

MAKING U.S. SALES TAX LESS COMPLICATED

Renewed Leadership Council

June 27, 2024



DIANE YETTER



- Strategist, advisor, speaker, and author
- President of YETTER
- Founder of the Sales Tax Institute
- Testified before Senate Finance Committee
- Accounting Today's 100 Most Influential People in Accounting for 8 times between 2011 and 2022
- Woman Business Owner of the Year 2020
- IL CPA Society's Women to Watch Experienced Leader Award Winner 2024

SALES TAX NEXUS



- Physical nexus
 - Employees
 - Inventory
 - 1099 contractors
 - Traveling activities
 - Conferences/Trade shows

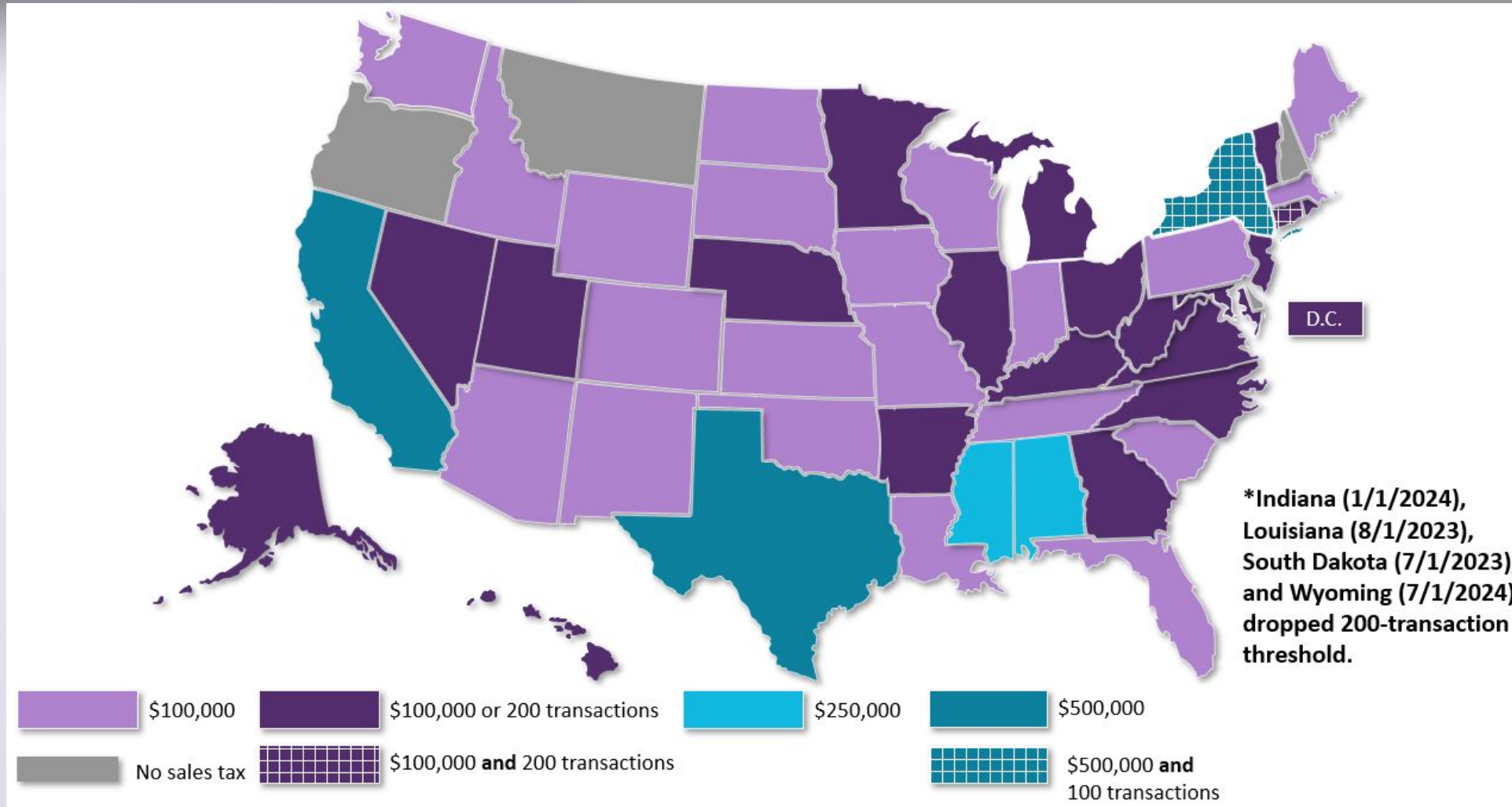
SALES TAX NEXUS

- Economic nexus
 - Only if no physical presence
 - Correlates with a set level of sales or gross receipts activity
 - Economic Nexus Considerations:
 - Threshold (Dollars, Transactions)
 - Includable Sales (Gross, Retail or Taxable)
 - Measurement Date (Period to evaluate)
 - When you need to register once you exceed the threshold (Immediate or grace period)

