



# The Importance of Sales & Use Tax

Insert date

# Agenda

- Why A Sales & Use Tax Discussion Now
- Changing Sales & Use Tax Legislation
- What's Changed
- What Does This Mean For Your Business?
- How Can Our Firm Help
- Next Steps

# Why A Sales & Use Tax Discussion Now

As your **trusted advisor**, it is important for our firm to continue to keep you up to date on the **tax changes** and those implications that are impacting your business

Over the last year, the regulatory environment around **sales & use tax** has shifted, bringing about more focus & attention

Let Our  
Firm Be  
Your  
Guide

# Changing Sales & Use Tax Legislation

*Before South Dakota v. Wayfair there was Quill*

- Law of the Land, decided in 1992
- Nexus defined: a business must have a “physical presence” in a state to collect sales tax
- Many states challenged Quill
- South Dakota was most aggressive

*Changing Legislation: South Dakota v. Wayfair (6/2018)*

- This ruling overturned Quill
- Expanded the definition of nexus to include economic presence as a determining factor in which businesses are liable to collect & remit sales & use tax

# What's Changed?

## Jurisdictions enforcing new economic nexus guidelines

- As of April 2019, a total of 46 states have made changes to their economic nexus thresholds
  - Economic thresholds are defined by total gross revenue and/or number of transactions, with each jurisdiction having unique thresholds
  - With the ability to collect from online transactions jurisdictions are estimated to collect an estimated \$8-\$23 billion in new taxes across the US

## Jurisdictions hiring more auditors

- Wisconsin Department of Revenue hired 102 new auditors and increased their division by one-third, generating an estimate of \$88 million in additional revenue
  - California has added 100 new auditors and will generate an estimate of \$371 million in additional revenue each year
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# What Does This Mean For Your Business?

## Small to mid-size businesses are at a higher risk of audit

### Noncompliance: Audit Exposure

- The average audit can last anywhere from **30-45** days, with an auditor onsite anywhere between **2-4** weeks
- Average cost of an audit (penalties, interest, fees) **\$114,000**, not including lost productivity

### Complexity

- As a business, are you aware of?
  - **11,000** unique jurisdictions
  - More than **60,000** unique taxability rates & rules
  - On average more than **600** rate & rule changes each year

# Is Your Business Impacted

Does your company:

- Sell through traditional business channels and/or remotely
- Sell multiple products & services with special taxability
- Sell through multiple distribution centers
- Sell through online marketplaces
- Have sales clearly exempt from sales tax – need to collect and track exemption certificates in all states
- Manage use tax

This decision  
impacts **all**  
businesses in  
**all** industries  
that sell  
products  
and/or services

# What's The Impact For You!

- States can now collect tax on remote transactions
- Businesses must track their sales, including both number of transactions and annual gross revenue, along with all tax law changes
- Businesses must create a strategic plan to stay compliant



# How Can Our Firm Help?

Through a comprehensive review of your most up to date sales activity, our firm will develop a strategy for compliance by:

1. Providing nexus studies & product taxability reviews
2. Defining in which jurisdictions your business is most vulnerable
  - Create a plan to register, collect and remit sales & use tax
3. Providing a technology solution to automate and save time managing SUT compliance
  - SUT Services powered by Vertex
4. Maintaining SUT compliance through ongoing evaluations

# SUT Services Powered By Vertex

Through automated technology our firm can provide to you any of the following SUT compliance services:

- **Integrated Sales Tax Calculation**
  - Apply real time sales tax calculations by integrating with multiple interfaces
  
- **Consumer Use Tax**
  - Calculate consumer use tax and file your consumer use tax returns
  
- **Exemption Certificate Management**
  - Store, update, and maintain exemption certificates in one easily accessible location
  
- **Return Prep and Filing**
  - Using your tax data, our firm can prepare, generate and file your tax returns to jurisdictions

# Next Steps