Regulatory Incidence and Platform Fee Architecture: An Emerging Research Agenda for Marketplace Platforms after *Wayfair* *

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Abstract

For a two-sided marketplace platform, the choice of whether to levy fees on merchants or on consumers is a first-order design decision. Research on platform pricing has organized this choice around two forces: the relative price elasticities of the two sides, which favor subsidizing the elastic side, and the salience of fees, which favors placing fees where buyers notice them least. We argue that a third force, largely absent from the information systems literature, has become important in the United States following the Supreme Court's *Wayfair* decision and the state nexus laws that followed. Because merchant fees are generally embedded in the taxable posted price while consumer fees generally are not, the statutory side on which a platform places its fees changes the taxable base of each transaction, and therefore the surplus available to the ecosystem. The phenomenon is not only under-recognized but analytically puzzling: although the associated tax savings can be in the hundreds of millions of dollars, most large platforms have not shifted toward consumer-side fees in the years since *Wayfair*. This persistence points to countervailing forces that the literature has not theorized jointly with tax efficiency. This commentary defines the phenomenon, shows how current research abstracts from it, and develops an actionable research agenda, specifying for each theme the mechanism at issue, the boundary conditions under which it binds, the relevant data, and suitable empirical, experimental, or theoretical designs.

Keywords: platform governance, regulatory incidence, nexus laws, transaction fees, sales tax, fee salience, junk fees, ecosystem value creation

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1 Introduction

Two-sided marketplace platforms such as Amazon, eBay, Etsy, and Airbnb intermediate between merchants and consumers, and they typically levy transaction fees on one side of the market or the other. Because these fees are usually the platform's primary source of revenue and because they shape participation on both sides simultaneously, the decision of which side should bear the fee is among the most consequential design choices a platform makes (Rochet and Tirole, 2003; Armstrong, 2006; Tadelis, 2016).

The literature has organized this decision around two opposing forces. The first is the interplay of cross-side elasticities and subsidization: because participation on each side raises the platform's value to the other, a platform commonly subsidizes the more elastic side, usually buyers, and recovers revenue from the more inelastic side, usually sellers, which is the standard rationale for the prevalence of merchant fees on large e-commerce marketplaces (Rochet and Tirole, 2003; Parker and Van Alstyne, 2005; Eisenmann et al., 2006; Tadelis, 2016). The second is fee salience: because a fee disclosed late in checkout is less salient than the posted price, behavioral considerations favor consumer-side fees, since consumers respond less to a dollar shown at checkout than to a dollar shown in the posted price (Morwitz et al., 1998; Hossain and Morgan, 2006; Brown et al., 2010; Chetty et al., 2009; Blake et al., 2021; Tran et al., 2024). The two forces point in opposite directions, and the platform-pricing literature has largely treated the resolution between them as a function of demand primitives and behavioral parameters.

A third force has emerged that the platform literature has not integrated. In 2018, the United States Supreme Court ruled in *South Dakota v. Wayfair, Inc.* (*Wayfair* henceforth) that states may require out-of-state sellers to collect sales tax, and states subsequently enacted nexus laws governing collection on remote and platform-mediated sales (Goolsbee, 2000; Einav et al., 2014; Fox et al., 2022). Under these laws, the statutory side on which a platform levies fees changes the taxable base of a transaction, because merchant fees are generally folded into the taxable posted price whereas consumer fees added at checkout

generally are not. Placing fees on consumers rather than merchants can therefore lower the sales-tax burden borne by the ecosystem. We refer to this dependence of the effective tax base, and hence of the surplus available to consumers, merchants, and the platform, on the statutory architecture of platform fees as *regulatory incidence*.

Regulatory incidence is underrecognized and, more importantly, analytically puzzling. Although the tax-base savings can reach billions of dollars per year for Amazon and tens of millions of dollars per month for Airbnb by the calculations in Section 4.4, most large marketplace platforms in the United States have not restructured their fees toward the consumer side in the years since *Wayfair* (see the typology in Section 4). The persistence of merchant-side fees in the presence of a standing and sizeable tax incentive is difficult to reconcile with the subsidize-the-elastic-side account, and it indicates countervailing forces that the literature has not theorized jointly with tax efficiency: consumer aversion to fees perceived as junk fees and the reputational consequences of fee salience, major concerns given the Federal Trade Commission's 2025 rule on fee transparency (Tran et al., 2024; Federal Trade Commission, 2025), as well as organizational inertia and the compliance architecture through which platforms remit taxes across a patchwork of jurisdictions.

This commentary does not prescribe that platforms adopt consumer-side fees. Our goal is to define regulatory incidence as an under recognized determinant of platform fee architecture, to show how research on platform pricing, governance, and ecosystem value creation has abstracted from it, and to develop an actionable research agenda organized around the tension between tax efficient fee design and consumer facing fee salience. For each theme, we specify the mechanism at issue, the boundary conditions that determine when it binds, the relevant data, and the empirical or experimental designs suited to the question.

This discussion contributes to a substantial literature on platform success across information systems, marketing, and economics. A better understanding of this issue is important from a theoretical perspective but also for managers who make strategy and design decisions for marketplace platforms. Section 2 provides institutional background, Section 3 positions

the phenomenon and establishes the gap, Section 4 develops the framework and quantifies the incentive, Section 5 states what current research overlooks, Section 6 develops the agenda, and Section 7 concludes.

