

U.S. Supreme Court decision changes sales tax rules for remote sellers



3 steps to readying your business for economic nexus

It took 26 years for the Commerce Clause to catch up with ecommerce. On June 21, 2018, the Supreme Court ruled in the case of *South Dakota v. Wayfair*, giving way for states to [impose sales tax on remote sellers](#) based on **economic nexus** (the volume or dollar value of sales into a state) and not just physical presence.

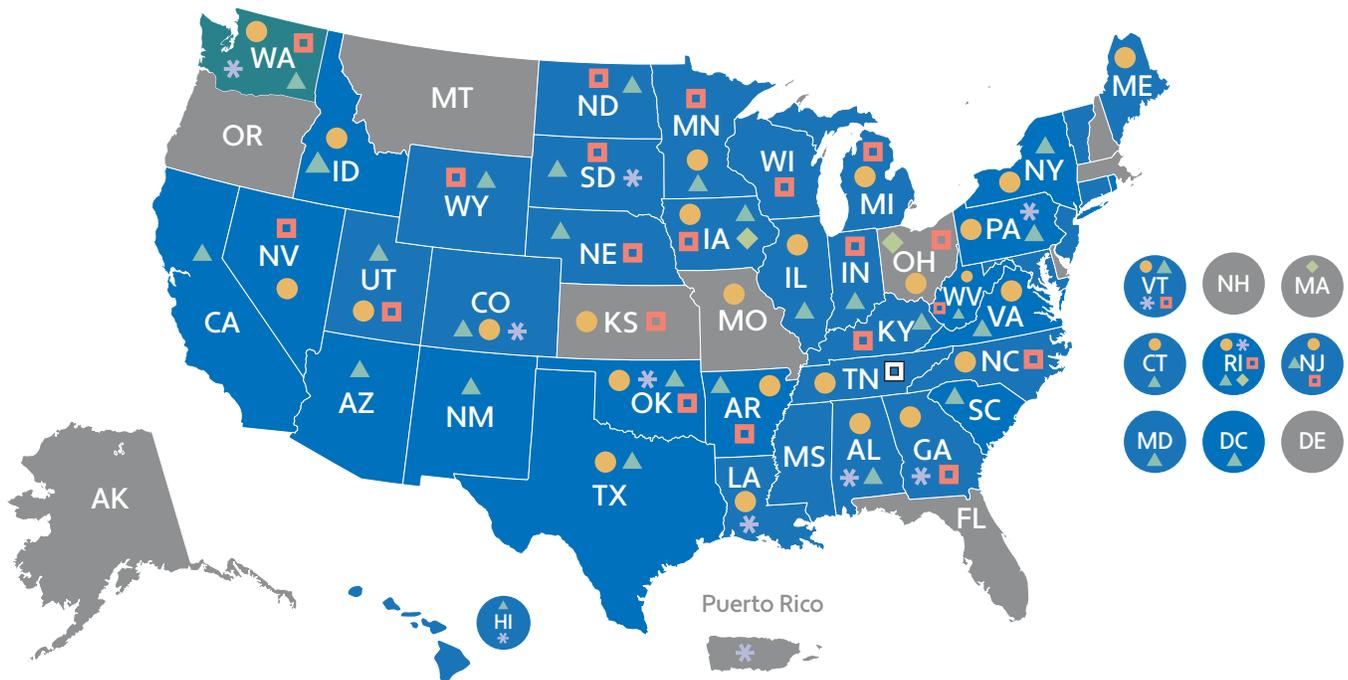
Settling the debate took years, but requiring companies to comply will likely come much faster. And it's not just Internet retailers that need to pay heed to tax rule changes. **Any business in any industry that sells to or services out-of-state customers, online or offline, could be on the hook for sales tax under economic nexus.**

Here are three actions every tax manager, finance leader, and business owner should take to prepare:

1. Reassess Nexus: Where are your current (and future) customers?

Why it's time: Now that the Supreme Court has given the green light to one state to collect sales tax on remote sales, others are undoubtedly following suit. Already, nearly 30 states have economic nexus laws in place or pending (see map). What that means is that, in addition to states where you have physical presence nexus, you could be required to collect and remit sales tax on sales into states where you meet the minimum [thresholds for economic nexus](#) either based on volume of sales or total revenue from those sales.

- States with economic nexus (remote transactions)
- States with economic nexus (remote transactions and B&O tax)
- States with affiliate or click-through nexus
- * States with use tax reporting for non-collecting sellers
- Streamlined Sales Tax (SST) state
- SST associate member state
- ▲ States that tax marketplace sales
- ◆ States with cookie/software nexus



as of June 24, 2019

The Bottom Line: If you are uncertain of your nexus obligations or want to be extra sure your business is compliant under the new economic nexus regulations, consider a [nexus analysis study](#).

2. Revisit Registration: Will you now need to collect and remit sales tax in more states?

Why it's time: If your sales activities give you nexus in more states, you'll need to register to collect sales tax, remit tax, and file sales tax returns in those states. How and when you need to file returns and remit sales tax can be drastically different from state-to-state. Keeping on top of your obligations with the additional burden of economic nexus could become a challenge to manage manually or with in-house staff.

The Bottom Line: Consider the benefits of having a third-party handle registration and returns for you. Avalara has a full suite of technology solutions that address every stage of tax compliance from accurate rate calculation to on-time returns filing to [business license and tax registration services](#).

3. Rethink Compliance: Is there a better way?

Why it's time: How you manage sales tax and use tax today may not be enough to keep you compliant once states start expanding and enforcing economic nexus. If the company is growing or planning to grow, its tax obligations will likely grow too. If your financial systems aren't optimized for tax changes of this magnitude or you are too reliant on staff to keep you compliant, the company could be at greater risk for errors or audits.

The Bottom Line: Having a robust and reliable sales tax solution in place today prepares you to deal with any and all tax obligations that impact your business now or in the future. Check out Avalara's [cloud software solutions](#), which offer unparalleled accuracy and reliability and turn-key set up in your current ERP, ecommerce or accounting system.

Rest Easy. Sales tax is complicated. And it's not likely to get easier anytime soon. But that doesn't mean it has to eat up resources and be a burden on the business. Explore the benefits of tax automation. Ask your platform provider about Avalara or **talk to one of our tax automation specialists**. There's peace of mind in knowing you're doing sales tax right...no matter which way the gavel falls.



About Avalara

Avalara helps businesses of all sizes achieve compliance with transaction taxes, including sales and use, VAT, excise, communications, and other tax types. The company delivers comprehensive, automated, cloud-based solutions designed to be fast, accurate, and easy to use. The Avalara Compliance Cloud® platform helps customers manage complicated and burdensome tax compliance obligations imposed by state, local, and other taxing authorities throughout the world.

Avalara offers more than 600 pre-built connectors into leading accounting, ERP, ecommerce and other business applications, making the integration of tax and compliance solutions easy for customers. Each year, the company processes billions of indirect tax transactions for customers and users, files more than a million tax returns, and manages millions of tax exemption certificates and other compliance documents.