



Sales tax returns 101

Christine Martin, Senior Solution consultant, Avalara

March 20, 2025

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Continuing Professional Education (CPE)



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➤ **Meet your presenter**



Christine Martin

Senior Solution
Consultant, Avalara

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Prior to Avalara, Christine spent 15+ years working in the sales and use tax space. She has experience as a tax manager at a Fortune 1000 paper manufacturer and director of compliance for a telecommunications tax outsourcing provider. Additionally, she spent four years managing a partner channel in the business intelligence and financial reporting space.

Agenda

- 01** Welcome & Objectives

- 02** Challenges of Sales and Use tax

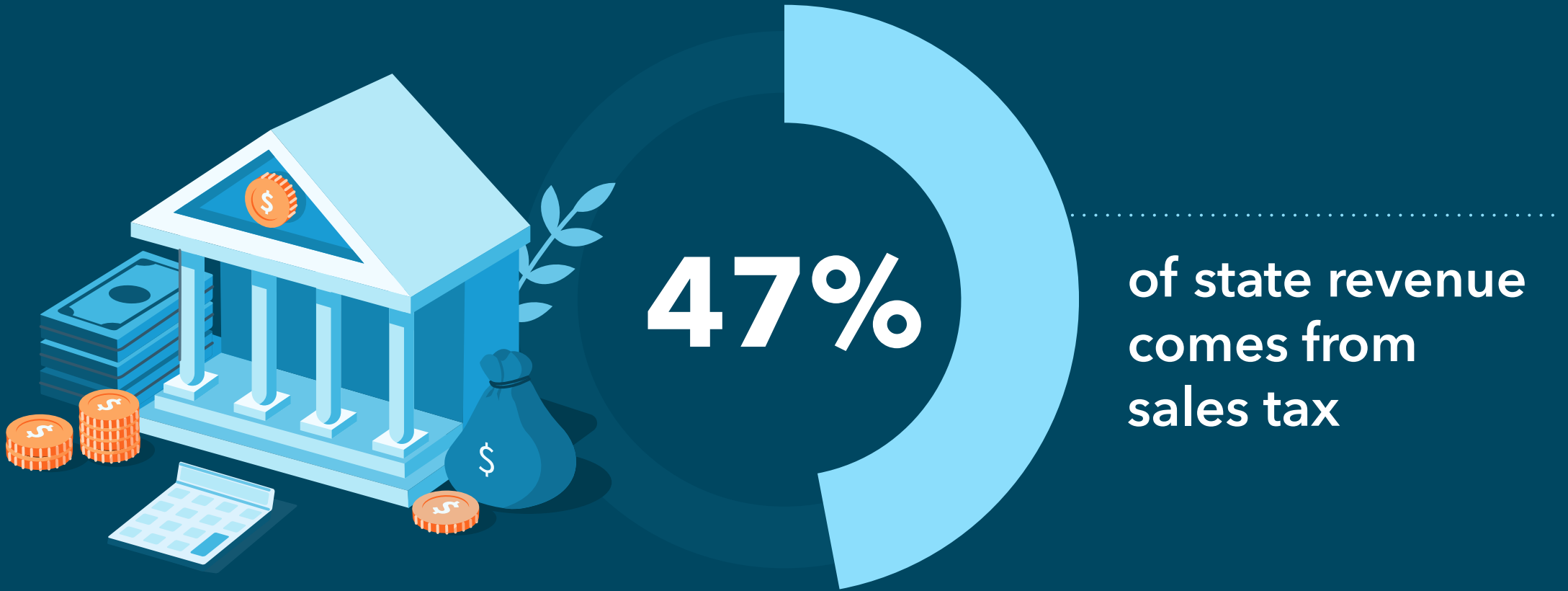
- 03** Why Filing Sales and Use Tax Returns is hard

- 04** Managed Returns in Action and key takeaways for your business

- 05** Q&A



> Challenge in Sales and Use Tax



U.S. Census Bureau: Finance - [Survey of State Government Tax Collection](#), 2014