2 Nexus Laws in the United States

In 2018, the United States Supreme Court ruled in the *South Dakota v. Wayfair, Inc.* case (*Wayfair* henceforth) that states were permitted to charge sales taxes on purchases made through out-of-state companies. Prior to this decision, merchants only charged state sales taxes if the merchant had a "physical presence" in that state, which meant that states were unable to collect sales taxes on most e-commerce purchases (Goolsbee, 2000; Einav et al., 2014). After the *Wayfair* decision, state legislatures began to pass and implement "nexus laws" that established how each state would collect sales taxes from out-of-state merchants selling to in-state consumers.

The *Wayfair* decision and the subsequent nexus laws have had a major effect on large marketplace e-commercee platforms because they now have to collect sales taxes on many purchases that were previously untaxed. Today these laws are a patchwork of state-by-state policies. Most states set a "value threshold" so that a company owes sales tax only once it crosses a pre-determined revenue level from consumers in that state, which ensures that small out-of-state merchants with few transactions in a given state are not operationally burdened by nexus compliance. A less common alternative is a "transactions threshold," under which collection is required only once the seller reaches a minimum number of transactions from that state. We summarize these rules in Table 1. The value threshold is usually either $100,000 or $200,000 across U.S. states but is typically under $100,000 for international jurisdictions, and the transactions threshold, when used, is typically set at 200 transactions.[1] For policy makers there is a tradeoff in setting thresholds: thresholds help new entrants avoid the burden of

[1]To understand the impact of these laws, consider a hypothetical platform with $200,000 in revenue from both Alabama and Alaska. In this case, buyers in Alaska will be subject to sales tax, while buyers in Alabama will not.

tax collection, which grants them a competitive advantage against incumbents and promotes entry by small platforms and entrepreneurial sellers (Cutolo and Kenney, 2021), while also equalizing sales taxes between e-commerce and local brick-and-mortar retail.

Although our analysis focuses on the United States after *Wayfair*, the principles apply more broadly. A new wave of nexus and consumption-tax rules has targeted digital goods, so that platforms in other contexts face similar decisions. Japan, for example, began in 2025 to require platforms to collect consumption tax on digital goods such as in-app purchases, a change that bears directly on the major mobile app stores, and many jurisdictions have imposed value-added taxes on digital goods over the past decade (Carruthers et al., 2022; Belnap et al., 2023). In these settings the Apple App Store and Google Play Store function as the platforms, and the placement of fees again determines the taxable base.

3 Positioning in the Literature

As digital connectivity has become ubiquitous, the platform business model has expanded across a large number of industries (Thomas et al., 2014; Evans and Schmalensee, 2016; McIntyre et al., 2021). Central to a marketplace platform's success is its ability to generate value for every participant in the ecosystem: consumers, merchants, and the platform itself. A large literature examines how platforms create and capture that value through design and governance (Jacobides et al., 2018; Reischauer and Mair, 2018; Chen et al., 2022; Rahman et al., 2024), through the cultivation of complements and third parties (Rietveld et al., 2019; Tan et al., 2020), and through the management of user-generated content (Subramanian et al., 2021). The strand that treats total ecosystem value as the object a platform should maximize is directly relevant, because reducing the ecosystem's tax obligations enlarges the surplus available for division among consumers, merchants, and the platform (Ingene and Parry, 1995; Hanlon and Heitzman, 2010; Hagiu, 2014; Hagiu and Wright, 2015; Benzell and Chang, 2023).

Table 1: Nexus Laws for Remote Sellers and Platforms Across US States and Countries

