



What you need to know about U.S. sales tax nexus



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The U.S. Market continues to report growth

ECONOMIC GROWTH

Real (inflation-adjusted) gross domestic product could increase by 1.5% in 2024



\$3.2T

value of goods imported into the U.S. in 2022

The U.S. holds the top spot globally when it comes to importing goods



\$553B

value of goods imported from EU27 in 2022

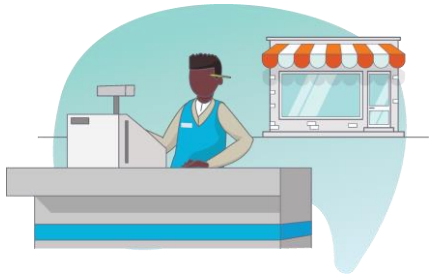
In the last decade, trade between the EU and U.S. has doubled

INFLATION CONTINUES TO GRADUALLY DECLINE

Growth in the price index for personal consumption may continue to slow down



Nexus is the connection between a seller and a U.S. state that requires the seller to register, collect, and remit sales tax. There are two types of nexus:



Physical nexus

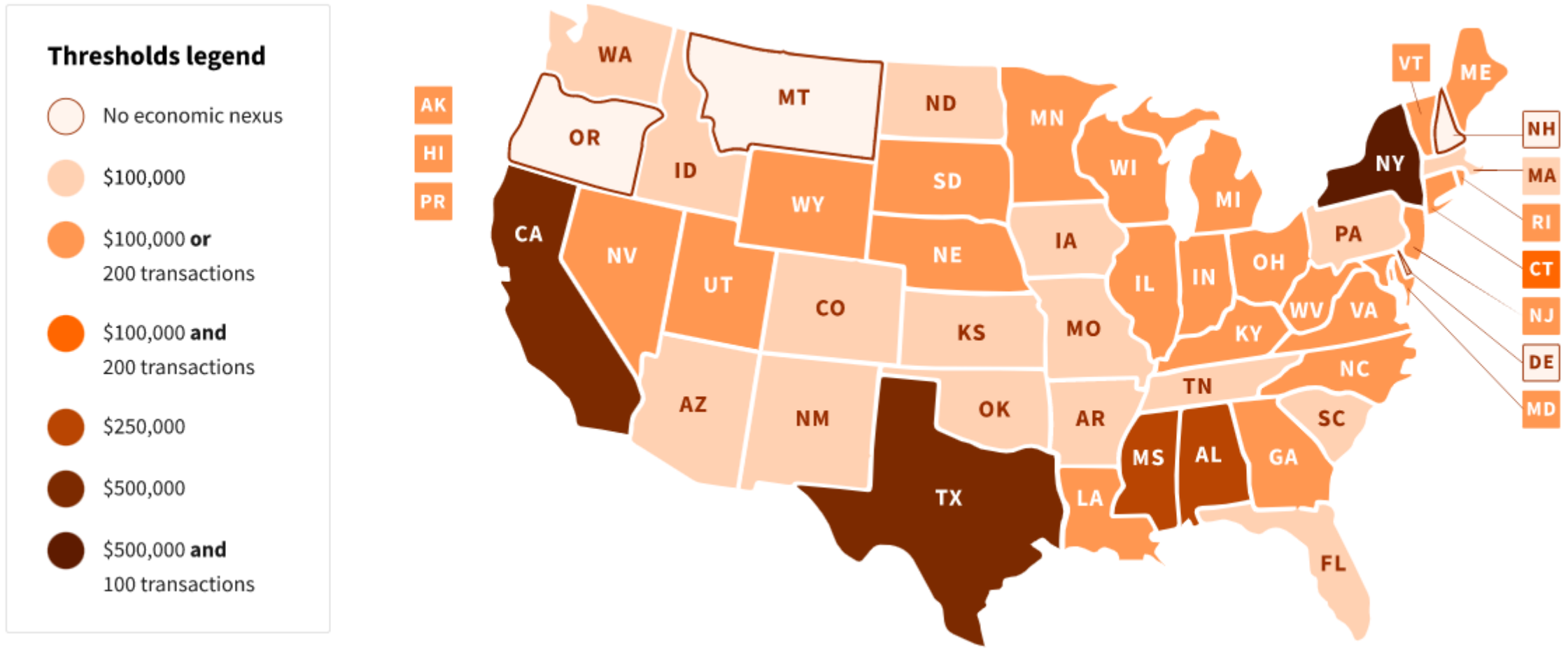
is triggered when your business has a physical presence in a state, such as a brick-and-mortar location.



