusted Base 1990 | Estimated Revenue Potential 1990 | Estimated Revenue Potential 1991 | Estimated Revenue Potential 1992 |
|---|---|---|---|---|---|
| Alabama | $861.5 | $775.9 | $30.8 | $32.6 | $34.6 |
| Arizona | 868.8 | 782.5 | 38.4 | 40.7 | 43.2 |
| Arkansas | 495.5 | 446.3 | 17.7 | 18.8 | 19.9 |
| California | 8,911.7 | 8,026.2 | 394.1 | 417.8 | 442.9 |
| Colorado | 888.2 | 800.0 | 23.6 | 25.0 | 26.5 |
| Connecticut | 1,217.2 | 1,096.3 | 81.4 | 86.3 | 91.5 |
| District of Columbia | 217.4 | 195.8 | 11.5 | 12.2 | 12.9 |
| Florida | 3,474.4 | 3,129.2 | 183.7 | 194.8 | 206.4 |
| Georgia | 1,603.8 | 1,444.5 | 57.3 | 60.7 | 64.4 |
| Hawaii | 315.9 | 284.5 | 11.3 | 12.0 | 12.7 |
| Idaho | 220.2 | 198.3 | 9.8 | 10.4 | 11.1 |
| Illinois | 3,367.1 | 3,032.5 | 189.5 | 200.9 | 213.0 |
| Indiana | 1,358.1 | 1,223.2 | 60.1 | 63.7 | 67.5 |
| Iowa | 685.1 | 617.0 | 24.2 | 25.7 | 27.2 |
| Kansas | 639.3 | 575.8 | 24.3 | 25.7 | 27.3 |
| Kentucky | 799.3 | 719.9 | 42.4 | 45.0 | 47.7 |
| Louisiana | 886.0 | 798.0 | 31.4 | 33.2 | 35.2 |
| Maine | 301.6 | 271.6 | 12.7 | 13.5 | 14.3 |
| Maryland | 1,514.4 | 1,364.0 | 66.7 | 70.7 | 75.0 |
| Massachusetts | 1,978.9 | 1,782.3 | 84.7 | 89.8 | 95.2 |
| Michigan | 2,480.3 | 2,233.9 | 83.6 | 88.6 | 93.9 |
| Minnesota | 1,204.3 | 1,084.7 | 58.6 | 62.1 | 65.8 |
| Mississippi | 479.8 | 432.1 | 25.7 | 27.3 | 28.9 |
| Missouri | 1,299.3 | 1,170.2 | 49.0 | 52.0 | 55.1 |
| Nebraska | 385.9 | 347.6 | 16.3 | 17.2 | 18.3 |
| Nevada | 331.8 | 298.8 | 16.9 | 17.9 | 19.0 |
| New Jersey | 2,801.0 | 2,522.7 | 159.0 | 168.5 | 178.6 |
| New Mexico | 308.8 | 278.1 | 13.9 | 14.7 | 15.6 |
| New York | 5,666.4 | 5,103.3 | 190.2 | 201.6 | 213.7 |
| North Carolina | 1,536.5 | 1,383.9 | 41.2 | 43.6 | 46.3 |
| North Dakota | 133.2 | 120.0 | 5.9 | 6.2 | 6.6 |
| Ohio | 2,738.8 | 2,466.7 | 115.4 | 122.3 | 129.6 |
| Oklahoma | 700.0 | 630.5 | 28.1 | 29.8 | 31.6 |
| Pennsylvania | 3,206.3 | 2,887.7 | 164.1 | 173.9 | 184.3 |
| Rhode Island | 273.1 | 246.0 | 16.3 | 17.3 | 18.3 |
| South Carolina | 755.2 | 680.2 | 33.7 | 35.8 | 37.9 |
| South Dakota | 143.5 | 129.3 | 5.1 | 5.4 | 5.8 |
| Tennessee | 1,206.5 | 1,009.3 | 55.1 | 58.4 | 61.9 |
| Texas | 4,058.7 | 3,655.4 | 213.7 | 226.5 | 240.1 |
| Utah | 344.2 | 310.0 | 15.4 | 16.3 | 17.3 |
| Vermont | 142.3 | 128.1 | 5.0 | 5.3 | 5.7 |
| Virginia | 1,786.9 | 1,609.4 | 53.2 | 56.4 | 59.8 |
| Washington | 1,314.7 | 1,184.1 | 69.8 | 74.0 | 78.4 |
| West Virginia | 356.4 | 321.0 | 19.1 | 20.2 | 21.5 |
| Wisconsin | 1,255.0 | 1,130.3 | 52.9 | 56.0 | 59.4 |
| Wyoming | 102.8 | 92.5 | 2.8 | 2.9 | 3.1 |
| TOTAL | 65,530.3 | 59,019.6 | 2,905.5 | 3,079.9 | 3,264.7 |