The nexus challenge

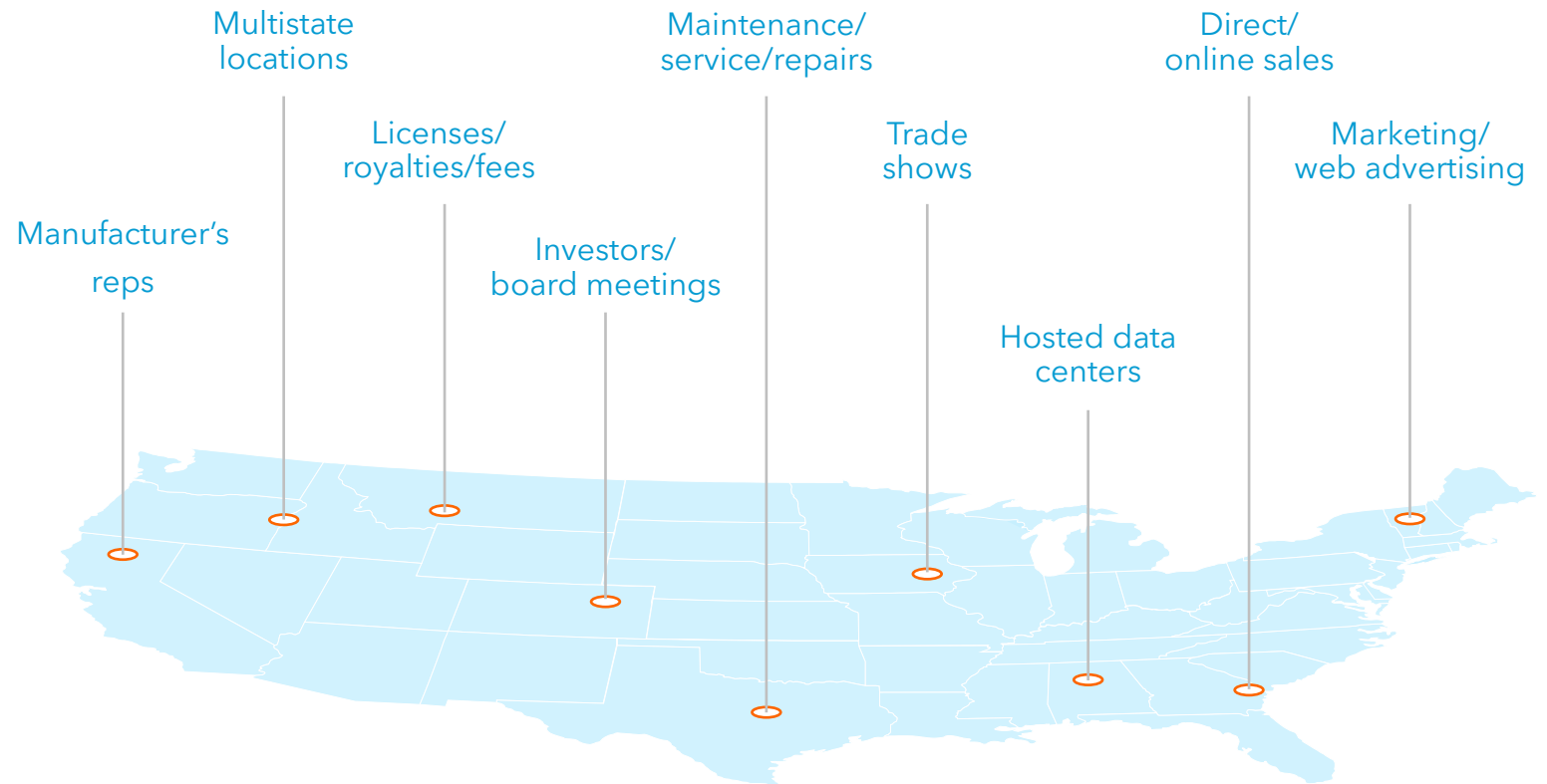
Owned / leased
real property

Field sales / service staff

Inventory location

Affiliates

Economic nexus





Nexus-creating activities

A growing list



Affiliates



Trade shows



Commissions to resellers



Investors / board meetings