	Remote Sellers			Platforms		
Location	Date	Value Threshold	Transactions	Date	Value Threshold	Transactions
Alabama	1/1/2018	$250,000	N/A	1/1/2018	$250,000	N/A
Alaska	1/1/2020	$100,000	200	1/1/2020	$100,000	200
Arizona	10/1/2019	$100,000	N/A	10/1/2019	$100,000	N/A
Arkansas	7/1/2019	$100,000	200	7/1/2019	$100,000	200
California	4/1/2019	$500,000	N/A	10/1/2019	$500,000	N/A
Colorado	5/31/2019	$100,000	N/A	5/31/2019	$100,000	N/A
Connecticut	12/1/2018	$250,000	N/A	12/1/2018	$250,000	N/A
DC*	1/1/2019	$100,000	200	4/1/2019	$0	N/A
Florida	7/1/2021	$100,000	N/A	7/1/2021	$100,000	N/A
Georgia	1/1/2019	$100,000	N/A	1/1/2019	$100,000	N/A
Hawaii	7/1/2018	$100,000	200	7/1/2018	$100,000	200
Idaho	6/1/2019	$100,000	N/A	6/1/2019	$100,000	N/A
Illinois	10/1/2018	$100,000	200	10/1/2018	$100,000	200
Indiana	7/1/2019	$100,000	N/A	7/1/2019	$100,000	N/A
Iowa	7/1/2019	$100,000	N/A	7/1/2019	$100,000	N/A
Kansas	11/1/2019	$100,000	N/A	11/1/2019	$100,000	N/A
Kentucky**	7/1/2018	$100,000	200	7/1/2019	$100,000	200
Louisiana	7/1/2020	$100,000	200	7/1/2020	$100,000	200
Maine	7/1/2018	$100,000	N/A	7/1/2018	$100,000	N/A
Maryland	10/1/2018	$100,000	200	10/1/2018	$100,000	200
Massachusetts	10/1/2019	$100,000	N/A	10/1/2019	$100,000	N/A
Michigan**	10/1/2018	$100,000	200	1/1/2020	$100,000	200
Minnesota	10/1/2019	$100,000	200	10/1/2019	$100,000	200
Mississippi**	9/1/2018	$250,000	N/A	7/1/2020	$250,000	N/A
Missouri	1/1/2023	$100,000	N/A	1/1/2023	$100,000	N/A
Nebraska	4/1/2019	$100,000	N/A	4/1/2019	$100,000	N/A
Nevada	11/1/2018	$100,000	200	11/1/2018	$100,000	200
New Jersey*	11/1/2018	$100,000	200	11/1/2018	$0	N/A
New Mexico	7/1/2019	$100,000	N/A	7/1/2019	$100,000	N/A
New York	6/21/2018	$500,000	100	6/21/2018	$500,000	100
North Carolina	11/1/2018	$100,000	N/A	11/1/2018	$100,000	N/A
North Dakota	10/1/2018	$100,000	N/A	10/1/2018	$100,000	N/A
Ohio	8/1/2019	$100,000	200	8/1/2019	$100,000	200
Oklahoma	11/1/2018	$100,000	N/A	11/1/2018	$100,000	N/A
Pennsylvania	7/1/2019	$100,000	N/A	7/1/2019	$100,000	N/A
Rhode Island	7/1/2019	$100,000	200	7/1/2019	$100,000	200
South Carolina	11/1/2018	$100,000	N/A	11/1/2018	$100,000	N/A
South Dakota	11/1/2018	$100,000	N/A	11/1/2018	$100,000	N/A
Tennessee	10/1/2019	$500,000	N/A	10/1/2019	$500,000	N/A
Texas*	10/1/2019	$500,000	N/A	10/1/2019	$0	N/A
Utah**	1/1/2019	$100,000	200	10/1/2019	$100,000	200
Vermont*	7/1/2018	$100,000	200	6/1/2019	$0	N/A
Virginia	7/1/2019	$100,000	200	7/1/2019	$100,000	200
Washington	10/1/2018	$100,000	N/A	10/1/2018	$100,000	N/A
West Virginia**	1/1/2019	$100,000	200	7/1/2019	$100,000	200
Wisconsin	10/1/2018	$100,000	N/A	10/1/2018	$100,000	N/A
Wyoming**	2/1/2019	$100,000	200	7/1/2019	$100,000	200
EU*	7/1/2021	10,000 Euros	N/A	7/1/2021	0 Euros	N/A
Canada	2021	$30k or $10k	N/A	2021	$30k or $10k	N/A
Japan*	2015	10 mil. Yen	N/A	4/1/2025	0 Yen	N/A
Australia	7/1/2018	75,000 AUD	N/A	7/1/2018	75,000 AUD	N/A
New Zealand	12/1/2019	60,000 NZD	N/A	12/1/2019	60,000 NZD	N/A
Norway	4/1/2020	50,000 NOK	N/A	4/1/2020	50,000 NOK	N/A

Notes: * are jurisdictions with different thresholds between remote sellers and platforms and ** are jurisdictions with different dates between remote sellers and platforms. Delaware, Montana, New Hampshire, and Oregon are omitted from this table because they do not have state or local sales taxes, and therefore there are no state taxes imposed on transactions from out-of-state platforms or sellers.

Within platform pricing specifically, the dominant theme is to subsidize the side that generates the most value and recover revenue from the other side (Rochet and Tirole, 2003; Parker and Van Alstyne, 2005; Armstrong, 2006; Eisenmann et al., 2006; Bakos and Katsamakas, 2008), so that the long-run success of a platform is bound up with its fee choices (Tan et al., 2020; Lin et al., 2020; Choi et al., 2025; Hervas-Drane and Shelegia, 2025). This literature treats the placement of fees as a function of cross-side elasticities and, in behavioral extensions, of fee salience, and it abstracts from the tax consequences of that placement.

A second relevant strand concerns fee and tax incidence. A longstanding argument holds that it should not matter whether a fee or tax is levied on buyers or sellers, because under full information, rational behavior, and flexible prices, the final transaction price should not depend on which side the tax is nominally applied to (Kotlikoff and Summers, 1987; Benzarti, 2025). This "invariance of tax incidence" principle dates at least to Dalton (1923), who wrote that "it makes no essential difference whether the tax is legally imposed on buyers or sellers." However, regulatory incidence is a distinct channel: even when the economic incidence of a fee is shared, its placement changes the statutory tax base, and therefore the surplus available to the ecosystem, before any behavioral response.

Lastly, our discussion also draws on the tax literature that has developed around *Wayfair*, which documents the resulting revenue windfall, the intensified competition between online and brick-and-mortar sellers, and the induced changes in platforms' investment in distribution and physical retail (Fox et al., 2014; Arya and Mittendorf, 2018; Baugh et al., 2018; Agrawal and Shybalkina, 2023; Houde et al., 2023).

These literatures leave a gap. Research on platform pricing and governance determines the side that bears fees from elasticities and salience, research on tax incidence studies statutory versus economic incidence for taxes but not for platform fee architecture, and the *Wayfair* literature studies price and investment responses but not the fee side. No existing work integrates regulatory incidence and on platform fee architecture into the theory of how platforms choose their fee structure, nor does it place the resulting tax efficiency objective in

tension with the consumer facing fee salience and junk fee concerns that have recently drawn regulatory attention (Tran et al., 2024; Federal Trade Commission, 2025). Establishing that gap, and charting how it should be filled, is the task of the remainder of this commentary.