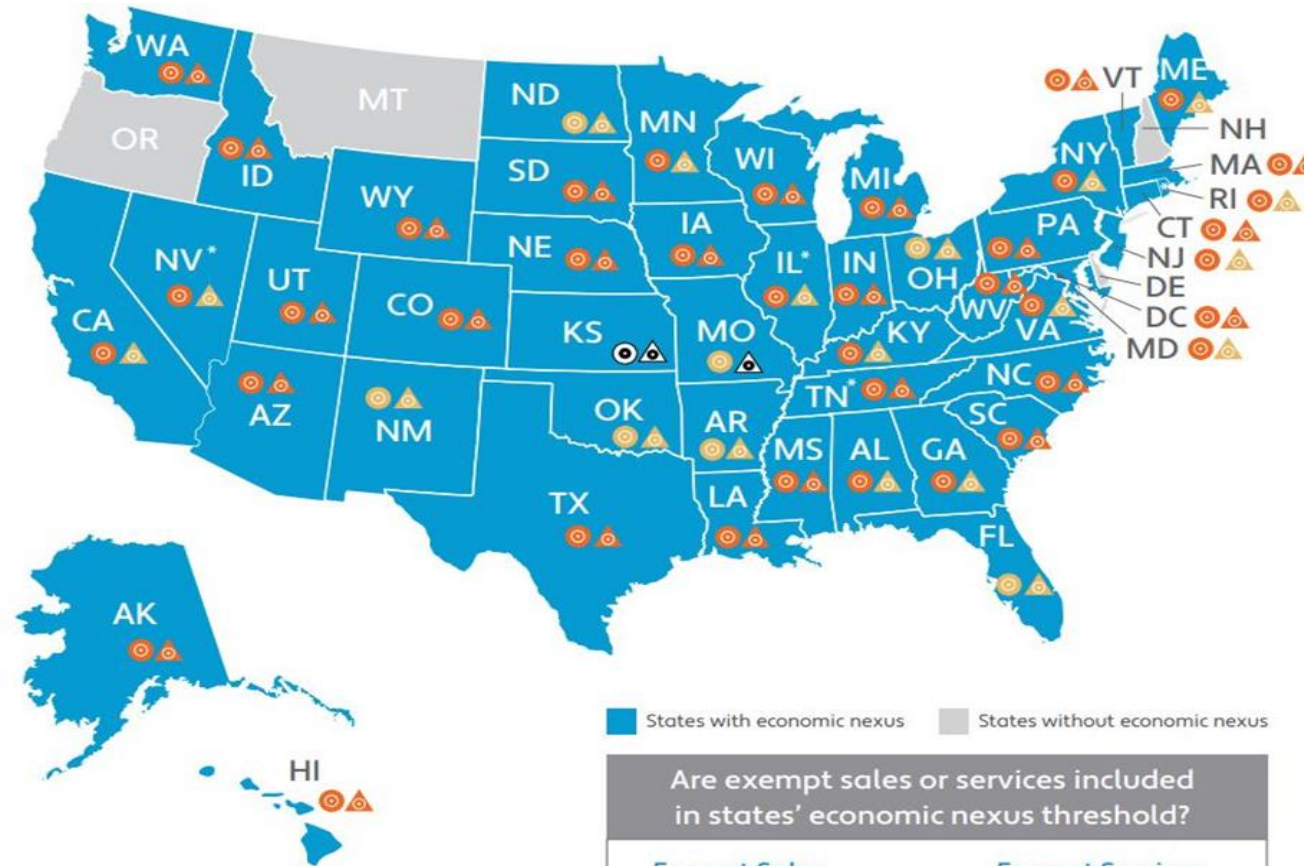
Economic nexus

is triggered when your business crosses a sales revenue and/or transaction threshold set by the state. Economic nexus impacts businesses with no physical presence in a state.

Economic nexus thresholds by state



Exempt sales in states with economic nexus laws



States with economic nexus States without economic nexus

Are exempt sales or services included in states' economic nexus threshold?

Exempt Sales		Exempt Services	
	Included		Included
	Not Included		Not Included
	Unclear		Unclear

*States that include exempt sales in the threshold count but exclude sales for resale

Option 1: File back taxes

Businesses whose past exposure is quite small may be able to simply back file those returns and pay the associated penalties, fines, and fees

Consulting with a tax professional before filing back returns is always recommended.

And remember, before you can file a return or make a payment, you must first register with the state (i.e., obtain a sales tax permit).



Option 2: Enter into a VDA with the state

Most states offer voluntary disclosure agreement (VDA) programs to encourage nonregistered businesses to self-identify and pay the taxes they owe.

A VDA can limit the look-back period and reduce or waive late filing or late payment penalties for participating businesses.

Because of this, VDAs are typically recommended when exposure in a state is high.



Option 3: Ignore past liability and register anyway

If you have prior exposure in a jurisdiction, you may put yourself at risk if you simply register without acknowledging your history in the state.

Misrepresenting or concealing past nexus with a state can lead to civil and criminal penalties and potential personal liability.

If you suspect you have past liability in a state – and even if you don't – it's always advisable to consult with a tax advisor before registering in new jurisdictions.



Option 4: Do nothing

Ignoring both past liability and new obligations to collect and remit sales tax is risky.

If you have a history of doing business in the state without collecting and remitting the taxes you owe, you could end up with a mighty big tax bill.

In that case, you'll likely have to pay, out of pocket, the sales tax you could have collected from your customers.



Are you registered in every U.S. state you need to be? Take a free U.S. Sales Tax Risk assessment to find out.

