

Responding to Supreme Court Decision, New Michigan Sales Tax Collection Requirements to Take Effect October 1st

August 8, 2018

As a result of the U.S. Supreme Court's June 2018 decision in *South Dakota v. Wayfair*, the Michigan Department of Treasury has issued sales and use tax guidance adopting economic nexus standards for remote sellers.

Sellers with sales into Michigan exceeding \$100,000 or 200 or more transactions in the prior calendar year will be required to remit sales or use tax beginning October 1, 2018. This is the same standard adopted by South Dakota which the Supreme Court upheld.

Because of the short time before the new requirement takes effect, sellers will need to act quickly to comply with the new requirements. The new standards primarily target internet sellers, but any company selling products to Michigan customers will be subject to the new standards.

Companies that fail to collect sales tax from customers will remain liable for it, and in many cases will find it difficult to recover the tax from customers after the fact.

Michigan Treasury has estimated that the new standards will result in \$250 million in additional sales and use tax revenue. Legislation to formalize this standard in the law is expected to be introduced shortly, and it is also likely that legislation proposing tax cuts or other ways to "spend" the new revenue will be considered.

If you have questions about this decision, please contact your Miller Canfield attorney or any of the authors listed on this e-alert.