4 Regulatory Incidence and Platform Fee Architecture

4.1 The Phenomenon

We define *regulatory incidence* as the dependence of a transaction's effective tax base, and therefore of the surplus available to the platform ecosystem, on the statutory architecture of platform fees, given the compliance rules that determine which fees enter the taxable price. The phenomenon arises because nexus laws treat the two sides of a platform asymmetrically. Merchant fees are almost always embedded in the taxable posted price because they are treated as part of the transaction price the merchant charges, whereas consumer fees added at checkout are almost never taxed.[2] A platform that recovers a given amount of revenue through consumer fees rather than merchant fees therefore lowers the taxable base of the transaction and enlarges the total surplus available in the market.

4.2 A Conceptual Framework

To make the mechanism precise without imposing a full game-theoretic model, consider a transaction with posted price P, a sales-tax rate τ, a proportional consumer fee f_c, and a proportional merchant fee f_m. The price a consumer pays at checkout is $P_c = (1 + \tau + f_c)\, P$, but the posted price set by the merchant depends on the merchant fee and the merchant's revenue objective P_m so that $P = \frac{P_m}{1-f_m}$.[3] Critically from the tax perspective, the statutory tax base is the posted price P rather than the checkout total so that the government takes

[2] A notable exception in which buyer fees are taxed is the peer-to-peer vehicle-rental industry, for example Rover and Turo, where stringent tax codes require the fees to be taxed.

[3] That is, $P_m = (1 - f_m)\, P$.

$\tau \cdot P$, which notably depends on f_m not f_c.[4]

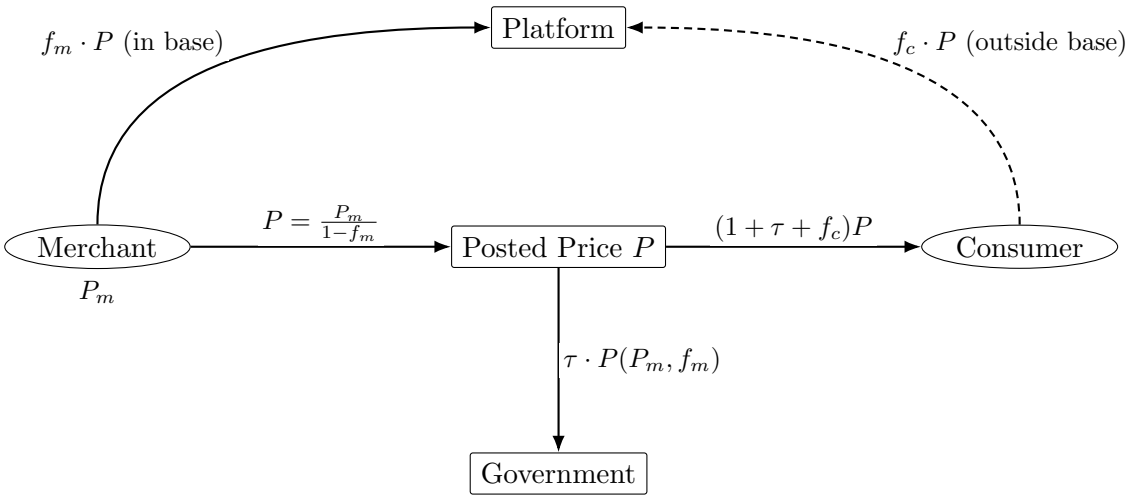

Figure 1: The Regulatory Incidence Mechanism

Figure 1 represents this mechanism. The posted price P is the statutory tax base, so the government collects $\tau \cdot P(P_m, f_m)$ since the merchant's revenue P_m and fee f_m are embedded in P, whereas the consumer fee f_c is added at checkout and falls outside it. This reveals that fee architecture, not merely fee levels, determines the regulatory incidence borne by the ecosystem in the post-nexus era.

4.3 Backlash from Switching Fee Sides: The Patreon Episode

While the theory of regulatory incidence reveals that consumer side fees are preferred to merchant side fees, Table 2 reveals that the merchant fee remains dominant, inflating the tax base for a large number of platforms. One potential explanation for why many platforms use merchant fees post nexus is that merchant fees are historically common and changing fees may be costly. Unfortunately, the reputation channel and the cost of changing fee architecture are difficult to isolate because platform fee structures are typically stable, so that the effect of fee-side choices cannot be separated from other platform level decisions.

[4]For example, if sales tax is $\tau = 0.1$, a product's posted price is \$100, and the platform's commission on sellers is $f_m = 0.2$, then $P_c = \$110$, $P_m = \$80$, the government collects \$10 in tax, and the platform collects \$20; if instead the platform shifts the fee to the consumer side so that $f_c = 0.25$ and $f_m = 0$, then payoffs for the merchant and the platform are the same, but the consumer now pays $P_c = \$108 < \$110$.

Table 2: Marketplace Platforms by Fee Architecture

Company	**Consumer Fees**	**Merchant Fees**
Airbnb (host only - rare)	No	Yes
Airbnb (split fee - common), VRBO	Large	Small
Alibaba, AliExpress, Carousell, Mercari, Tmall	Yes	Yes
Amazon, Coupang, Taobao, Temu, TikTok Shop	No	Yes
BlaBlaCar	Yes	No
Booking, Expedia	No	Yes
Digital Goods (Apps, Video Games, Music)	No	Yes
eBay, Etsy	No	Yes
Food Delivery (Worldwide)	Yes	Yes
Live Nation, BookMyShow, Ticketmaster	Yes	Yes
Patreon	No	Yes
Rover, Turo	Yes	Yes
TCGplayer	No	Yes
Twitch, Kick	No	Yes
Uber, Lyft	Tips	Yes
Urban Company	Tips	Yes

One informative exception is Patreon, which in December 2017 proposed moving most of its commission from creators to consumers.[5] Absent a compensating price response from creators, the change would raise the amount consumers paid for the same service. Consumers dropped subscriptions in protest and creators lobbied for a reversal which Patreon granted, so no fee-side change ultimately occurred.[6] Figure 2 shows daily patrons and reported earnings around the episode: growth was interrupted during the backlash of December 7 through 12, and although it resumed after the reversal on December 13, neither series returned to its pre-episode trend, which suggests that the attempt harmed platform growth. The episode is distinct from the elasticity and salience considerations of Tadelis (2016), and it illustrates both that consumers can react sharply to consumer-side fees and that fee architecture is costly to modify once the various ecosystem partners have become used to the status quo.

