



State Tax Advisors White Paper

WHEN TO CHARGE SALES TAX

SUMMARY

Are you operating a business in a state with an origin-based sales tax or a destination-based sales tax? Most states have a destination-based sales tax, which means that the sale is thought to take place in the jurisdiction where the product is ultimately used (where's it's shipped to or from where it is picked up). A few states have an origin-based sales tax, which means the sale is considered to take place at the location where the sale is complete (the seller's business location).

If you are running a business in an origin-based state, you would collect sales tax for your state on **all** of your retail sales. However, if you are running a business in a destination-based state, you would not have to collect your state's sales tax on sales that are shipped out-of-state. You would also not have to collect sales taxes for the customer's state **unless** you have Nexus, or a physical presence, in that state. The customer would simply pay the sales/use tax on their own.

WHICH STATES ARE ORIGIN-BASED? DESTINATION-BASE

Origin States:

- Arizona
- California - this state has a modified origin system in which s taxes are origin-based, and district transaction taxes are des
- Illinois
- Mississippi
- Missouri
- New Mexico
- Pennsylvania
- Tennessee
- Texas
- Utah
- Virginia

Destination States:

- Alabama
- Arkansas
- Colorado
- Connecticut
- District of Columbia
- Florida
- Georgia
- Hawaii
- Idaho
- Indiana
- Iowa
- Kansas
- Kentucky
- Louisiana
- Maine
- Maryland
- Massachusetts
- Michigan
- Minnesota
- Nebraska
- Nevada
- New Jersey
- New York
- North Carolina
- North Dakota
- Ohio
- Oklahoma
- Rhode Island
- South Carolina
- South Dakota
- Vermont
- Washington
- West Virginia
- Wisconsin
- Wyoming

For more information on staying compliant with sales tax, at [State Tax Advisors](#).