

# Amazon FBA Sales Tax Guide: Everything You Need to Know

Sales tax is a complex subject - Even more confusing for Amazon sellers. There are 46 different sets of state-level laws that affect the **Amazon FBA sales tax** policies. Such variable law implications have changed the definition of sales tax for Amazon. Collecting and remitting sales taxes is much of a hassle for every fresher in the field. To avoid any overwhelming circumstances, it is critical to be compliant with the regulations. Thus, Amazon sellers should be well aware of the sales tax management and its factors into play.

This guide is to answer all your perplexing questions regarding the **Amazon FBA sales tax** obligations. What exactly is FBA sales tax? Why do Amazon FBA sellers charge sales tax? How to collect sales tax properly? What to do with the sales tax?

This blog will answer all your tax-based queries. Hence, you can ensure a smooth sales tax process: accurate tax collection from the right customers in the right state.

## What is Amazon FBA Sales Tax?

Typically, sales tax is a consumption tax, and only taxable items purchased at retail are subject to sales tax. Just like other online retailers, Amazon FBA sellers have to pay a small percentage of a sale. Amazon's sales tax is imposed in 46 states of the U.S and Washington D.C. Any sale made across these areas is liable for the sales tax on a state-by-state basis. This tax system ensures that you have a correct tax code which lessens the chances for you to not under-receive sales tax. In the situation otherwise (collecting the wrong amount of tax), you'll have to bear the difference yourself.

## Eligibility Criteria for Collection of FBA Sales Tax

As an Amazon FBA seller, you need to charge your customers the right amount of sales tax and remit the collected taxes to the state you are held responsible for.

You need to deal with collecting sales taxes when:

- The sales tax nexus is the same as your customer and your Amazon biz.
- The product sold is considered taxable in that customer's state.

Let's take a closer look at these rules of compliance.

## Determine Nexus

### What is Sales Tax Nexus?

Although the word "nexus" has a friendly meaning to it, "to bind, tire, or join," it still might sound terrifying to an online retailer. The reason is nothing but the fact that the word "nexus" pops up as the "sales tax nexus" in the seller's mind.

Sales tax nexus is referred to as your business has a significant connection to a state. A seller always has a nexus in his own state. Other than that, you may also find nexus in other states where your business is active. Generally, states define nexus in different ways. While determining **Amazon FBA income tax nexus**, a state considers a physical presence or economic connection to create a nexus. In such instances, when you have nexus in that state, you must charge sales tax from the buyers in that state.

### Activities that Create Sales Tax Nexus in the Different States

- **A site:** An office, physical outlet, warehouse, store, etc.
- **Staff:** An employee, salesperson, source, contractor, etc., in a state.
- **Affiliate partners:** A third party to advertise your business and create nexus in multiple states.
- **Warehousing/Dropshipping:** You may also create nexus by owning a warehouse or contracting a 3rd party resource to make the shipments on your behalf.
- **Marketing your business:** Temporarily establishing your physical presence in a state by selling your products at a product launch or any other event.
- **Inventory storage:** Storing your inventory for sale in a state may also lead to creating a nexus.
- **Economic nexus:** Reaching a particular dollar amount of sales or number of transactions in a state.

### Find Out The Taxability of Your Product

Typically, most of the premium products such as antiques and sculptures are taxable, while the case is the opposite for services in a state. Still, there are certain states where some goods are not liable for sales tax. Examples are household products, groceries, soft and hard-form books, vitamins and supplements, and subscriptions, etc. Since the list of taxable and non-taxable items differs from state to state, it's always a good idea to verify beforehand.

### How much tax do you need to collect?

For some Amazon sellers, it can be pretty jarring to determine how much tax they need to collect from each buyer. This is because of the different taxing systems and retailing laws in each state. Most of the states fall into one of these two categories:

- Origin based state

- Destination based state

## Origin based and destination-based states

### For sellers with hometown nexus - you are not a remote seller

According to laws of an **origin-based state**, the tax amount should be decided from the point of origin of sale, i.e, your business.

#### Example:

- Your business is in Lake County, [California](#). (7.25% sales tax)
- Your consumer is from LA county. (9.50% sales tax)
- California is an origin-based state.
- You need to collect the tax based on your origin, i.e 7.25%

In a **destination-based state**, you collect the tax according to the destination (address) of the buyer. It has nothing to do with where your business is located.

#### Example

- You are located in Calhoun County, Florida. (7.5% sales tax)
- Your shopper is from Taylor County. (7% sales tax)
- Florida is a destination-based state.
- You will charge a 7% tax based on your buyers' destination.

Most of the states in the US are destination-based except Mississippi, Missouri, New Mexico, Ohio, Arizona, California, Illinois, Pennsylvania, Tennessee, Texas, Utah, and Virginia.

