



TAX CHANGES

Avalara

2024

A TAX COMPLIANCE GUIDE FOR BUSINESSES

Disclaimer

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



Meet your presenters



Maria Koklanaris

Features Reporter (State
and Local Tax)

Law360

Maria has been the lead state and local tax reporter at *Law360* for six years. Prior to that, she covered the same field for the *Tax Notes* publications.

A lifelong journalist, she has also reported on education, crime, politics and government and done hundreds of features for daily and weekly newspapers, magazines, newsletters and both print and online publications.

She's a graduate of Penn State, and a two-time fellow of the Ravitch Fiscal Reporting Program at the Newmark Graduate School of Journalism.



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

- The digitalization of international tax
- Income tax updates
- Latest in economic nexus & marketplace facilitator laws
- 1099-K updates and retail delivery fees
- State-specific updates
- Software taxability trends
- Taxes on streaming
- Q&A

POLL QUESTION



What time zone
are you joining us from?



Taxation goes digital

E-invoicing mandates spread globally

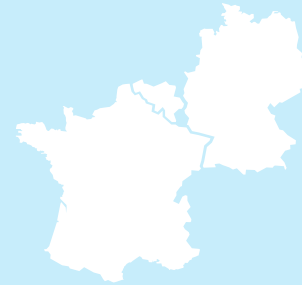
- E-invoicing streamlines the exchange of invoice data between business partners and enables tax authorities to retrieve relevant VAT information in real time
- VAT in the Digital Age measures will further drive e-invoicing mandates.



60+

COUNTRIES

have (or soon will have)
e-invoicing mandates



**ISRAEL, POLAND,
ROMANIA, AND SPAIN**

have e-invoicing requirements
going into effect in 2024

VAT in the Digital Age (ViDA) delayed

- European Union's proposed plan to modernize tax in the EU with:
 - Real-time digital reporting system
 - Updated VAT rules for platform economy
 - Single VAT registration
- Planned to launch in 2024 but recent vote delayed introduction by one year





U.S. programs turn sights to digital programs

The U.S. government is taking strides to embrace the digital age:

- > **FedNow:** A Federal Reserve instant payment program designed to reduce the time and cost of moving money.
- > **Digital Business Networks Alliance:** The U.S. Business Payment Coalition's voluntary framework for U.S. businesses to connect and exchange e-invoices with each other.

While the U.S. doesn't have e-invoicing mandates, state governments may begin to pay attention as more businesses adopt the practice.





Income tax updates

Income tax updates

- Corporate income tax doesn't have the same bright line thresholds that were established with economic nexus laws for sales tax
- About 15 states follow the Multistate Tax Commission's (MTC) guidelines specifying that a business doesn't have substantial nexus within a state unless it exceeds the following in a tax period:
 - \$50,000 of property,
 - \$50,000 of payroll,
 - \$500,000 of sales, or
 - 25% of its total property, payroll, or sales in the state
- States assert that economic nexus is triggered because a business is "doing business" in the state, but that can mean 35 different things to 35 different states.

State-specific updates:

- Ohio's Commercial Activity Tax (CAT) increased its annual exclusion from \$1 million to \$3 million
- Washington State exempted newspaper printers or publishers (or other eligible digital content) from paying B&O tax from Jan 1, 2024 – Jan 1, 2034

POLL QUESTION



What has been the most challenging aspect of managing your tax compliance in 2023?
(Select all that apply.)



Economic nexus & marketplace facilitator updates

5 years later, economic nexus is still a challenge

According to a 2023 [Avalara/Censuswide survey](#):

**72%
of respondents**

think online sales tax laws
are complex and confusing.

**40% of
respondents**

say economic nexus laws
have increased the cost of
managing tax requirements.

**72% of
respondents**

have invested in technology
to help with the calculation
and reporting of online
sales tax requirements.



All 45 states

with a state sales tax, plus District of Columbia and Puerto Rico have enacted economic nexus laws.

Thresholds vary state-by-state.

5 YEARS LATER

What's new with economic nexus?

States reconsider nexus thresholds.