SALES TAX NEXUS

- Economic nexus
 - Effective date
 - Every US state plus Puerto Rico now imposes
 - Missouri was final state as of January 1, 2023
 - International
 - Many countries including Canada, EU, UK, Australia and others impose similar provisions especially for digital goods sold to non registrants
 - Nexus cessation
 - Economic nexus drop
 - Physical presence cease
 - Cancel or inactive status
 - [Economic Nexus State by State Guide](#)

ECONOMIC NEXUS THRESHOLDS



PRODUCT CLASSIFICATION

- Classification drives taxability
 - Print or digital
 - Delivered vs. Streamed vs. Remotely Accessed
 - Delivery method can have an impact
 - Text vs. Audio vs. Video
 - Live vs. On-Demand



PRODUCT CLASSIFICATION

- Digital Goods
 - The Streamlined Sales Tax (SST) definition of “specified digital products” means electronically transferred:
 - “Digital Audio-Visual Works” which means a series of related images which, when shown in succession, impart an impression of motion, together with accompanying sounds, if any.
 - “Digital Audio Works” which means works that result from the fixation of a series of musical, spoken, or other sounds, including ringtones.
 - “Digital Books” which means works that are generally recognized in the ordinary and usual sense as “books.”

PRODUCT CLASSIFICATION

- Taxability Considerations on Publications
 - Frequency (more than once a year, daily, at least X times a year)
 - Delivery Method (via USPS)
 - Postage Classification
 - Subscription vs Single Issue

PRODUCT CLASSIFICATION

- Content Type

- Data or Information Service or Software as a Service (SaaS)

- Texas:

- Using a computer for word processing, data entry, production, compilation, storage or manipulation is a taxable **data processing** service. 20% of the charge for data processing services is exempt from tax. Data processing services providers include sellers of **software as a service** and application service providers.
- Gathering and furnishing general or specialized news or other current information to others, including electronic data research or retrieval and providing access to databases of such information are **information services**. 20% of the charge for information services is exempt from tax.

PRODUCT CLASSIFICATION

- Who is the Customer?
 - Is it a business or an individual? This can have an impact depending on the state.
 - Ohio – Exemption on various software-related services if for personal use.
 - Business use exemptions
 - Iowa – Various software-related items exempt if sold to a commercial enterprise.
 - Maryland - Various software-related items exempt if purchased or licensed solely for commercial purposes in an enterprise computer system
 - New Jersey - Various software-related items exempt if sold to a business purchaser for use in their trade or business.
 - Washington – Digital products exempt if sold to a business for business use.

LIABILITY DETERMINATION

- Evaluate nexus type if any
- Determine start date
- Calculate exposure
- Communicate with Customers
- Consider Corrective Actions
- Compliance Solution



NEXT STEPS

- Registration Start Date Questions
 - How long have you had nexus?
 - What is the size of the liability?
 - Availability for VDA?



NEXT STEPS

- Registration or Settlement (Voluntary Disclosure Agreement -VDA)
 - Risk of discovery
 - Risk of lookback
 - If smaller liability or short lookback, consider registering with true date and expect back returns to be requested
 - For only economic nexus, evaluate risk for registering with current date or economic effective date
 - Some states are more aggressive pursuing late registrations (AR, AZ, IL, MA, ME, WI)

NEXT STEPS

- Tax Calculation Solution
 - Questions to Ask:
 - What is the selling system?
 - What is your volume?
 - Geography?
 - SST Considerations and Benefits
- Compliance Solution
 - Options:
 - In-House
 - Outsource
 - Use calculation system



WAYFAIR RISK ANALYSIS

- Get an analysis of your risk level post-Wayfair and get your questions answered by Diane Yetter in a 1-hour private phone consultation
- Get \$300 off your [Wayfair Risk Analysis](#) using code “RENEW300” with YETTER Tax

QUESTIONS/COMMENTS

Diane L. Yetter
YETTER Tax &
Sales Tax Institute

910 W. Van Buren, Suite 100-321
Chicago, IL 60607
diane@yettertax.com
(312) 701-1800 x2



/salestaxinstitute



/salestaxinstitute



/company/sales-tax-institute



/salestaxinstitute