



TAX CHANGES
Avalara

2024

Midyear update

Disclaimer

While we hope you'll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.



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Meet your presenters



Mike Dillon, Esq.

Founder

Dillon Tax Consulting

Mike is an attorney specializing in multistate sales and use tax matters for multistate and multinational businesses with more than 30 years of experience. He has worked in-house for two publicly traded technology companies, served as practice leader for global accounting firms, and for the last 16 years, has been the leader of his own firm.

Mike has successfully helped companies identify multistate nexus, negotiate settlements of historical exposure, determine taxability of purchases and sales, register and automate sales tax compliance processes, and address risk during M&A activity. He has successfully represented taxpayers in over 250 sales tax audits, often coming in when “all hope is lost.”



Scott Peterson

Vice President of U.S. Tax
Policy and Government
Relations

Avalara

Scott is a frequent speaker and a nationally recognized expert on sales tax policy, sales tax administration, and sales tax automation. *Accounting Today* named Scott to the Top 100 Most Influential People in Accounting in 2018, 2019, 2020, 2021, 2022, and 2023.

Prior to joining Avalara, Scott was the first Executive Director of the Streamlined Sales Tax Governing Board and Director of the South Dakota Sales Tax Division. He is a veteran of the United States Army and a graduate of University of South Dakota.



Agenda

- Increasing the sales tax base
 - States seeking to tax digital goods and services
- Simplifying economic nexus thresholds
- Retail delivery fees
- E-invoicing mandates spread
- Q&A



Increasing the sales tax
base



INCREASING THE SALES TAX BASE

States look to tax services

- › **Maryland's HB 1515** would have expanded the state sales tax base to include most services in exchange for lowering the state sales tax rate.
 - › Legislative session ended without it being addressed
- › **Nebraska's EPIC Option** bill seeks to eliminate all income, property, and inheritance taxes and replace them with a statewide consumption tax. This would include taxing services and digital advertising.
 - › Governor has vowed to call a special legislature session if necessary



Recent activity in taxing digital goods, services, and advertising

Virginia did not pass its proposal to tax digital personal property and taxable services.

California, Nebraska, Tennessee, and Washington, D.C., all expressed interest in taxing digital advertising, but none are likely to become law in 2024.

Canada passed a digital services tax that will levy a 3% tax on large businesses' revenue from online marketplaces, social media platforms, sale and licensing of user data, and online ads.

Vermont enacted a new bill to include pre-written computer software, regardless of where it's accessed, in its definition of taxable tangible personal property.



The future of taxing digital goods and services

- › We'll continue to see increased activity as states define their sourcing rules related to digital goods.
- › Increased audit activity may provide further clarification of rules as auditors expand their interpretation.
- › Streamlined Sales Tax Governing Board took the first step to amend its sales and use tax agreement for the sale of digital goods. Under the proposed amendments, transactions would be assigned within nine-digit and five-digit ZIP codes.
 - Some have surfaced concerns over data privacy

INCREASING THE SALES TAX BASE

South Dakota Supreme Court rules general contractors are required to pay use tax

- South Dakota Supreme Court found Minnesota-based infrastructure management company [Ellingson Drainage, Inc. liable for \\$75,000 in unpaid use taxes](#) for equipment brought into South Dakota, even though some equipment was used in the state for only one day.
- When doing business in other states, it's critical to know not only your home state's tax rules, but those of other states as well.
- Pending appeal with U.S. Supreme Court





Economic nexus updates

5 years later, economic nexus is still evolving

States are updating their threshold limits:

Indiana

[SB 228](#) removed its 200-transaction threshold, retroactive to January 1, 2024. This leaves just a \$100,000 sales threshold.

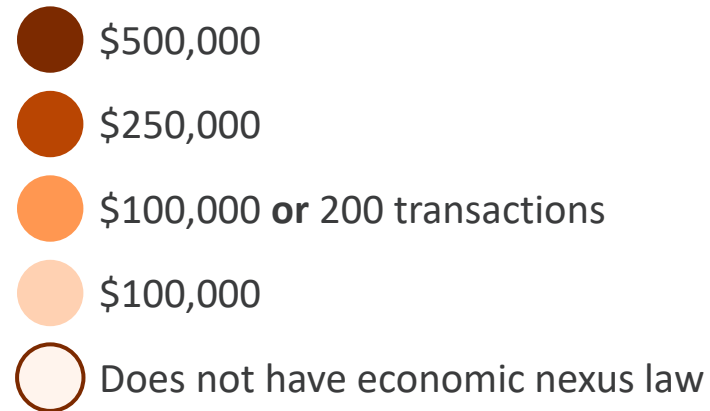
Wyoming

[HB 197](#) removed its 200-transaction threshold, effective July 1, 2024. This leaves just a \$100,000 sales threshold.

