

# The Bottom Line on Internet Sales Tax

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Grow Your Business

*Presented by...*



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***South Dakota V. Wayfair, Inc.***

**THE CHANGING SALES AND USE  
TAX LANDSCAPE**

*“Has the new Supreme Court decision truly leveled the playing field between brick & mortar and online retailers alike?”*

**SALES**



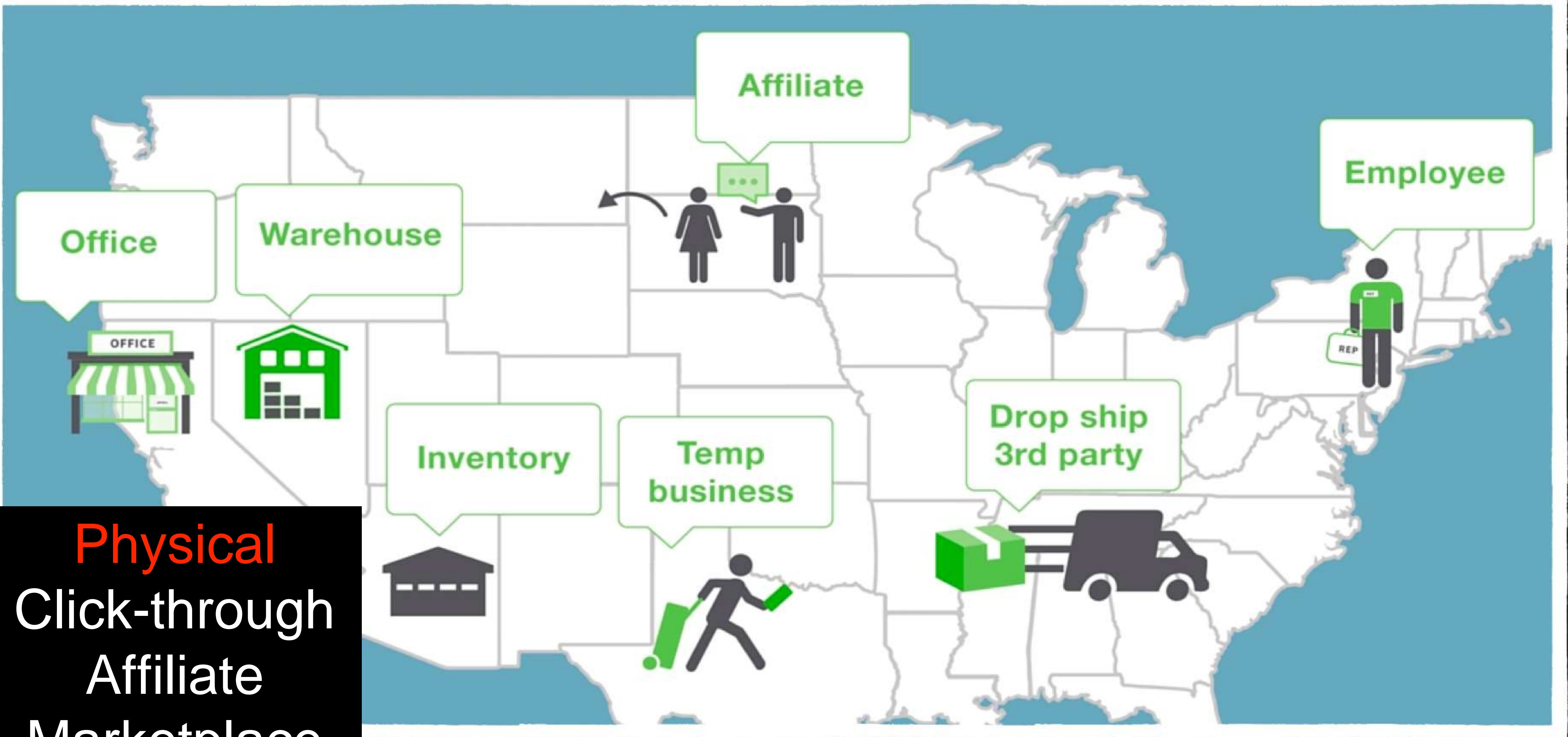
**TAX**



# What is Nexus?



“**Nexus**” is the determining factor of whether an out-of-state business selling products into a state is liable for collecting sales tax on sales into that state. Nexus is required before any taxing jurisdiction can impose its tax on a business.



Physical  
Click-through  
Affiliate  
Marketplace  
Economic

# TYPES OF NEXUS

# The Old Ruling...

1992 Supreme Court Decision  
*Quill Corporation v. North Dakota*

The Court ruled a company only had to collect sales tax (and file appropriate sales tax returns) for transactions within a particular state if it had a **physical presence (a.k.a. “nexus”)** in that state (i.e. brick & mortar store)

# “Physical” Nexus

Physical nexus is when a business has a “physical” presence in another state. Common items that create physical nexus are the location of:

- Office / warehouse
- Employees / agents
- Inventory
- Soliciting sales (i.e. trade shows)



# The New June 2018 Ruling....

2018 Supreme Court Decision  
*South Dakota v. Wayfair Inc.*

The Court ruled all companies that conduct business online will need to comply with the sales tax collection and reporting laws of **every state** where they transact internet sales. (There are a few exceptions...mostly for businesses with low revenues or few transactions within a particular state...but for the most part, everyone is now required to play by the same rules)

# “Economic” Nexus

Economic nexus is associated with a **dollar amount of gross sales** or the **number of sales transactions** within a state.

No physical presence is required.



# A bit of good news for online retailers...

Many states are setting “small business” annual thresholds that must be exceeded before sales tax is collected

- ✓ Dollar thresholds: \$100k – \$1 million
- ✓ Unit thresholds: 100 – 200 units

# Economic Nexus...how the states are reacting:

\$100K OF SALES AND/OR/BOTH 100/200 TRANSACTIONS	\$250K SALES	\$500K SALES	NO DECISION	NO SALES TAX
AR, AZ*, CO, GA, HI, ID, IL, IN, IA, KY, LA, ME, MD, MI, MN, NE, NV, NJ, NC, ND, NM, OK, PA, RI, SC, SD, UT, VA, VT, WA, WV, WI, WY, DC				
	AL, CT, MS	CA, MA, NY, OH, TN, TX		
			FL, KS, MO	
				AK, DE, MT, NH, OR

*(Updated July 1, 2019)*

# Consider Sales TaxAdmin Resource



- ❖ These are sales tracking software applications that integrate with over 700+ software platforms (including QuickBooks, NetSuite & AIMsi)
- ❖ They also assist retailers in determining nexus
- ❖ They provide sales tax reporting & filing for all applicable states, cities & townships, including foreign VAT and sales tax exemptions

# What should I do next?

## Brick & Mortar Stores

- Know your state rules & factors that create nexus in your neighboring states
- Be aware of how deliveries are made into those neighboring states, or inventory warehoused in 3<sup>rd</sup> party fulfillment centers (i.e. Amazon)

## Remote Retailers

- Track monthly sales to each state in both dollars and number of transactions
- Monitor out-of-state sales on a regular, monthly basis
- Watch for State Updates ([www.salestaxinstitute.com](http://www.salestaxinstitute.com))



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