

Bailey,Carr CPAs, P.C.

NEWSLETTER

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Use Tax Reporting

Many of you have been hearing about the Supreme Court case involving the internet company Wayfair. It has been widely reported as an internet sales tax case that will make it easier for states to require companies to collect sales tax.

The implication that it is only for internet sales is a bit deceptive. This case involves all businesses that sell and ship product to states in which they are not registered. The effect is not immediate. This will free up states to enact laws that will require companies to collect sales tax for them. It is important to note that the court ruled there must be substantial transactions by the business. One sale is not apt to require a company to register in a state.

What does 'substantial' mean? Many people think it will be a dollar amount, such as having \$100,000 in sales into that state. It also gives credence to some laws that states already have that require businesses to register in the state. This is going to stimulate a lot of tax law changes. We will keep you posted as we see this occur.

Because states have a difficult time collecting tax for sales made by out-of-state vendors, they are requiring out-of-state vendors to report their sales into the state. This started last year. Just in the past few months, 6 more states have enacted laws requiring the reporting of sales into their states by non-registered companies. There are now 13 states with these laws: AL, CO, CT, GA, KY, LA, OK, PA, RI, SC, SD, VT, and WA. Most states require the vendor to have \$100,000 or \$250,000 in sales to the state before they are required to do the reporting. A few states don't have a dollar amount such as CT and LA. A few like PA have only a \$10,000 in sales requirement (which doesn't go into effect until 2019). These laws are very new. We have seen no enforcement action yet, but it is expected.

If you ship product into these states, contact us to review these laws and their applicability to your company. Consider giving us a breakdown of sales by state with your next tax return information.