[5]This change was proposed before any sales-tax obligation would have motivated it, so Patreon's motives at the time are unclear.

[6]See "Patreon's fee change punishes supporters who make small pledges" and "We Messed Up: Patreon Backing Off Its Awful Payment Policy Changes" for details.

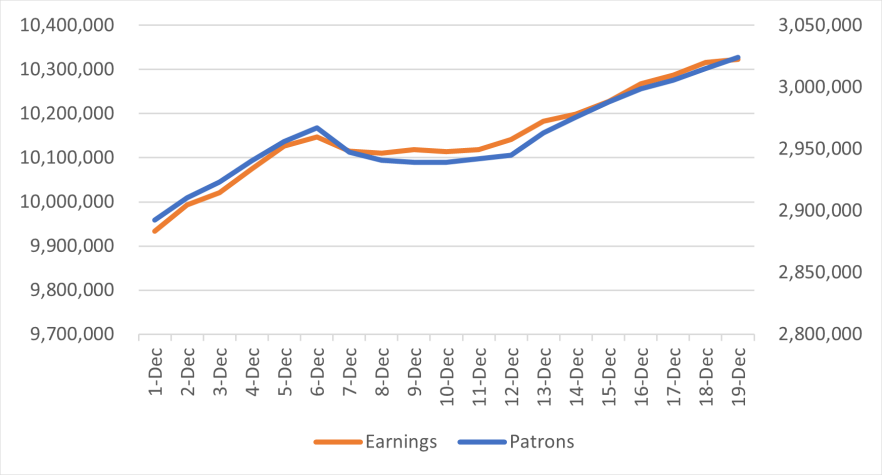

Figure 2: Patreon Consumers and Earnings by Day in 2017

4.4 The Value Incentive: Evidence from Amazon and Airbnb

The framework establishes that fee architecture moves the tax base, but not whether the magnitudes are economically meaningful. We now show, through back-of-the-envelope calculations for Amazon and Airbnb, that even a small per-transaction effect can aggregate to large sums at platform scale. We present these calculations to establish plausibility rather than generalizability, and we are explicit below about what they do and do not establish.

4.4.1 Tax Implications for Amazon

Amazon is arguably the largest marketplace in the world, and over two decades its fee structure has resided on the seller side: it does not charge consumer fees and sellers face a commission that inflates the base price and the underlying tax burden (Sussman, 2019).[7] Under nexus laws, our framework suggests Amazon could enlarge marketplace value by moving commissions to the consumer side so that the tax base shrinks. We consider such a switch, holding seller margins fixed. In this back-of-the-envelope exercise we take a demand elasticity of -1.3 from Baugh et al. (2018), assume linear demand and elastic supply, and use the following figures for third-party sellers in the United States: an average commission of

[7] Amazon has changed some category fees and added merchant services such as fulfillment over the years, but fees have remained on the seller side.

15%, total 2023 Amazon sales of $575 billion with 60% ($345 billion) from third-party sellers, 4.5 billion third-party items sold in 2023, and an average state sales tax of about 5%.[8] Under these figures, Amazon could switch from a 15% merchant commission to a 17.65% consumer commission, reducing posted prices while holding sellers' receipts fixed, and thereby create just over $3 billion in marketplace value ($2.6 billion for consumers and $480 million for Amazon). Small per-transaction margins thus produce large ecosystem value at scale.

4.4.2 Tax Implications for Airbnb

Airbnb originally placed most of its commission on consumers, with a 3% host commission and an approximately 14% consumer commission, which, combined with sometimes excessive cleaning fees, provoked consumer backlash at checkout. In December 2020, Airbnb tested a "host-only" structure in some regions, with a single 15% host commission and no consumer commission (Hostaway, 2025), moving the commission burden from consumers to hosts, a change that would raise tax obligations under United States nexus laws. This case does not require elasticities because the reduction in total commission, $\frac{(0.14+0.03)-0.15}{0.14+0.03} \approx 11.76\%$, roughly equals the increase in the taxable merchant commission, $15\% - 3\% = 12\%$, so consumer checkout prices and host earnings are approximately unchanged.[9] The increase in tax responsibility is instead borne by the platform, which loses about 11.76% of revenue per night due to the inflated posted price. Using Bibler et al. (2021), who report an average enforced accommodation tax of 11.22%, an average booking price of $137, and 5.9 nights booked per listing-month, Airbnb loses $\$137 \times (0.14 + 0.03 - 0.15) \times 5.9 \approx \$16.17$ per listing-month on listings making the switch. With over 2 million active United States listings, full adoption would cost Airbnb over $30 million per month.

[8] See "Amazon seller fees you need to know about and tips for managing them," "14 Staggering Amazon Statistics You Need to Know in 2024," "60% of Amazon sales are generated by third-party sellers," and "Amazon Statistics: Key Numbers and Fun Facts" for details.

[9] An exception arises if consumers exhibit backlash toward perceived "junk fees," which we discuss in Section 6.2.