Marketing / web advertising



Drop shipments



Multi-state locations



Maintenance / service / repairs



Owned / leased real property



Hosted data centers



Field sales / service staff



Licenses / royalties / fees

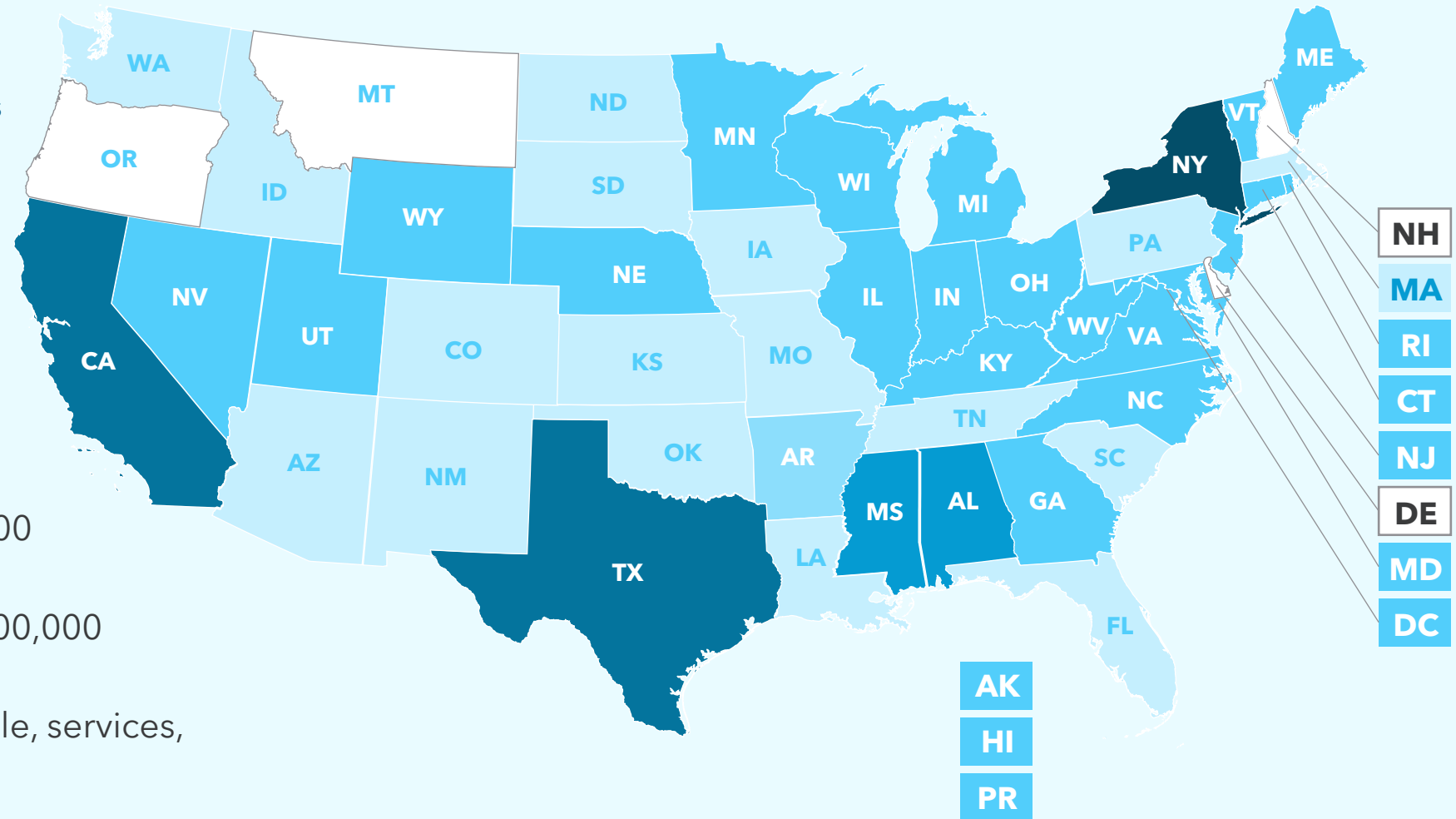
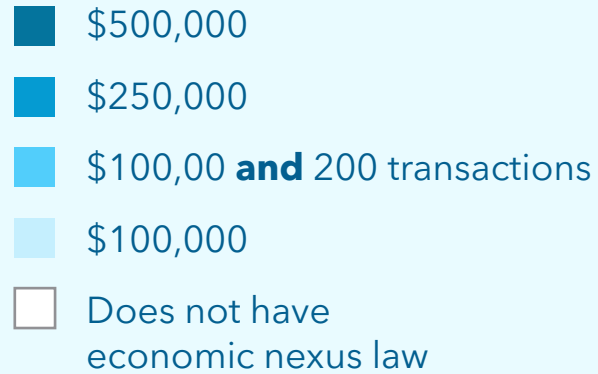


