

## Remote Sales

EDR purchased the 2018 Edition of the Top 1000 Internet Retailers from a private vendor. The Retailer Top 1000 accounted for approximately 92% of the 2017 online retail sales in the United States and Canada. Because the distribution of sales among the Top 1000 is so skewed to a few sellers with many sales, producing a long tail of many sellers with relatively few sales, EDR concentrated on the Top 350.

As a first step, EDR performed a name search of all Florida registered sales tax dealers to remove registered taxpayers from the Top 350. Approximately 36 were clearly registered, and another 26 appeared to collect sales tax. The second part of this analysis was accomplished by placing an item in the cart and simulating a checkout with a shipping address in Florida. Of the remaining internet retailers, those who were dealers of exempt items (groceries, medicines, bullion, etc.) were removed. This left 62 retailers. (Note - The retailers who provide a marketplace platform are separately analyzed.)

EDR conducted an internet search for the online sales figures associated with these 62 retailers. Online resources included owler.com, e-commerce.com and Hoovers. The reliability of the data and what the sales reflect (there are different metrics for sales, including gross merchandise value, gross revenue, or gross sales) are inconsistent but the research suggests that most retailers are probably liable for less than \$1 million each in Florida sales tax (calculated using a Florida share of 6.4% of total sales). The potential Florida sales tax due for these 62 retailers ranges from \$17,000 to \$2,800,000, averaging about \$700,000 per retailer.

Given how the rankings were developed, the retailers ranked from 350 to 1,000 have even smaller levels of sales activity and market share. After apportioning their total sales to Florida, the sales volume drops even further. In addition, they are generally less likely to be registered to collect Florida sales tax. Therefore, they will not be excluded as a registrant with the same frequency as the top tiered internet retailers.

Remote Sellers - Estimate of Potential Sales Tax Revenue

Ranking	Unregistered Taxable dealers	Estimated Potential Taxpayers	Average Florida Sales Tax Share	Total Sales Tax
Top 350	18%	62	\$ 0.7	\$ 43.5
350-500	50%	75	\$ 0.5	\$ 39.4
500-750	60%	150	\$ 0.3	\$ 45.0
750-1000	70%	175	\$ 0.1	\$ 17.5
All dollar values are in millions			CY 2017	<b>\$ 145.4</b>

The remaining 8%, those outside of the Top 1000, will have even lower volumes of sales. They were not addressed in this analysis. Because Wayfair requires what the Department of Revenue refers to as a “specific minimum safe harbor procedural safeguard threshold”, many of their sales will likely fall below the threshold. Further, the ability of the Department of Revenue to aggressively enforce sales tax collections on small out-of-state businesses with sporadic sales will be challenging. Finally, many of the small online retailers also participate on one or more marketplaces.

Internet Retailer Research projects that the growth in online retail sales will average 15% per year.