*Table 2*

**Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992**
**Including Statewide Uniform Local Taxes***
(in millions)

| | State Mail Order Base 1990 | Nexus-Adjusted Base 1990 | Estimated Revenue Potential 1990 | Estimated Revenue Potential 1991 | Estimated Revenue Potential 1992 |
|---|---|---|---|---|---|
| Alabama | $861.5 | $775.9 | $30.8 | $32.6 | $34.6 |
| Arizona | 868.8 | 782.5 | 38.4 | 40.7 | 43.2 |
| Arkansas | 495.5 | 446.3 | 17.7 | 18.8 | 19.9 |
| California | 8,911.7 | 8,026.2 | 492.7 | 522.2 | 553.6 |
| Colorado | 888.2 | 800.0 | 23.6 | 25.0 | 26.5 |
| Connecticut | 1,217.2 | 1,096.3 | 81.4 | 86.3 | 91.5 |
| District of Columbia | 217.4 | 195.8 | 11.5 | 12.2 | 12.9 |
| Florida | 3,474.4 | 3,129.2 | 183.7 | 194.8 | 206.4 |
| Georgia | 1,603.8 | 1,444.5 | 57.3 | 60.7 | 64.4 |
| Hawaii | 315.9 | 284.5 | 11.3 | 12.0 | 12.7 |
| Idaho | 220.2 | 198.3 | 9.8 | 10.4 | 11.1 |
| Illinois | 3,367.1 | 3,032.5 | 189.5 | 200.9 | 213.0 |
| Indiana | 1,358.1 | 1,223.2 | 60.1 | 63.7 | 67.5 |
| Iowa | 685.1 | 617.0 | 24.3 | 25.7 | 27.2 |
| Kansas | 639.3 | 575.8 | 24.3 | 25.7 | 27.3 |
| Kentucky | 799.3 | 719.9 | 42.4 | 45.0 | 47.7 |
| Louisiana | 886.0 | 798.0 | 31.4 | 33.3 | 35.2 |
| Maine | 301.6 | 271.6 | 12.7 | 13.5 | 14.3 |
| Maryland | 1,514.4 | 1,364.0 | 66.7 | 70.7 | 75.0 |
| Massachusetts | 1,978.9 | 1,782.3 | 84.7 | 89.8 | 95.2 |
| Michigan | 2,480.3 | 2,233.7 | 83.6 | 88.6 | 93.9 |
| Minnesota | 1,204.3 | 1,084.7 | 58.6 | 62.1 | 65.8 |
| Mississippi | 479.8 | 432.1 | 25.7 | 27.3 | 28.9 |
| Missouri | 1,299.3 | 1,170.2 | 49.0 | 52.0 | 55.1 |
| Nebraska | 385.9 | 347.6 | 16.3 | 17.2 | 18.3 |
| Nevada | 331.8 | 298.8 | 16.9 | 17.9 | 19.0 |
| New Jersey | 2,801.0 | 2,522.7 | 159.0 | 168.5 | 178.6 |
| New Mexico | 308.8 | 278.1 | 13.9 | 14.7 | 15.6 |
| New York | 5,666.4 | 5,103.3 | 190.2 | 201.6 | 213.7 |
| North Carolina | 1,536.5 | 1,383.9 | 68.6 | 72.7 | 77.1 |
| North Dakota | 133.2 | 120.0 | 5.9 | 6.2 | 6.6 |
| Ohio | 2,738.8 | 2,466.7 | 115.4 | 122.3 | 129.6 |
| Oklahoma | 700.0 | 630.5 | 28.1 | 29.8 | 31.6 |
| Pennsylvania | 3,206.3 | 2,887.7 | 164.1 | 173.9 | 184.4 |
| Rhode Island | 273.1 | 246.0 | 16.3 | 17.3 | 18.3 |
| South Carolina | 755.2 | 680.2 | 33.7 | 35.8 | 37.9 |
| South Dakota | 143.5 | 129.3 | 5.1 | 5.4 | 5.8 |
| Tennessee | 1,206.5 | 1,009.3 | 55.1 | 58.4 | 61.9 |
| Texas | 4,058.7 | 3,655.4 | 213.7 | 226.5 | 240.1 |
| Utah | 344.2 | 310.0 | 19.2 | 20.4 | 21.6 |
| Vermont | 142.3 | 128.1 | 5.0 | 5.3 | 5.7 |
| Virginia | 1,786.9 | 1,609.4 | 68.4 | 72.5 | 76.9 |
| Washington | 1,314.7 | 1,184.1 | 90.7 | 96.2 | 101.9 |
| West Virginia | 356.4 | 321.0 | 19.1 | 20.2 | 21.5 |
| Wisconsin | 1,255.0 | 1,130.3 | 52.9 | 56.0 | 59.4 |
| Wyoming | 102.8 | 92.5 | 2.8 | 3.0 | 3.1 |
| TOTAL | 65,530.3 | 59,019.6 | 3,071.5 | 3,255.8 | 3,451.2 |

