

ECONOMIC NEXUS

WHAT IS IT?

Economic nexus is a tax collection obligation imposed on sellers based on their level of economic activity within a state.

Unlike physical presence, it is based **entirely** on sales revenue, transaction volume, or both.

Like most sales tax laws, economic nexus criteria vary by state. All aim to level the playing field between non-collecting out-of-state sellers and brick-and-mortar businesses.

South Dakota vs. Wayfair

Economic nexus expands at a rapid rate



October, 2017



October, 2018

Ecommerce and the fallout from South Dakota v. Wayfair, Inc.

According to Forrester Research, ecommerce sales could reach \$500 billion by 2018. In the U.S. alone, retail sales jumped 200% between 2010 – 2017. States respond with new economic nexus laws – obligating remote sellers to file and remit sales tax based entirely on the volume of sales into a state.

Sales tax laws on remotes sellers triple after U.S. Supreme Court ruling in South Dakota v. Wayfair, Inc.

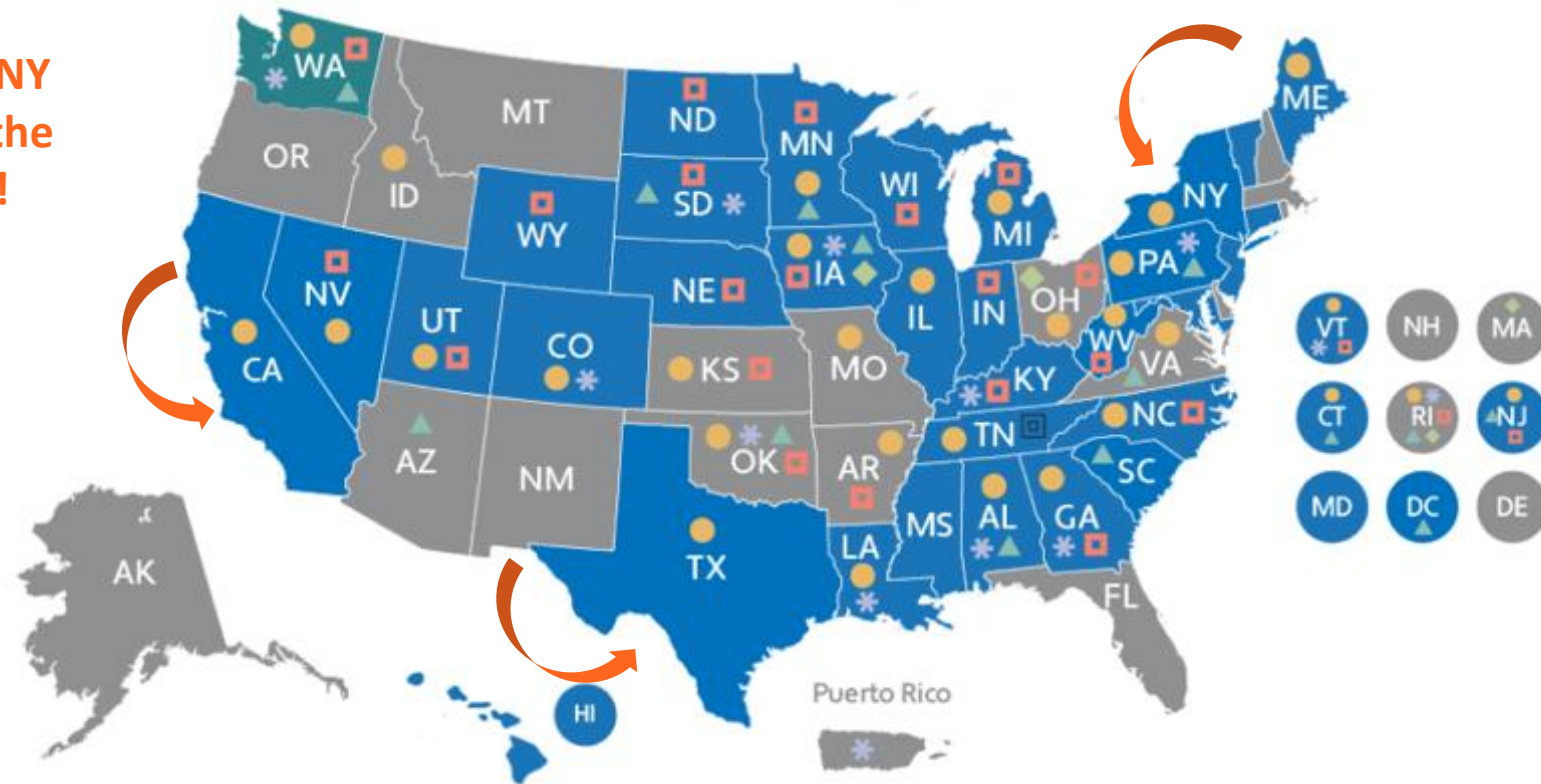
South Dakota vs. Wayfair

- Key Takeaways
 - Physical presence is no longer a requirement
 - An economic threshold is as low as - \$100,000 in sales/200 transactions
- This applies not just to online sellers but individuals who sell anything, including digital goods and software.
- Your customers now determine where you have to collect.
- Some states tax everything, and especially things that are not commonly taxed.

States with sales tax nexus laws

- 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

CA, TX, NY
among the
latest!



Effective January 17, 2019

South Dakota v. Wayfair, Inc.

New sales tax rules for remote (online and off-line) sellers

Check your nexus

Select the states where you make sales.