4.4.3 Broader Implications

The Amazon and Airbnb calculations establish three things and leave open a fourth. They establish that the per-transaction effect of fee architecture on the tax base is real, that it follows mechanically from the treatment of merchant versus consumer fees under nexus laws, and that at platform scale the aggregate magnitude is economically meaningful. They do not establish the net effect of a fee-architecture change on platform value, because they hold demand, participation, and reputation fixed and therefore abstract from the behavioral responses, including junk-fee backlash and seller pass-through, that would determine whether a platform should act on the incentive. The calculations are thus an existence argument for a first-order incentive, not an estimate of an equilibrium effect, and the gap between the two is where the research agenda in Section 6 is situated.

5 What Current Platform Research Overlooks

The platform pricing literature determines the side of the market that bears fees from cross-side elasticities and it has largely abstracted from the tax consequences of that placement (Rochet and Tirole, 2003; Armstrong, 2006; Parker and Van Alstyne, 2005; Tan et al., 2020). Once regulatory incidence is included, the fee architecture decision depends not only on demand primitives and behavioral parameters but also on the statutory tax base and on the compliance architecture through which a platform remits taxes across jurisdictions. This determinant is exogenous to the platform and it varies across states and over time through the staggered adoption recorded in Table 1.

The most consequential omission concerns a puzzle the current framing cannot explain. Platforms have had several years to respond to *Wayfair*, the standing incentive is large, and yet the large majority of platforms in Table 2 continue to levy fees on merchants and thereby inflate their taxable base. Several explanations are plausible, and many of these yield testable propositions the literature has not posed:

1. The tax savings may be dominated by reputational costs when consumers perceive consumer-side fees as junk fees (Tran et al., 2024; Federal Trade Commission, 2025).

2. Fee structures chosen before nexus laws took effect may persist through organizational inertia or an anchoring bias, whether in the platform's own decisions or in its beliefs about how users would react (Simonson and Drolet, 2004; Zong and Guo, 2022).

3. Splitting fees across both sides may impose operational and compliance costs that offset the tax benefit.

4. The elastic side may be deterred by salient consumer fees more sharply than the tax savings is worth, in which case the subsidization logic and regulatory incidence coincide.

The literature offers no framework in which these explanations compete, and adjudicating among them is a central task for future research.

Two further omissions follow. The governance and ecosystem-value literature treats value creation as a function of design, complements, and content, but it does not recognize additional tradeoffs brought forward by regulatory incidence, even though these tradeoffs determine how much surplus a platform can create and how it must present prices to do so (Jacobides et al., 2018; Chen et al., 2022; Benzell and Chang, 2023). Furthermore, the incidence literature offers a sharp null (the invariance of tax incidence) that the platform setting is unusually well suited to test, because nexus adoption provides staggered, arguably exogenous variation in whether and when the statutory base includes platform fees (Dalton, 1923; Kotlikoff and Summers, 1987; Slemrod, 2008; Hargaden and Roantree, 2020; Benzarti, 2025). That this laboratory has gone largely unused is itself a measure of how far the phenomenon sits outside current research.

6 A Research Agenda

We organize the agenda into five themes. For each theme, we state the mechanism at issue, the boundary conditions that determine when it binds, and the data and methods suited to studying it. Table 3 summarizes the themes together with representative questions, illustrative data sources, and candidate designs.

6.1 Platform Heterogeneity and Boundary Conditions

The incentive created by regulatory incidence is not uniform across platforms, and characterizing where it is strong is the first-order empirical question. The tax saving from consumer-side fees is increasing in the commission rate, the posted price, and the effective sales-tax rate of the category, and it is offset by exposure to junk-fee backlash, so the largest net incentive lies with platforms that combine high commissions and high prices in low-salience categories. The Amazon and Airbnb contrast is instructive: Amazon operates at a scale that makes the aggregate saving very large but sells many low-price items with variable shipping fees that complicate transparent all-in pricing, whereas Airbnb faces acute scrutiny over cleaning fees that makes salient consumer pricing costly.

1. For which platform business models, product categories, and price points does the tax saving from consumer-side fees exceed the reputational and operational costs of implementing them?

2. How do category-level effective tax rates and commission rates jointly determine the magnitude of the incentive, and where in the cross-section of platforms is it largest?

3. Do the platforms that already levy consumer fees, such as ticketing and food delivery, differ systematically along these dimensions from those that do not?

These questions are addressable with platform fee schedules, category-level tax data, and the cross-state variation in Table 1, using calibrated counterfactuals in the spirit of our Amazon

exercise, cross-platform descriptive comparison, and comparative case studies (Baugh et al., 2018; Benzell and Chang, 2023).

6.2 Consumer Fee Salience, Aversion, and the Junk-Fee Margin

Two behavioral considerations qualify the mechanism of Section 4, and the tension between them is what makes the phenomenon interesting rather than a mechanical arbitrage. First, fees added at checkout may be less than fully salient, so that consumers respond to $(\tau + f_c)\, P$ as though only a fraction $\lambda \in [0, 1]$ of it were present, with $\lambda = 1$ corresponding to full salience and $\lambda = 0$ to complete inattention (Morwitz et al., 1998; Brown et al., 2010; Chetty et al., 2009; Blake et al., 2021; Taubinsky and Rees-Jones, 2018; Dertwinkel-Kalt et al., 2020); low salience aligns with our regulatory incidence arguments in favor of consumer fees over merchant ones. Second, if consumers perceive consumer side fees as junk fees, then the platform's reputation, and hence demand, may fall. This effect was given regulatory force by the FTC's 2025 fee transparency rule (Tran et al., 2024; Federal Trade Commission, 2025) so that the potential for reputational harm strengthens the case for merchant fees. Regulatory incidence therefore places a tax-efficiency motive, which favors consumer fees, in direct tension with a user-trust motive, which favors merchant fees or, alternatively, transparent all-in consumer pricing. The balance between the two varies across platforms, product categories, and regulatory regimes.