*California, North Carolina, Utah, Virginia and Washington.

*Table 3*
**Estimated State and Local Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992**
(in millions)

| | State Mail Order Base 1990 | Nexus-Adjusted Base 1990 | Estimated Revenue Potential 1990 | Estimated Revenue Potential 1991 | Estimated Revenue Potential 1992 |
|---|---|---|---|---|---|
| Alabama | $861.5 | $775.9 | $48.0 | $50.9 | $53.9 |
| Arizona | 868.8 | 782.5 | 46.6 | 49.4 | 52.4 |
| Arkansas | 495.5 | 446.3 | 20.5 | 21.6 | 22.9 |
| California | 8,911.7 | 8,026.2 | 472.8 | 498.8 | 526.2 |
| Colorado | 888.2 | 800.0 | 33.4 | 35.4 | 37.6 |
| Connecticut | 1,217.2 | 1,096.3 | 81.4 | 86.3 | 91.5 |
| District of Columbia | 217.4 | 195.8 | 11.5 | 12.2 | 12.9 |
| Florida | 3,474.4 | 3,129.2 | 184.0 | 195.1 | 206.8 |
| Georgia | 1,603.8 | 1,444.5 | 79.9 | 84.7 | 89.8 |
| Hawaii | 315.9 | 284.5 | 11.3 | 12.0 | 12.7 |
| Idaho | 220.2 | 198.3 | 9.8 | 10.4 | 11.1 |
| Illinois | 3,367.1 | 3,032.5 | 261.4 | 277.1 | 293.7 |
| Indiana | 1,358.1 | 1,223.2 | 60.0 | 63.7 | 67.5 |
| Iowa | 685.1 | 617.0 | 24.6 | 26.1 | 27.7 |
| Kansas | 639.3 | 575.8 | 30.2 | 32.0 | 33.9 |
| Kentucky | 799.3 | 719.9 | 42.4 | 45.0 | 47.7 |
| Louisiana | 886.0 | 798.0 | 55.9 | 59.3 | 62.8 |
| Maine | 301.6 | 271.6 | 12.7 | 13.5 | 14.3 |
| Maryland | 1,514.4 | 1,364.0 | 66.7 | 70.7 | 75.0 |
| Massachusetts | 1,978.9 | 1,782.3 | 84.7 | 89.8 | 95.2 |
| Michigan | 2,480.3 | 2,233.7 | 83.6 | 88.6 | 93.9 |
| Minnesota | 1,204.3 | 1,084.7 | 63.3 | 66.8 | 70.8 |
| Mississippi | 479.8 | 432.1 | 25.8 | 27.3 | 29.0 |
| Missouri | 1,299.3 | 1,170.2 | 65.9 | 69.9 | 74.1 |
| Nebraska | 385.9 | 347.6 | 19.1 | 20.2 | 21.4 |
| Nevada | 331.8 | 298.8 | 17.1 | 18.1 | 19.2 |
| New Jersey | 2,801.0 | 2,522.7 | 159.0 | 168.5 | 178.6 |
| New Mexico | 308.8 | 278.1 | 16.7 | 17.7 | 18.7 |
| New York | 5,666.4 | 5,103.3 | 348.7 | 369.7 | 391.9 |
| North Carolina | 1,536.5 | 1,383.9 | 61.1 | 64.1 | 68.0 |
| North Dakota | 133.2 | 120.0 | 6.1 | 6.5 | 6.9 |
| Ohio | 2,738.8 | 2,466.7 | 132.3 | 140.3 | 148.7 |
| Oklahoma | 700.0 | 630.5 | 46.1 | 48.8 | 51.8 |
| Pennsylvania | 3,206.3 | 2,887.7 | 164.1 | 173.9 | 184.3 |
| Rhode Island | 273.1 | 246.0 | 16.3 | 17.3 | 18.3 |
| South Carolina | 755.2 | 680.2 | 33.7 | 35.8 | 37.9 |
| South Dakota | 143.5 | 129.3 | 6.7 | 7.0 | 7.5 |
| Tennessee | 1,206.5 | 1,009.3 | 71.9 | 76.2 | 80.8 |
| Texas | 4,058.7 | 3,655.4 | 256.1 | 271.5 | 287.8 |
| Utah | 344.2 | 310.0 | 18.8 | 19.9 | 21.1 |
| Vermont | 142.3 | 128.1 | 5.0 | 5.3 | 5.7 |
| Virginia | 1,786.9 | 1,609.4 | 71.6 | 75.9 | 80.4 |
| Washington | 1,314.7 | 1,184.1 | 85.6 | 90.7 | 96.1 |
| West Virginia | 356.4 | 321.0 | 19.1 | 20.2 | 21.5 |
| Wisconsin | 1,255.0 | 1,130.3 | 53.4 | 56.6 | 59.9 |
| Wyoming | 102.8 | 92.5 | 3.4 | 3.6 | 3.8 |
| TOTAL | 65,530.3 | 59,019.6 | 3,488.4 | 3,694.4 | 3,913.5 |

*Table 4*

**Estimated Revenue Potential on Untaxed Interstate Mail Order Sales, 1990-1992**
**With de Minimis Exemption ($5 or $10 Million)**
(in millions)