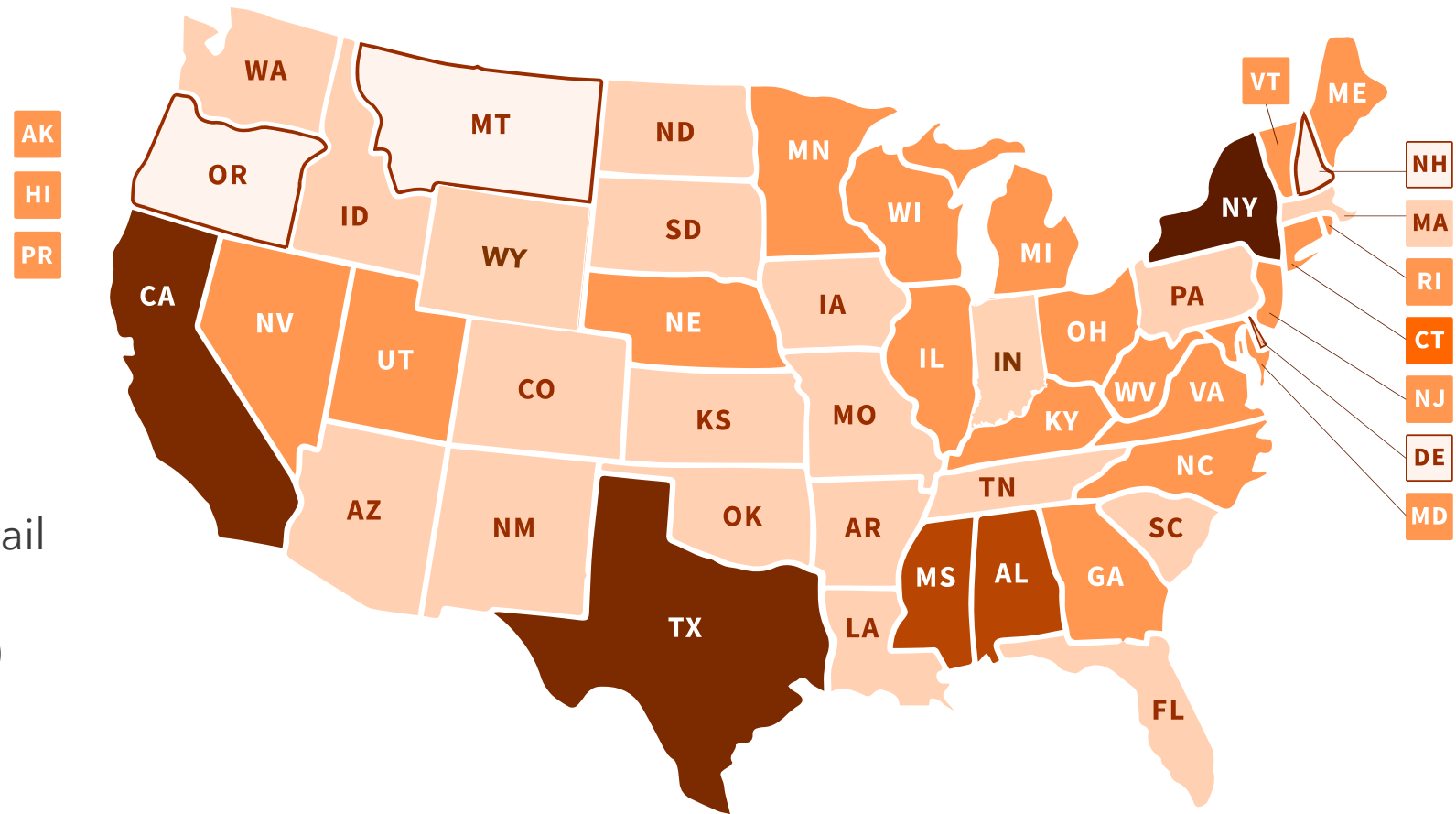
Illinois

Two businesses have claimed Illinois violates the Wayfair ruling with its varying sourcing rules and the quick pace at which it adopted economic nexus.

A current look at economic nexus thresholds by state



- > Connecticut's threshold is gross receipts of \$100,000 **and** 200 retail transactions
- > New York's threshold is \$500,000 **and** 100 transactions
- > Certain states exclude resale, services, digital, SaaS, and more.





Retail delivery fees

Retail delivery fees



Colorado's retail delivery fee applies to all deliveries made by motor vehicle in the state that contain at least one item of tangible personal property.

- › **Effective July 1, 2024, the fee will increase to 29 cents from 28 cents.**
- › Qualifying new businesses and businesses with less than \$500,000 in sales during previous year are exempt.
- › Marketplaces are required to collect and remit Colorado's retail delivery fee on behalf of their sellers.



Minnesota will impose a similar, but different, 50-cent fee on retail deliveries of orders totaling \$100 or more, **effective July 1, 2024.**

- › Will apply to delivery of clothing, even though clothing isn't taxable in Minnesota.
- › Retailers with less than \$1 million in Minnesota retail sales and marketplaces with less than \$100,000 in Minnesota retail sales will be exempt from the fee.