## How does Amazon sales tax work for remote sellers?

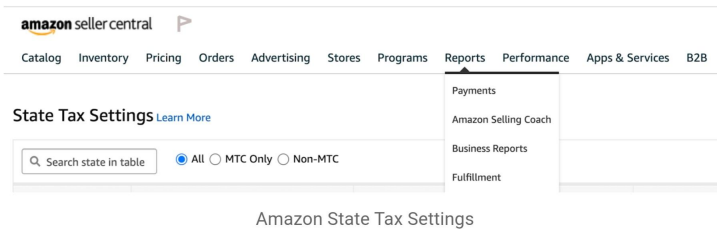
For out of the state sellers, almost all of the states are destination-based except for California, Arizona, and New Mexico.

Now you know what destination-based states are and how that system works. The main issue arises when you, as a seller, convert your business model to FBA instead of FBM. As long as it was FBM, the location of your inventory was the nexus, and you had to file tax based on that state's law.

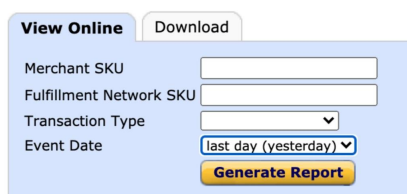
When it comes to FBA, where Amazon handles your inventory, they have many warehouses all over the US. And if your product is in any of those warehouses, that means you have a physical nexus (presence) in that state. In that situation, you need to collect the tax, according to that state's requirement.

Now the big question arises, how to know where your inventory is? Amazon has made it possible for you to know in which state and warehouse your products are placed. To find out, you need to follow these steps:

- Seller Central < Reports < Fulfillment



- Press the "show more" icon under the inventory; it will open a new list.
- Find "inventory event detail" in this list and download the location of your inventory based on the event date.



Select Download

## Amazon FBA sales tax California

For remote sellers, California is an origin-based state. Here the place of your nexus will be considered as the origin. So, if you want to calculate Amazon FBA sales in California, you need to charge the tax based on where your inventory is located.

### Example:

- Your inventory is in the California warehouse of Amazon located in #ONT2 – 1910 E Central Ave. San Bernardino, CA, 92408 – San Bernardino County.
- California is an origin-based state.
- You will charge 7.75% sales tax, the appointed sales tax for San Bernardino County, California.
- You don't need to know your buyer's location.

## Amazon FBA sales tax Florida

You will calculate Amazon FBA sales tax for Florida-based remote nexus through your buyer's destination. Florida is a destination-based state.

- Your inventory is in #LAL1 – 1760 County Line Rd. Lakeland, FL, 33811 – Polk County (a Florida warehouse of Amazon)

- Florida is destination-based. Find out where your product is shipped to.
- If it is in Calhoun County, Florida, you need to charge 7.5% sales tax according to the shipping address.

## How to Set Amazon FBA Sales Tax Permit?

Once you've gone through all of the above processes, now it's time for you to register for the **Amazon sales tax permit**. You need this permit to start collecting your sales taxes in a state. Without this permit, collecting sales tax in a state is considered illegal even if you want it for legal purposes. Along with this permit, Amazon will issue you the information regarding the sales tax due dates and tax filing frequency. The tax filing frequency varies on your sales volume and is usually monthly, quarterly, or annually. For setting up a sales tax permit, fill out the application to the concerned state's taxing authority.

## Does Amazon FBA handle Sales Tax for Sellers?

### Sales Tax Collection

Amazon collects sales tax for every product sold to the states mentioned in the Amazon listing. For unlisted states, you need to collect the tax by yourself and remit it to the state. Moreover, Amazon also doesn't handle the tax collection for FBM orders. However, Amazon will charge you 2.9% per transaction to collect sales tax.

### Sales Tax Payment

The sales tax payment is handled by Amazon as far as they've collected it on your behalf. Hence, you need to check your "Tax Collection Model" to see which states are left by Amazon from tax collection. Collect the sales tax in that state for yourself and pay it to that particular state.

## Collection of Sales Tax

This process is to help you collect sales tax from states that aren't listed on Amazon. Amazon's tax collection system is super-advanced to make the job easier for you. It can even identify whether a state is origin-based or destination-based and apply the correct tax rate (even if the tax rate is updated). You can do further modifications as per your preference, such as adding "Product tax codes."

To ensure you collect the exact amount of sales tax from every customer, you need to follow the defined steps:

### Tax Collection Settings on Seller Central

1. Sign in to **Seller Central**
2. From the dropdown menu, click "**Settings**" then "**Tax Settings**."

3. Now opt for the option: **"View/Edit your Tax Collection and Shipping & Handling and Giftwrap Tax Obligations Settings."**

Jurisdictions ⓘ				Taxability ⓘ	
State	County	City	District	Gift Wrap	Shipping & Handling
<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>

Select Jurisdictions and Taxability

After reaching there, you can alter the settings as per your preferences. Whether you want to charge a customs tax rate or if you want to collect tax from your county and any other localities, it's all up to you. But hold up as this is not just it! To prevent any mishaps in the sales tax collection, Amazon has created a shield to this process. Amazon has added the requirement of the sale tax registration number of the seller's state.