| | Revenue Potential With $10 Million de Minimis | | | Revenue Potential With $5 Million de Minimis | | |
|---|---|---|---|---|---|---|
| | 1990 | 1991 | 1992 | 1990 | 1991 | 1992 |
| Alabama | $20.4 | $21.6 | $22.9 | $22.1 | $23.4 | $24.8 |
| Arizona | 25.4 | 26.9 | 28.6 | 27.6 | 29.2 | 31.0 |
| Arkansas | 11.7 | 13.2 | 14.0 | 12.7 | 14.3 | 15.2 |
| California | 260.7 | 303.9 | 351.5 | 282.6 | 329.5 | 381.0 |
| Colorado | 15.6 | 16.5 | 17.5 | 16.9 | 17.9 | 19.0 |
| Connecticut | 53.7 | 49.8 | 45.3 | 58.2 | 54.0 | 49.1 |
| District of Columbia | 7.6 | 8.1 | 8.5 | 8.2 | 8.7 | 9.3 |
| Florida | 121.5 | 128.8 | 136.5 | 131.7 | 139.6 | 148.0 |
| Georgia | 37.9 | 40.2 | 42.6 | 41.1 | 43.5 | 46.2 |
| Hawaii | 7.5 | 7.9 | 8.4 | 8.1 | 8.6 | 9.1 |
| Idaho | 6.5 | 6.9 | 7.3 | 7.1 | 7.5 | 7.9 |
| Illinois | 125.3 | 132.9 | 140.8 | 135.9 | 144.0 | 152.7 |
| Indiana | 39.7 | 42.1 | 44.6 | 43.1 | 45.6 | 48.4 |
| Iowa | 16.0 | 17.0 | 18.0 | 17.4 | 18.4 | 19.5 |
| Kansas | 16.1 | 17.0 | 18.0 | 17.4 | 18.4 | 19.5 |
| Kentucky | 28.1 | 29.7 | 31.5 | 30.4 | 32.2 | 34.2 |
| Louisiana | 20.7 | 22.0 | 23.3 | 22.5 | 23.8 | 25.3 |
| Maine | 8.4 | 9.8 | 11.3 | 9.1 | 10.6 | 12.2 |
| Maryland | 44.1 | 46.8 | 49.6 | 47.8 | 50.7 | 53.8 |
| Massachusetts | 56.0 | 59.4 | 62.9 | 60.7 | 64.4 | 68.2 |
| Michigan | 55.3 | 58.6 | 62.1 | 59.9 | 63.5 | 67.3 |
| Minnesota | 38.7 | 42.8 | 47.2 | 42.0 | 46.4 | 51.1 |
