Sales Tax & Business License Nexus – Unwinding the Complex Rules

Robert Dumas, CPA
Managing Partner, TaxConnex, LLC

Doug Starr, VP Sales & Marketing Partner, Business Licenses, LLC









Today's Presenters



Doug Starr
Partner & VP Marketing
Business Licenses, LLC



Robert Dumas
Managing Partner
TaxConnex







To Get Us Started....

Poll Question #1:

- How many states does your company do business in?
 - 1 15
 - 16 40
 - You name it, we're probably there

Poll Question #2:

- ✓ Are you confident that you are licensed and registered properly?
 - Not very confident, we've had some problems
 - I think we're OK, but there are some locations I question
 - We've got this covered call me if you have questions!







Today's Discussion

- Nexus Definitions Examining for clarity
- Sales Tax and Licensing Nexus 1st Cousins perhaps?
- Nexus Interpretations Some core essentials
- Initial Registration & Filing Getting it right the first time
- Consequences What if you fail to collect, report, & renew?
- Remediation Steps Systematically resolving issues
- Questions and Answers







Nexus Definitions and Table Stakes

- Income, Property, Sales & Use, BL "Definitions"
 - Income tax nexus is income derived from sources within the state or are employees engaged in more than solicitation?
 - Property tax nexus where is property located, and if moveable, where was it located at a given time?
 - Sales tax nexus where is the company's physical presence?
 - Amazon enlightenment
 - Business license nexus where is the business operating?
 - Retail HVAC with service vehicles
- Company default income tax nexus = sales tax nexus?
- Sales tax nexus and BL nexus are closer "relatives"
- ✓ BL nexus implies Sales Tax nexus, but not in reverse







Examples of Nexus & Confusing Interpretation



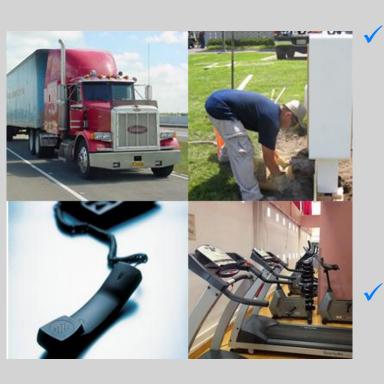
- ✓ 3rd party agents referring business and/or performing installations
- Selling handsets and telecom services nexus for both?
- ✓ Contractors vs. Subcontractors which has the licensing requirement?
- ✓ New products or services released which alter the license mix







Delivery Method of Your Product/Service May Impact Your Sales Tax Nexus



Key issues in sales tax

- Delivery by common carrier vs. company vehicle
- Use of local companies to install or provide service
- Telecommunications service
- Fitness company ships w/ common carrier but has "coaches" who refer business to them







The Manner in Which You Conduct Your Business Will Impact Your Licensing "Nexus"

Key issues with licenses

- What are you doing in the municipality?
- Have a location, line of biz, employees, inventory, conduct selling activity?

✓ Some relevant examples

- Communications company offering new products and services.
- What license do you need can one local license fulfill your responsibility across the state?









Register Properly and Avoid Future Risk

- Sales tax registration requirements
 - Initial registration
 - Renew religiously
 - "When did you first have taxable sales in the state?"
- Business license registration requirements
 - Research your new locations and audit your existing
 - Proactively renew
 - "When did you start business activity"
- Easy for states/locals to share info and enforce







Failure to Properly Determine Nexus Leads to a Failure to Collect and Remit Sales Tax

- Consequence can be a shift of responsibility
 - Sales tax is designed to be a financial obligation of the consumer
 - Ignoring sales tax responsibilities shifts financial burden to the seller
- Determine your level of exposure and then determine your next steps
 - Prospective compliance
 - Anonymous jurisdiction contact
 - Amnesty availability
 - Voluntary disclosure
 - Legal representation







Remediation & Getting Out of Hot Water with a Sales Tax Failure

- "Here comes the sales/use tax auditor" now what?
 - Quantify and fully understand the level of risk
 - Get the proper representation right away
 - Determine the appropriate remediation strategy
 - Voluntary Disclosure or Amnesty
 - Negotiation or Court
- A story to remember auditing gone extreme







Failure to Properly Determine Business License Requirements... What's the Big Deal?

- "Hard cost" consequences can be significant
 - GRT or Privilege Tax can build material financial risk
 - Penalties, interest, fines, and location closures impact revenue and profits
 - Loss of "grandfathered" provisions or tax breaks
- ✓ "Soft cost" consequences can be equally as damaging
 - Published announcement of offenders
 - Posted notices on establishment
 - Negative PR in the community and on the web
- React quickly to the municipality warnings
 - Work to quickly manage or control the remedy
 - Avoid going to court and the accompanying reputation blemish







Remediation & Getting Out of Hot Water for Business Licenses and Permits

- "Local authorities are sniffing around" now what?
 - Identify what you need to be fully compliant
 - Get existing licenses & permits properly displayed
 - Coordinate your defense plan across municipalities
- Increasing rate of identification and enforcement
 - Better off proactively resolving vs. being caught
 - Get the proper representation right away
 - Determine appropriate remediation strategy & get going







Questions and Answers

Robert Dumas, CPA Managing Partner TaxConnex, LLC (770) 656-0263

Doug Starr, Partner VP Sales & Marketing Business Licenses, LLC (678) 438-9108