E-invoicing mandates
sweep the globe

E-invoicing mandates spread globally

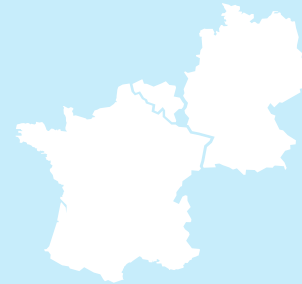
- › E-invoicing streamlines the exchange of invoice data between business partners and enables tax authorities to retrieve relevant VAT information in real time, increasing efficiency and curbing the VAT gap.
- › VAT in the Digital Age (ViDA) measures would further drive e-invoicing mandates within the EU, if/when it goes into effect.
 - Roll out has been delayed until the EU Council can reach political agreement



60+

COUNTRIES

have (or soon will have)
e-invoicing mandates

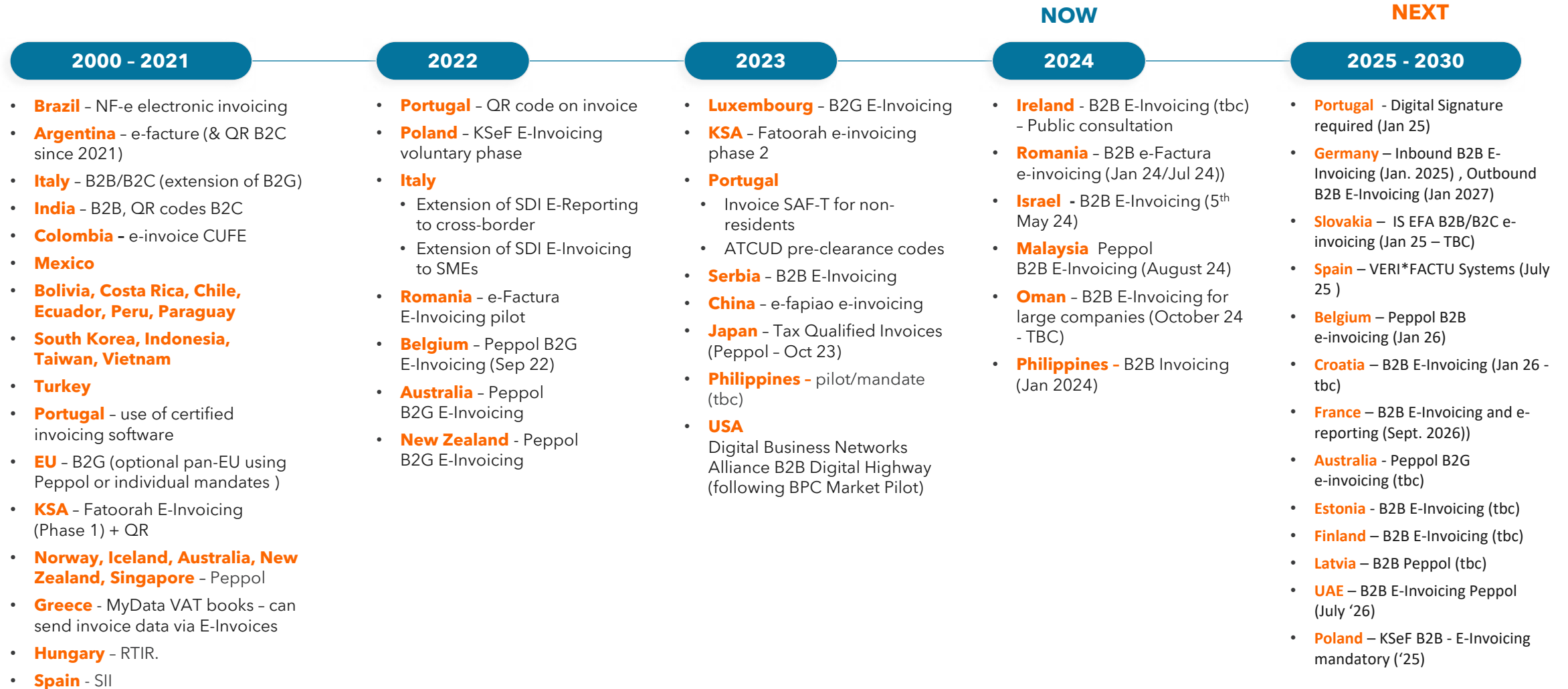


**GERMANY, POLAND,
ROMANIA**

have e-invoicing requirements
going into effect in 2025

Regulations vary among countries and evolve over time

Timeline - last two decade and next 5 years



Status: March 2024



- › U.S. businesses selling globally need to comply with other country's e-invoicing rules.
- › There are no e-invoicing mandates for the U.S., but the **Digital Business Networks Alliance** launched a voluntary open exchange network in 2023 for B2B companies in the U.S. to send and receive e-invoices and e-documents.
- › A Federal Reserve program called **FedNow** allows individuals and businesses to send and receive money within seconds.

U.S. turns sights to digital programs

Q&A



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