Whether consumers treat a consumer-side fee as an accepted cost or as a junk fee is thus the pivotal behavioral parameter, because it governs the reputational cost that offsets the tax saving. The framework suggests that this aversion should depend on the salience and magnitude of the fee, on whether the platform discloses an all-in price, and on category norms, and evidence that consumer attention rises with the fee share and falls with search costs provides a starting point (Taubinsky and Rees-Jones, 2018; Dertwinkel-Kalt et al., 2020). The 2025 FTC rule and Airbnb's move to all-in pricing offer settings in which disclosure regimes change, and the Patreon episode of Section 4.3 shows that fee-side changes can

provoke measurable backlash.

Figure 3 extends the base model with this reputational channel. Moving a fee from the merchant to the consumer side lowers f_m and hence the tax base $\tau \cdot P(P_m, f_m)$, a tax saving for the ecosystem; the consumer fee $f_c \cdot P$ is passed to the platform as in the base model, but if it is salient (high λ) it may be perceived as a junk fee, lowering reputation R and demand Q. The net effect on platform value is the tax saving minus the reputation cost.

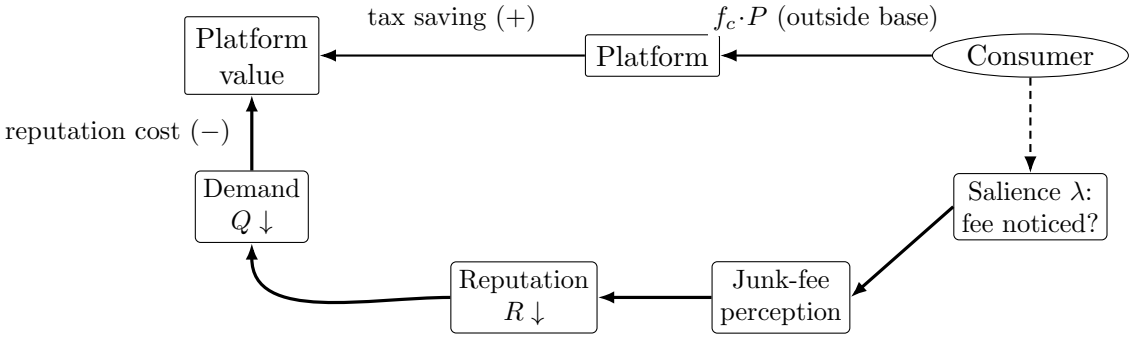

Figure 3: Regulatory Incidence and the Platform Reputation Channel

1. Under what conditions do consumers perceive consumer-side fees as junk fees, and how does that perception depend on fee magnitude, salience, and disclosure format?

2. Does transparent all-in pricing neutralize the reputational cost of consumer-side fees while preserving the tax advantage, and at what cost to demand relative to a low-salience presentation?

3. How persistent is the reputational damage from a fee-side change, and does it attenuate as consumers habituate?

These questions are suited to online and laboratory experiments that vary fee side, magnitude, and disclosure, and to difference-in-differences designs around the FTC rule and around platform fee changes (Tran et al., 2024; Federal Trade Commission, 2025).

6.3 Seller Pass-Through and the Incidence of Platform Fees

Regulatory incidence changes the statutory tax base, but the ultimate distribution of the gain across consumers, merchants, and the platform depends on pass-through, and the platform setting provides an unusually clean test of whether statutory incidence is neutral. If invariance holds, a shift of fees from the merchant to the consumer side should leave checkout prices and merchant receipts unchanged except for the mechanical reduction in tax, whereas departures from invariance would reveal that statutory side matters for reasons beyond the tax base (Kotlikoff and Summers, 1987; Benzarti, 2025). The staggered adoption of nexus laws in Table 1 supplies variation in whether platform fees enter the taxable base.

Figure 4 extends the base model by relaxing the assumption that the merchant's revenue objective P_m is delivered in full. The base model holds the merchant's revenue objective P_m fixed; here a fee-side change Δf moves the posted price $P = \frac{P_m}{1-f_m}$, and hence the tax base $\tau P(P_m, f_m)$, through seller pass-through ρ, so the change in the tax burden is shared between merchants $(1-\rho)$ and consumers (ρ). Under the invariance benchmark, only the mechanical change in $\tau P(P_m, f_m)$ occurs; measured departures identify a role for the statutory side.

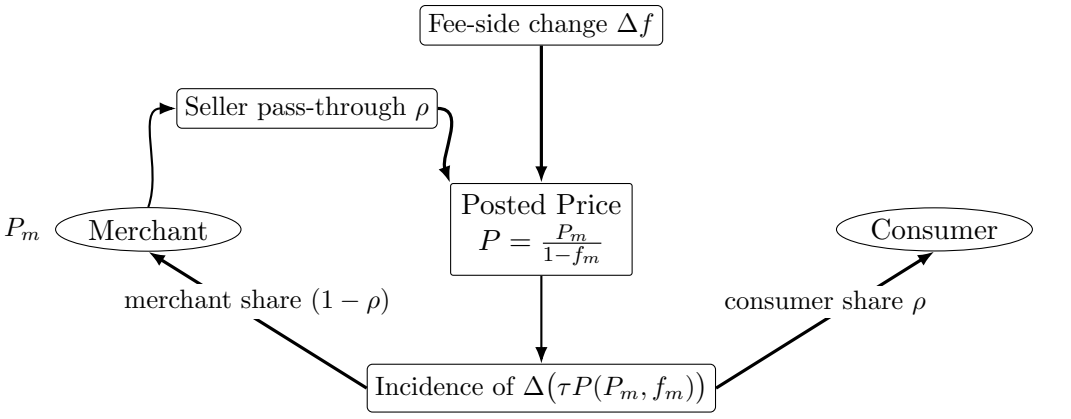

Figure 4: Seller Pass-through and Merchant Fee Incidence

1. Does the invariance of incidence hold for platform transaction fees, or do checkout

prices and merchant receipts respond to the statutory side on which fees are levied?