| Mississippi | 17.0 | 18.0 | 19.1 | 18.4 | 19.5 | 20.7 |
| Missouri | 32.4 | 34.4 | 36.4 | 35.2 | 37.3 | 39.5 |
| Nebraska | 10.7 | 11.4 | 12.1 | 11.7 | 12.4 | 13.1 |
| Nevada | 11.2 | 11.8 | 12.5 | 12.1 | 12.8 | 13.6 |
| New Jersey | 105.1 | 111.4 | 118.1 | 114.0 | 120.8 | 128.0 |
| New Mexico | 9.2 | 9.7 | 10.3 | 10.0 | 10.6 | 11.2 |
| New York | 125.8 | 133.3 | 141.3 | 136.4 | 144.5 | 153.2 |
| North Carolina | 27.2 | 38.5 | 40.8 | 29.5 | 41.7 | 44.2 |
| North Dakota | 3.9 | 4.1 | 4.4 | 4.2 | 4.5 | 4.7 |
| Ohio | 76.3 | 80.9 | 85.7 | 82.7 | 87.7 | 92.9 |
| Oklahoma | 18.6 | 19.7 | 20.9 | 20.2 | 21.4 | 22.7 |
| Pennsylvania | 108.5 | 115.0 | 121.9 | 117.6 | 124.7 | 132.2 |
| Rhode Island | 10.8 | 11.4 | 12.1 | 11.7 | 12.4 | 13.2 |
| South Carolina | 22.3 | 23.6 | 25.1 | 24.2 | 25.6 | 27.2 |
| South Dakota | 3.4 | 3.6 | 3.8 | 3.7 | 3.9 | 4.1 |
| Tennessee | 36.4 | 38.6 | 40.9 | 39.5 | 41.8 | 44.3 |
| Texas | 141.3 | 149.8 | 158.8 | 153.2 | 162.4 | 172.1 |
| Utah | 10.2 | 10.8 | 11.4 | 11.0 | 11.7 | 12.4 |
| Vermont | 3.3 | 4.4 | 4.7 | 3.6 | 4.8 | 5.1 |
| Virginia | 35.2 | 37.3 | 39.3 | 38.2 | 40.4 | 42.9 |
| Washington | 50.0 | 53.0 | 56.2 | 54.2 | 57.4 | 60.9 |
| West Virginia | 12.6 | 13.4 | 14.2 | 13.7 | 14.5 | 15.4 |
| Wisconsin | 35.0 | 37.1 | 39.3 | 37.9 | 40.2 | 42.6 |
| Wyoming | 1.8 | 1.9 | 2.0 | 2.0 | 2.1 | 2.2 |
| TOTAL | 1,925.3 | 2,075.2 | 2,224.2 | 2,086.9 | 2,249.4 | 2,410.9 |