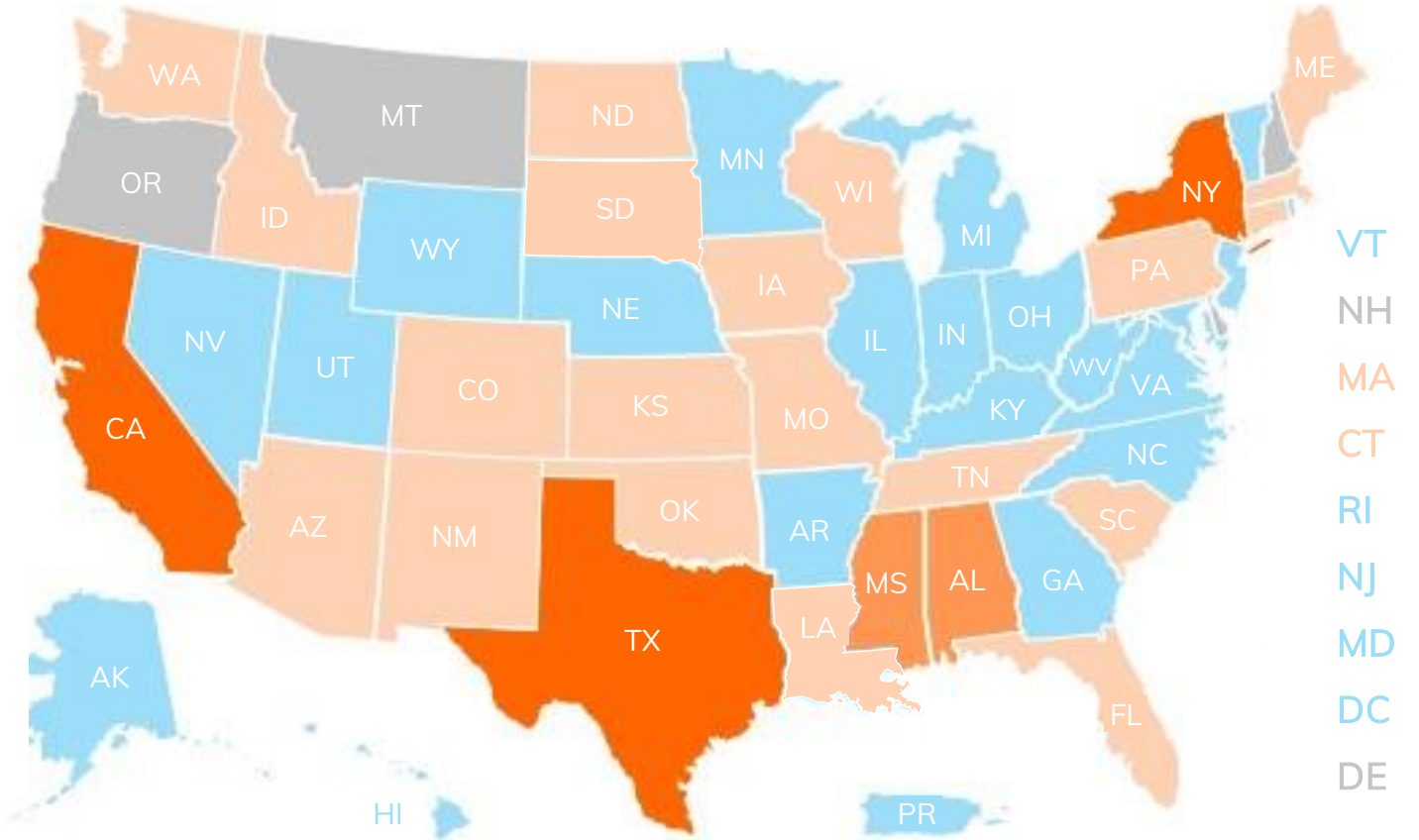
10 states have dropped the transaction threshold so far.



