

KNOW YOUR NEXUS:

The Why and How of Sales Tax Compliance

Selling to customers or operating in another state? You may be responsible for collecting sales tax.



STATES NEED YOUR SALES TAX



of state and local budgets rely on sales and use taxes

\$1.4
BILLION

in state and sales tax on remote online sales goes uncollected

WHAT IS NEXUS?

Sales tax nexus is the connection between a seller and a state that requires the seller collect and remit tax on sales made there. Businesses can create nexus through:



Remember: Each state has its own laws about what business activities trigger nexus.

- Physical location
- Employee or contractor
- Inventory stored
- Affiliates working on your behalf
- Company shipping your products
- Advertising campaign
- Trade show presence

E-COMMERCE IS BOOMING



- Retail sales' portion of U.S. e-commerce sales jumped 200% in 2010-2017
- U.S. e-commerce sales grow 16% annually on average

NEXUS LAWS ARE CHANGING*

States are making it more likely for e-commerce sellers to have nexus through these categories:



Economic Nexus

Based solely on thresholds of sales into a state by volume or revenue



Click-Through Nexus

Sales generated by online referrals or ads links



Affiliate Nexus

Company works with a partner who has nexus



States are developing economic nexus rules



States recognize click-through nexus



States recognize or will recognize affiliate nexus

*Current as of September 2018. Subject to change.

GOT NEXUS? WHAT TO DO

- ✓ Register to collect and remit sales tax in each state where you have nexus
- ✓ Collect tax on eligible sales to buyers in those states
- ✓ File sales tax in your nexus states by their deadlines
- ✓ Watch for changing state nexus laws and requirements

COMMON PITFALLS

- ✗ Not knowing where you have nexus
Tax law ignorance doesn't wash with officials
- ✗ Charging the wrong tax rate
Out-of-state sellers usually charge the tax rate at the buyer's location
- ✗ Overlooking inventory storage
It's a risk with multiple warehouse and fulfillment locations
- ✗ Not collecting tax on e-commerce sales
Follow state nexus rules for taxing remote sales

WANT HELP? TRY AUTOMATION

Automating sales tax collection and filing brings ease and accuracy.
Stay in compliance while running your business.

Sources: Bloomberg Tax, International Council of Shopping Centers, National Conference on State Legislatures, Sales Tax Institute, Tax Policy Center, YCharts

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