



We'll get you there.

Managing Sales Tax Compliance

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Welcome!

- Presenters
 - Rance Morton, Principal
 - Zach Tyson, Director



Learning Objectives

- Describe the current state of economic nexus rules and how they apply to your organization
- Review standard practices for handling sales and use tax compliance
- Recognize how to navigate taxing authority inquiries and documentation requirements
- Identify potential refund opportunities to help defray the cost of compliance



Sales Tax State of the Union

- Compliance burdens increasing
 - South Dakota v. Wayfair decision four years ago
 - Economic nexus has been adopted by all states with a sales tax
 - \$100,000 in sales or 200 separate transactions is the blueprint





How Do Businesses Keep Up?

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Polling Question

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How do Businesses Keep Up?

- Nexus studies
 - Old Nexus rules still apply (physical presence, affiliate nexus, click-through nexus, cookie nexus)
 - Economic Nexus will need to be continuously or periodically monitored to add new states
 - Analysis is more difficult than expected because states define economic nexus differently and differ on what sales to include and what measurement period to use
 - Sometimes it's best to be conservative and register before you reach the threshold



How do Businesses Keep Up?

- Old Nexus rules still apply
 - Physical Presence
 - Travel by employees, independent contractors, sales agents
 - Property, such as real estate or inventory
 - Tradeshows
 - Affiliate nexus
 - Physical connection to a state
 - Representatives, goodwill, subsidiary, market maintaining person/business on behalf of the company
 - Affiliates selling a similar product under a similar name



How do Businesses Keep Up?

- Click-through nexus
 - Websites that direct customers to the business website
 - Online ads, pop-ups
- Cookie nexus (repealed but still being protested)
 - “cookies” located on customer computers
 - “Do you want to allow cookies?”
 - Massachusetts and Ohio



How do Businesses Keep Up?

- Economic Nexus will need to be continuously or periodically monitored to add new states
 - Applies to remote sellers who do not otherwise have a physical presence in the state
 - General threshold:
 - \$100K of sales; or
 - 200 transactions
 - States define economic nexus differently and differ on what sales to include and what measurement period to use
 - All sales vs retail sales vs taxable sales



How do Businesses Keep Up?

- Nexus studies, phase II
 - After a nexus study is performed, an exposure analysis for any past due tax will help determine the best way to proceed
 - Options include:
 - Voluntary Disclosure Agreements
 - Amnesty Programs
 - Filing past due returns going back to the nexus date
 - Filing prospectively and remitting past due tax on a return
 - Risking it and filing prospectively without mitigating past due tax



How do Businesses Keep Up?

- Registering for sales tax
 - Gather as much information about the business as possible, including location information, officer information, and general business information. Social Security Numbers are required.
 - SST registration could be a viable option if registering in a lot of Streamlined States
 - Monitor mail since most states will send a welcome packet or registration letter to link the new permit number to an online account



How do Businesses Keep Up?



Collecting the tax

Manual Method

Rate Table Method

Sales Tax Engine



Determining Taxability

Manual Method

Tax Matrix

Sales Tax Engine





Polling Question

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How do Businesses Keep Up?

- Filing sales tax returns
 - Manual Filings
 - Outsourced Filings
 - Tax Engine Filings



How do Businesses Keep Up?

- Find what solution is right for your business
- Client Examples





Going Forward

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What Happens Now?

- Start at the beginning – nexus rules everything
- Plan how to get compliant and mitigate past exposure
- States are asking more questions when registering
- We expect to see an increase in audits since most states have a 3-4 year statute of limitations
- Note that the statute of limitations doesn't start if a return wasn't filed



How Do I Pay For This?

- It can get expensive
 - Hiring staff is expensive
 - Software is expensive
 - Outsourcing is expensive
- Find the best balance of cost and value for your organization
- Filing discounts help offset some of the cost
- Refund reviews can provide a cash boost and also increase profitability

How Can CLA Assist?



Wayfair checkup



Historical nexus study



Outsourcing sales tax compliance



Questions? Contact us!



Questions?

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Thank you!



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