Economic nexus thresholds by state

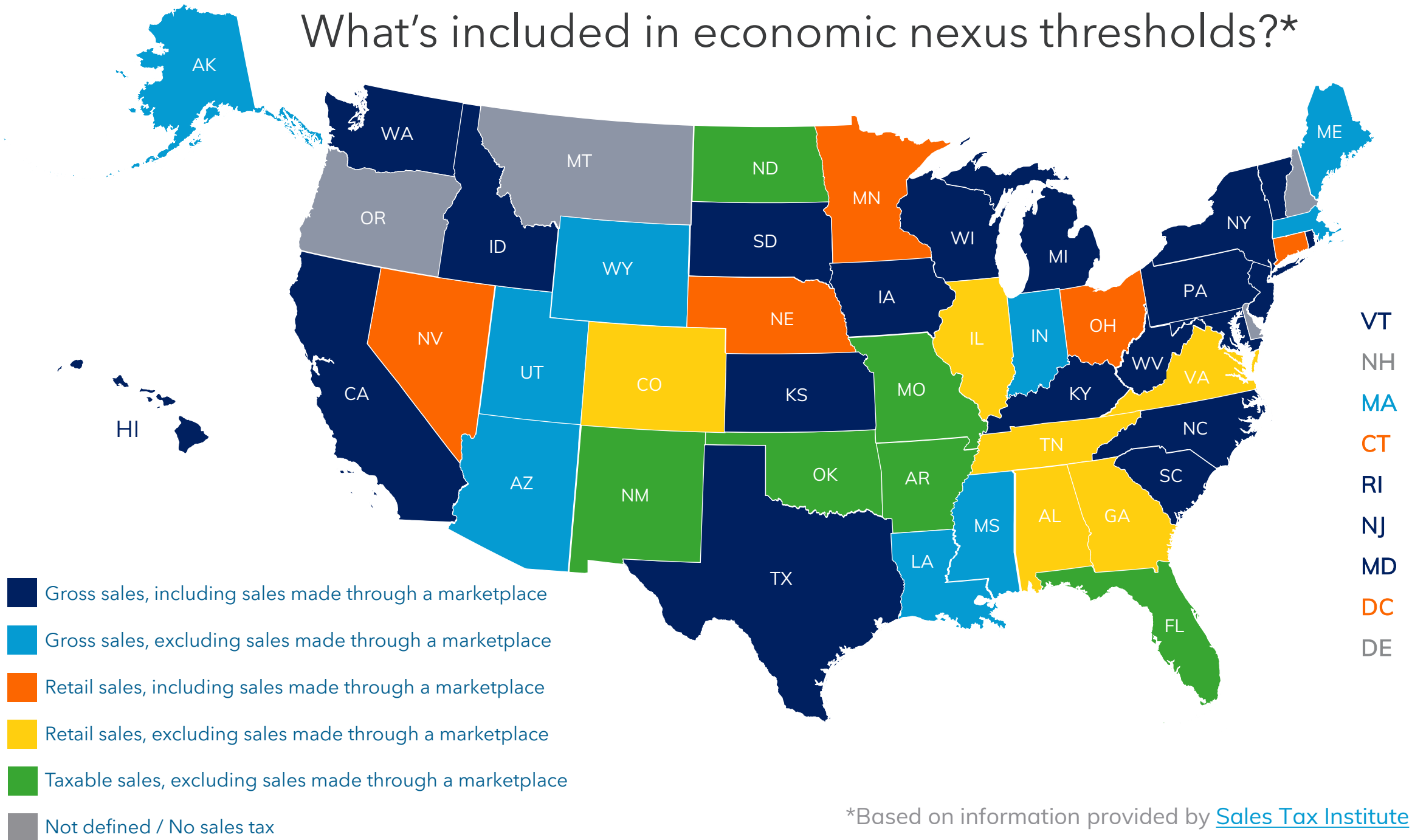
-  \$500,000
-  \$250,000
-  \$100,000
-  \$100,000 **or** 200 transactions
-  Does not have economic nexus law

- > Connecticut's threshold is gross receipts of \$100,000 **and** 200 retail transactions
- > New York's threshold is \$500,000 **and** 100 transactions
- > South Dakota and Louisiana most recently dropped the transaction threshold



Use Avalara's free [sales tax risk assessment](#) to determine where you have nexus.

What's included in economic nexus thresholds?*



*Based on information provided by [Sales Tax Institute](https://www.salestaxinstitute.com/) 19