2. How complete is seller pass-through of merchant fees into posted prices, and how does it vary with market structure and competition among sellers?

3. How does the response to a fee-side change differ between the short run and the long run, once sellers and consumers adjust?

These questions are addressable with listing-level or transaction-level price data around nexus adoption dates, using staggered difference-in-differences and event-study designs (Slemrod, 2008; Hargaden and Roantree, 2020; Fox et al., 2022).

6.4 Regulatory Design and Cross-Jurisdictional Variation

The policy environment is itself a variable, and its design determines whether regulatory incidence persists. A rule that taxes the checkout total rather than the posted price would eliminate the mechanism — some interpretations, including a proposed reading in Texas that would tax marketplace sales inclusive of platform fees, point in that direction — while the treatment of ancillary charges such as cleaning fees and shipping fees remains inconsistent across jurisdictions. Threshold design embodies a further tradeoff, since thresholds promote entry and entrepreneurship but forgo revenue, and their level interacts with the incentives of small platforms.

1. How would alternative statutory tax bases, including taxation of the checkout total, change platform fee architecture and the division of surplus?

2. What is the welfare tradeoff of nexus thresholds between promoting entry and collecting revenue, and how should thresholds be set?

3. How do cross-jurisdictional differences, including digital-goods nexus rules and price-parity restrictions such as those in the EU Digital Markets Act, shape platform pricing and competition?

These questions are suited to policy analysis and welfare calibration exploiting the statutory variation across states and countries and the interaction of nexus rules with marketplace price-parity constraints (Farronato and Fradkin, 2022; Benzell and Chang, 2023; Hagiu and Wright, 2024).

6.5 Platform Competition, Governance, and Market Structure

Regulatory incidence reaches beyond pricing into platform boundaries and market structure. Because nexus thresholds apply at the level of the collecting entity, an incumbent that acquires a smaller platform can keep the acquisition below thresholds by leaving it separate rather than integrating it, a channel visible in cases such as Etsy and Depop, and Lego and Bricklink, and in contrast to integrations such as Rover and Dog Vacay (Farronato et al., 2024; Miric et al., 2021; Park et al., 2021). Switching costs of the kind revealed by the Patreon episode imply that startups should treat their initial fee architecture as difficult to reverse, and the tax treatment of platform versus retailer status bears on the decision of retailers to open their own marketplaces (Parker et al., 2016; Zhu and Furr, 2016; Parker et al., 2017).

1. How do nexus thresholds affect acquisition and integration decisions, and do they create an incentive to keep acquired platforms structurally separate?

2. Given the difficulty of reversing fee architecture, how should startup platforms set their initial fee structure in anticipation of future nexus obligations?

3. How does the differential tax treatment of platforms and retailers affect the decision to transition from selling to operating a marketplace, and how does it interact with price-parity restrictions?

These questions are addressable through event studies of acquisitions combined with threshold data, analytical modeling of dynamic fee commitment, and case analysis of retailer-to-platform transitions.

Table 3: Research Agenda: Themes, Representative Questions, Data, and Methods

Theme	**Representative question**	**Illustrative data**	**Candidate method**
Platform heterogeneity and boundary conditions	For which business models does the tax saving exceed reputational and operational costs?	Platform fee schedules; category tax rates; Table 1 thresholds	Calibrated counterfactuals; cross-platform comparison; case studies
Consumer fee aversion and the junk-fee margin	When do consumers treat consumer-side fees as junk fees, and does all-in pricing neutralize the cost?	FTC 2025 rule; Airbnb all-in pricing; Patreon episode	Online and lab experiments; difference-in-differences
Seller pass-through and incidence	Does the invariance of incidence hold for platform fees?	Listing- and transaction-level prices around nexus dates	Staggered difference-in-differences; event study
Regulatory design and cross-jurisdictional variation	How would taxing the checkout total change fee architecture and surplus?	Statutory variation across states and countries; comptroller rulings	Policy analysis; welfare calibration
Platform competition, governance, and structure	Do nexus thresholds encourage keeping acquired platforms separate?	Acquisition events; threshold data; launch fee histories	Event studies; analytical modeling; case analysis

7 Conclusion

The *Wayfair* decision and the nexus laws that followed have made the statutory architecture of platform fees a determinant of the taxable base, and therefore of ecosystem value, that the information systems literature on platform pricing and governance has not yet incorporated. We denote this phenomenon as regulatory incidence, and we demonstrate through the cases of Amazon and Airbnb that the incentive it creates is economically meaningful. The persistence of merchant-side fees despite that incentive poses a puzzle that current theory cannot resolve, and we develop a five-theme research agenda that specifies the mechanism, the boundary conditions, the data, and the empirical or experimental designs through which future scholarship can determine when and how a shifting regulatory environment reshapes platform pricing, competition, and value creation.

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