## Product Tax Codes

Most of the products are naturally taxed. All you need to do is to label the product. After inserting your sales tax settings, follow the steps below:

1. Open the **Seller Central Tax Settings Page**
2. Follow this path directory: **Seller Central > Settings > Tax**
3. Choose the option **"View Master Product Tax Codes and Rules."**
4. Select the **Product Tax Codes** that suit your products the best.

Pro sellers can use PTCs (product tax codes) which is far easier than doing it manually. Label with "A\_GEN\_TAX" if you want to charge tax rate or with "A\_GEN\_NOTAX." for vice versa.

## Amazon FBA Sales Tax Software

Handling your Amazon FBA biz is a lot of commitment. From registering a sales tax permit and collecting taxes to filing and remitting the sales taxes in the state, everything requires keen attention and a reasonable amount of time. Even though Amazon assists the seller in these complex tasks, the job can be further made easier by using **Amazon FBA sales tax software**. Automation is the key to transform your Amazon business, and sales tax software works wonders. Whether it is to keep track of your sales tax amount or automate your sales tax returns, using an automatic tool is never out of the question.

## Remittance of Sales Tax

### How to Generate an FBA Sales Tax Report

State tax officials are interested in the tax collection data within a particular state - How much sales tax have you collected as a whole and how much sales tax have you collected

from buyers in a particular area etc. To report this information to a state, you need to generate your **Amazon FBA sales tax report**. Simply follow the step-by-step process to access this information:

1. Sign in to your **Amazon Seller Central** account
2. Click **Seller Central**
3. Navigate to **Reports**, then click **Payments**
4. Click **Generate Data Range Report**, and you're done!

You also have the option to use automated solutions such as Amazon sales tax calculators to lessen the hurdles.

## How to File Sales Tax Returns

When it comes to filing sales tax returns, different states have different requirements. The simplest and the most common way is to pay online. Simply log in to the sales tax authority website of the concerned state. Now, submit your sales tax returns and release the payment using that state's payment gateway.

Other than that, you can also file your sales tax returns using the **Amazon FBA sales tax software** to streamline the whole process.

## What Are Zero Returns

Unlike most states, some states have zero sales taxes. Whether you collected any sales tax in a state within the due date or not, file the zero returns before the deadline. By doing so, the chances are reduced of any penalties or, in worst cases, cancellation of the seller's sales tax license.

## Key Points to Remember

- Filing zero returns are essential. Otherwise, you can face the suspension of your sales tax permit and may be charged a fine as well.
- Don't forget to avail the sales tax discounts your state offers.
- Automate the tax filing process for further ease.

## FAQs

### What is the 1099K form, and where can I find it?

An IRS Form 1099-K is an **Amazon FBA sales tax form** used to certify your gross sales monthly and annually. The payment settlement entities that settled payment transactions with you for reportable payment transactions will send you a Form 1099-K.

## **What states does Amazon not collect sales tax?**

[Montana](#), [New Hampshire](#), and [Oregon](#) are the states where Amazon does not collect taxes since no sales taxes are levied in these states. Refer to [Marketplace Tax Collection](#) to learn more.

## **Why are some Amazon items not taxed?**

Amazon does not charge sales tax when:

- Amazon partners sell items.
- Amazon doesn't hold a sales tax agreement in that state.
- Products are not subjected to tax—for instance, food.

## **Does Amazon report sales tax to states?**

The collected sales tax is not reported to the State by Amazon. However, if you're a 1099-K form holder, Amazon will report your [tax information to the IRS](#).

## **Does an Amazon international seller need to pay U.S. sales tax?**

International sellers are not subjected to pay U.S. sales tax unless they have a nexus in the U.S. state. However, they pay customs fees and import fees.

## **Meta Description:**

Collecting, managing, and remitting your Amazon FBA sales taxes is critical to sustain and stabilize your Amazon biz successfully. Find out HOW!



# Primary Keyword

Amazon FBA Sales Tax

## LSIs

1. Amazon FBA sales tax report
2. Amazon seller tax form
3. Amazon FBA sales tax software
4. Amazon FBA sales tax permit
5. Amazon FBA sales tax Florida
6. Amazon FBA sales tax California
7. Amazon FBA income tax nexus
8. Amazon sales tax calculator

## Resources:

<https://www.bigcommerce.com/blog/amazon-fba-sales-tax/#undefined>

<https://www.taxjar.com/guides/sales-tax-guide-for-amazon-fba/#the-basics-of-sales-tax>

<https://blog.taxjar.com/charging-sales-tax-rates/>

<https://justonedime.com/blog/amazon-fba-sales-tax-collection-2020-usa-everything-you-need-to-know>

<https://www.avalara.com/us/en/learn/whitepapers/fba-sellers-guide-sales-tax.html>