MARKETPLACE FACILITATOR LAWS

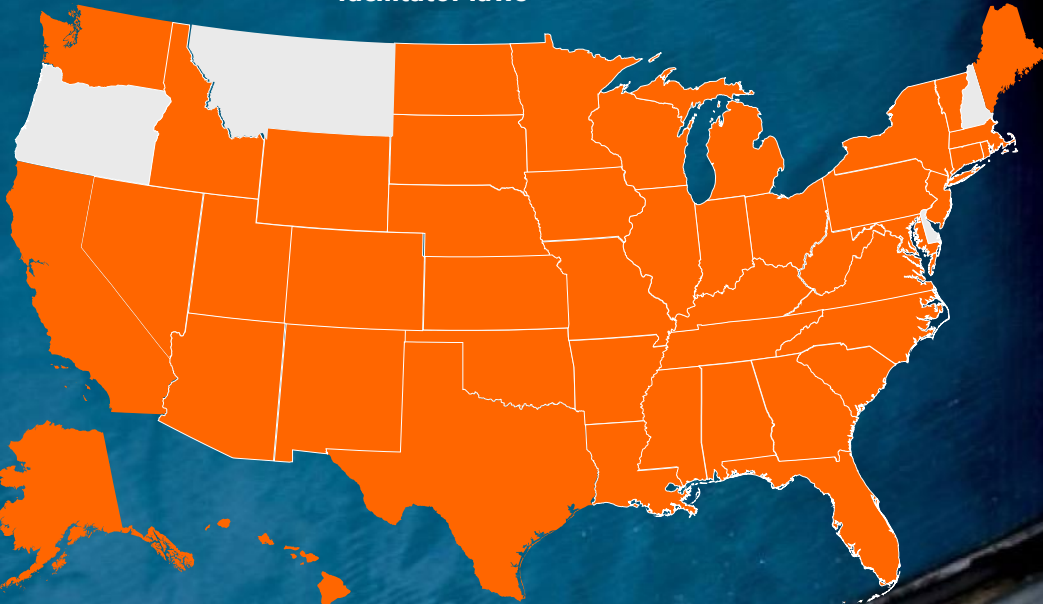
The responsibility to collect and remit sales tax lies with facilitators

45 states, plus Washington, D.C., Puerto Rico, and some localities in Alaska have adopted marketplace facilitator laws.

States are revisiting their definitions of what constitutes a marketplace facilitator. Application varies state-by-state.

Multistate Tax Commission (MTC) and National Conference of State Legislatures (NCSL) have both provided guidance for states to determine their definitions.

● States with marketplace facilitator laws





New 1099-K reporting requirements are coming

- Online marketplaces, payment apps, and credit card companies are required to file Form 1099-Ks and provide to payees (sellers)
 - The current threshold is \$20,000 in payments and over 200 transactions
- The IRS will phase in lowering the threshold in coming years*
 - **For tax year 2024:** The threshold will drop to \$5,000
 - **For tax year 2025:** Threshold will drop again to \$600

*[Internal Revenue Service](#)



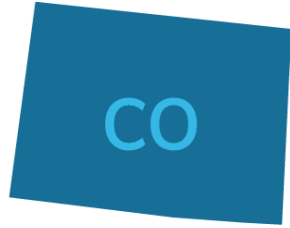
POLL QUESTION

➤ How automated are your tax processes and technologies?



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 May 4, 2023, qualifying new businesses and businesses with less than \$500,000 in sales during previous year are exempt.
- › Effective July 1, 2023, the fee jumped from 27 cents to 28 cents.
- › 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.

- › May be imposed on delivery of clothing, even though clothing isn't taxable in Minnesota.
- › Marketplaces with less than \$1 million in retail sales will be exempt from Minnesota's fee.





Other notable updates

State-specific updates



Illinois is being challenged in court over the issue of destination and origin sourcing.

Virginia now only allows law firms within the state to help businesses obtain beverage alcohol licenses.

Maryland and **California** both enacted bottle fees that in- and out-of-state sellers must adhere to.

A close-up photograph of a person's hand holding a credit card over a laptop keyboard. The background is blurred, showing another person's arm and a laptop screen. The lighting is warm and soft, suggesting an indoor setting with natural light.

Software & digital product taxability updates

- States are redefining their tax laws to include digital products and services.
- The Multistate Tax Commission (MTC) is redefining digital products for the purposes of taxation.
- Conversations are underway around digital sourcing within the Streamlined Sales Tax (SST).
- Maryland's digital advertising tax is still making waves

Taxes on streaming services

- 33 states require streaming services to collect sales tax*
- More localities are asserting that streaming service providers owe sales tax due to physical presence through their use of broadband/fiber networks
- So far, localities are not having much luck in the courts, as most courts have ruled that streaming services cannot be taxed in the same way that cable companies are
- In Missouri, a state judge recently ruled that cities have there have a right to sue under state law

*Deloitte



POLL QUESTION

➤ What information do you find the most valuable from Avalara Tax Changes?

Q&A