1. Select the U.S. states you sell in

2. Identify whether your sales volume meets or exceeds the thresholds in those states

2. Review your results

STEP 1 OF 3

Select the states where you make sales

Check all states where you make sales but don't have a sales tax permit, don't collect sales tax, and don't file sales tax returns.

Existing customer?

Sign in to your Avalara account for a better way to review your sales tax obligations

Select all

Next

 Alabama


 Indiana

 Nebraska

 Rhode Island

 Alaska

 Iowa


 Nevada

 South Carolina

 Arizona

 Kansas

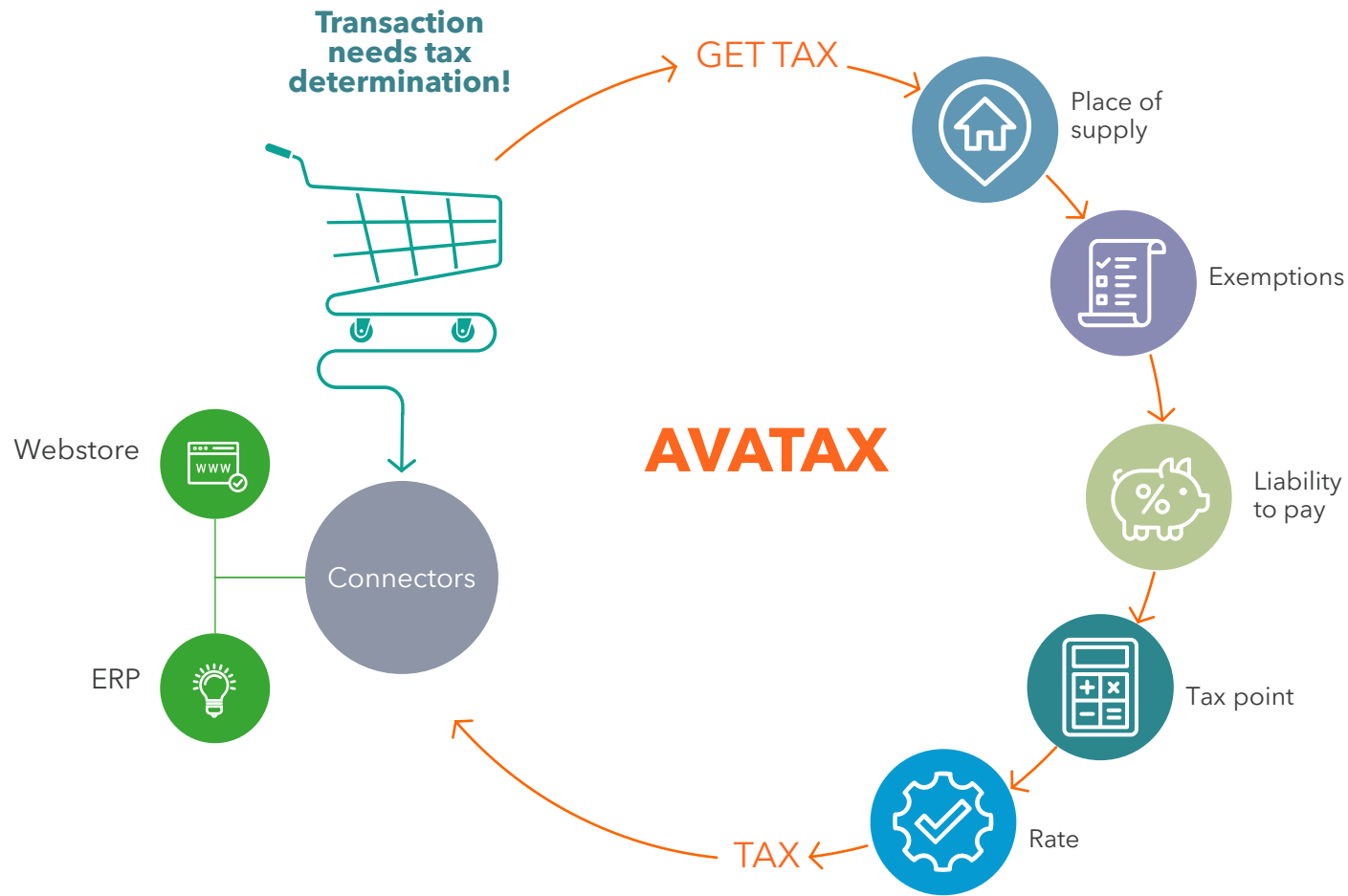
 New Hampshire

 South Dakota

<https://www.avalara.com/us/en/learn/nexus/sales-tax-risk-assessment.html>



Avalara AvaTax



Final tax provided and automatically included on invoices:

- > Displayed at checkout, on your receipt or invoice
- > Provides invoice messaging where applicable

VAT Detail Report

FRANCE // E.U.		
TYPE	JURISDICTION	TOTAL TAX
VAT	FRANCE	€1,000.00
Region tax	Normandy	€26.25
Customs tax	4.2%	€40.20
SPECIAL TAX JURISDICTION	FLY INC. Local TAX SL	€105.00

Manage tax compliance every step of the way

Avalara can help automate U.S. sales and use tax compliance with greater accuracy and easy implementation



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