Are You At Risk For New Tax Rule Penalties In 2019?

retail TouchPoints

CHECKLIST

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The *South Dakota vs. Wayfair* Supreme Court decision may affect your business in 2019, and you need to be set up for compliance or run the risk of penalties and lost business. This checklist will set you straight on the road to business security as new tax rules go into effect, state by state.

1 Get Up To Speed:
Research and understand the implications of the *South Dakota vs. Wayfair* decision.

☐ While the *Wayfair* decision was finalized in June 2018, its effects are just now beginning to impact the retail industry. The ruling opened the door for individual states to impose sales taxes on e-Commerce businesses, and 43 have already acted to do so. Additionally, decisions regarding compliance requirements for each state where businesses transact will be updated continuously, and some decisions made at a later date could even be retroactive. The bottom line is: It's vital to understand both the broad implications of the ruling, as well as the latest changes at the state level, to avoid penalties and customer confusion.

VISIT THE WAYFAIR KNOWLEDGE CENTER

2 Assess Your Business:
Get the data on the states where you're transacting.

☐ Because each state that imposes sales tax will be setting its own threshold for tax requirements, it's important to drill down for the implications for your business. South Dakota, for example, is requiring businesses with at least $100,000 in sales and/or 200 transactions per month to charge sales tax. But Texas has proposed legislation requiring a $500,000 threshold. There are other potential complications: For example, if a business sells school uniforms or other items that are tax-exempt, those sales still count toward the total for that state. Ask and answer: *Which states do we sell in, and are we meeting the tax thresholds in those states?*

STATE SALES TAX CHANGES

3 Understand and Assess the Risks:
What liabilities or penalties could you face under new tax laws?

Take this opportunity to perform a risk assessment around your tax position. For example, you will want to focus first on the states and jurisdictions where you already have a substantial business presence. Then, expand your assessment to all the states in which you operate. Remember, when your business reaches a state's threshold, you must register with the state, have a business license in place and be prepared to begin collecting the correct amount of tax for all transactions. Maybe being ahead of the curve is the safest way to avoid potential problems down the road.

TAX COMPLEXITY QUIZ

4 Learn What's Involved In Compliance:
Engage with tax experts to construct an action plan.

In addition to getting the sales tax process started with registration and a license, if you have recently started selling in a particular jurisdiction you may be required to file a sales tax return in that state. In some states you also will need to address other types of presence, such as distribution centers or the use of marketplace sellers. A trusted tax advisor should be on hand to help guide you through these complexities.

TAX EXPERT BLOG

5 Determine Your Tax Management Capabilities:
Use internal resources or a third-party solutions?

Now that you know what's required to stay in compliance, as well as the potential liability and penalties you might face, it's time to make some business decisions. In specific states, does it make sense to use a marketplace that will manage sales tax issues in those jurisdictions? Overall, can you handle the burden of keeping up-to-date on the changing tax regulations internally, or should you engage with a third-party solution? If your company is large enough to have a full-time staff of tax experts, then you may be able to handle the required business actions internally. But a third-party solution can automate processes, updates and actions for you.

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