Select all

Next

States marked with **N** have nexus laws affecting remote sellers. These include click-through nexus, economic nexus, software nexus, marketplace sales taxes, and/or reporting requirements for non-collecting sellers.

Alabama N	Indiana N	Nebraska N	Rhode Island N
Alaska	Iowa N	Nevada N	South Carolina N
Arizona	Kansas	New Hampshire	South Dakota N
Arkansas N	Kentucky N	New Jersey N	Tennessee N
California N	Louisiana N	New Mexico N	Texas N
Colorado N	Maine N	New York N	Utah N
Connecticut N	Maryland N	North Carolina N	Vermont N
Delaware	Massachusetts N	North Dakota N	Virginia N
Florida	Michigan N	Ohio N	Washington N
Georgia N	Minnesota N	Oklahoma N	Washington, DC N

2018 in review . . .

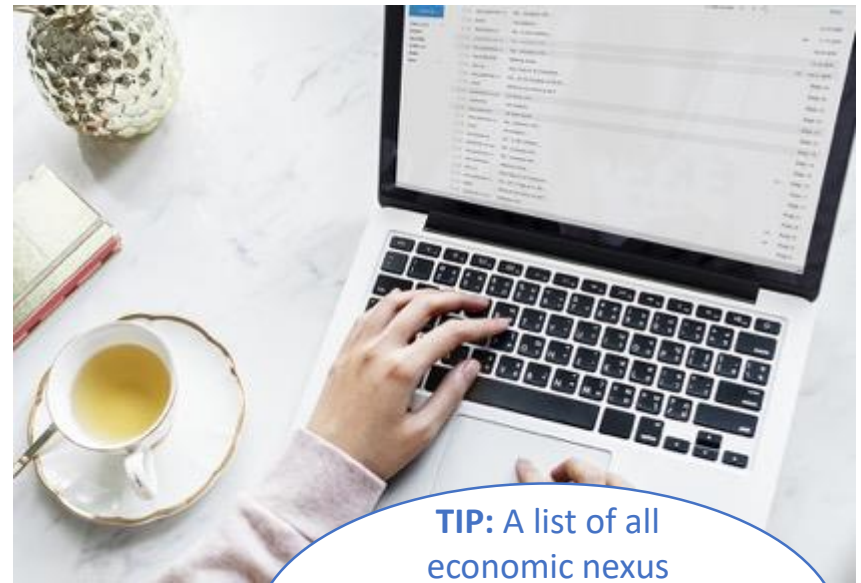
Here's a look at 2018 by the numbers:

- 29 states adopt economic nexus, requiring out-of-state businesses with a certain amount of economic activity in the state to collect and remit sales tax
- 8 states impose sales tax collection obligations on marketplace providers and sellers
- 5 states establish use tax reporting requirements for non-collecting sellers
- 2 states adopt affiliate or click-through nexus laws for out-of-state sellers
- 8 states offer amnesty on back taxes, penalties, and interest

Evaluating nexus – physical presence is still here

Economic presence and physical presence

- **Nexus** is the connection between a business and a taxing authority that requires the business to submit itself to the jurisdiction of that authority.
- Types of nexus for remote sellers:
 - Property
 - Employees
 - Click-through
 - Affiliate
 - Economic
 - Marketplace



TIP: A list of all economic nexus thresholds can be downloaded in the resource section of this webinar