Direct / online sales



Inventory

Economic nexus thresholds by state



- Connecticut's threshold is gross receipts of \$100,000 **and** 200 retail transactions
- New York's threshold is \$500,000 **and** 100 transactions
- Certain states exclude resale, services, digital, SaaS, and more.



The product taxability challenge

Product definitions vary by jurisdiction

Complex product-based tax exemptions and special rates

Taxability may vary based on how the product is used



Tree trimming in California

Taxable With lights

Exempt Labor only



Takeout in Colorado

Taxable Straws, cups, lids

Exempt Cups



Donuts in Texas

Taxable < 5

Exempt > 6



Snow removal in Midwest

Taxable Ohio

Exempt Illinois



Bagels in New York

Taxable Sliced

Exempt Whole



Candy bars in Indiana

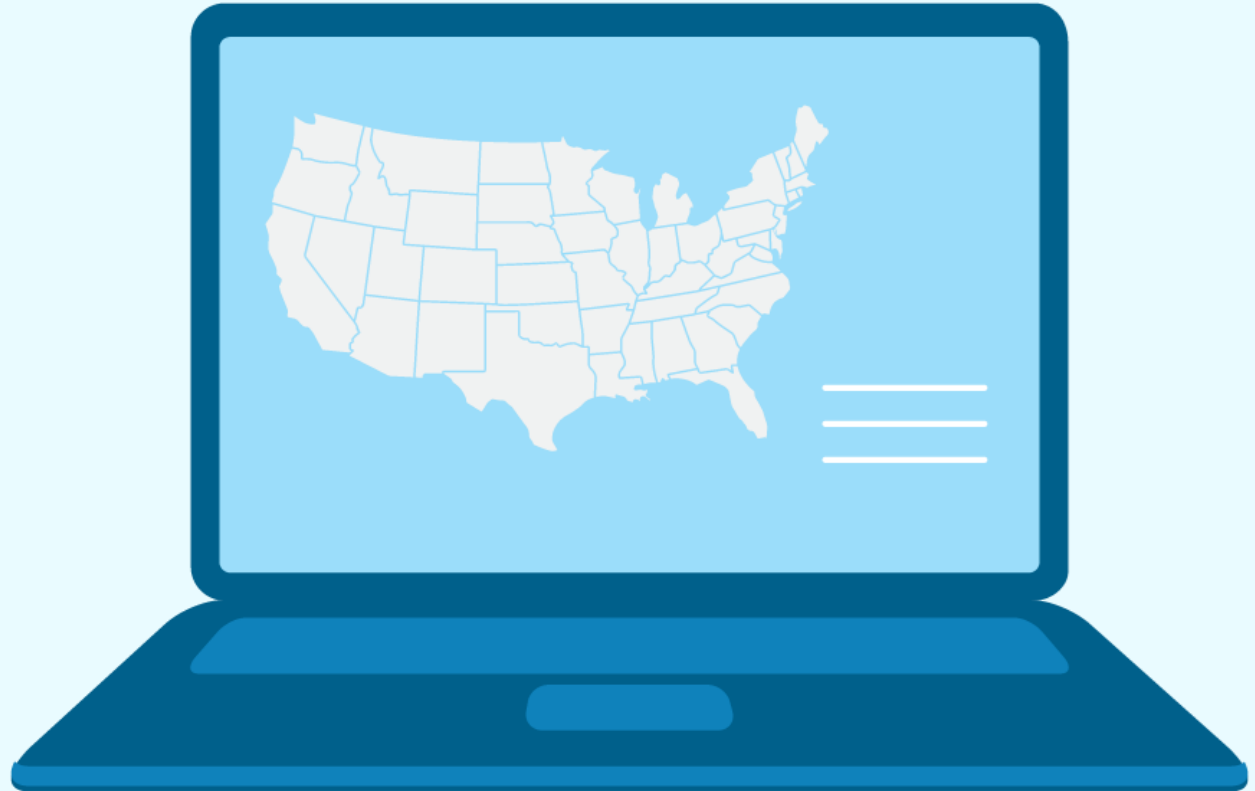
Taxable Snickers

Exempt KitKat, Twix



The jurisdiction assignment challenge

13,000+ sales & use
tax jurisdictions



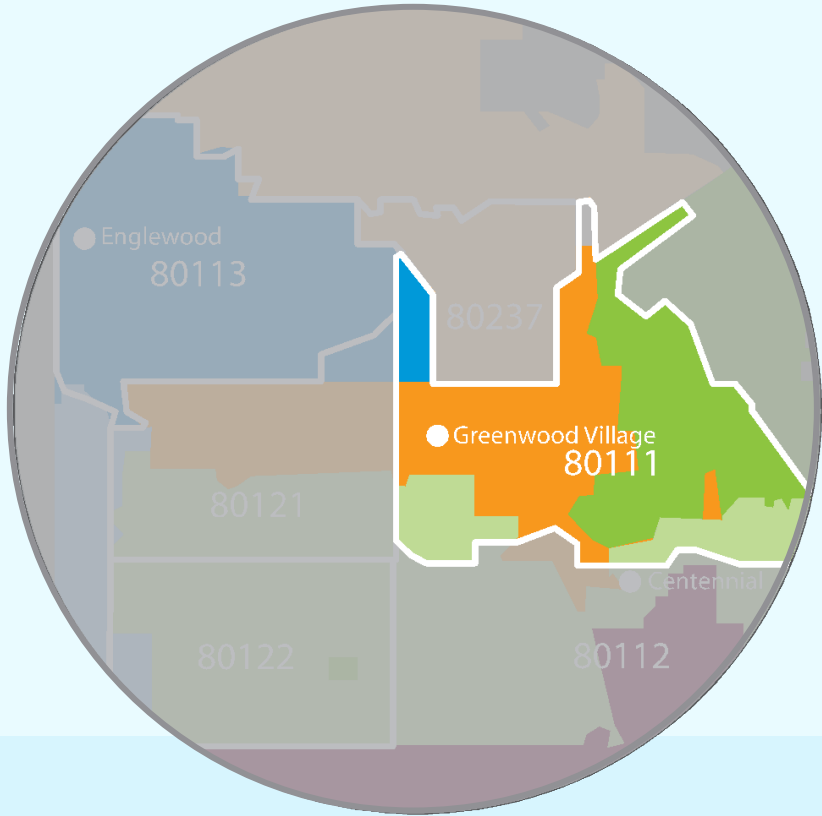


The jurisdiction assignment challenge

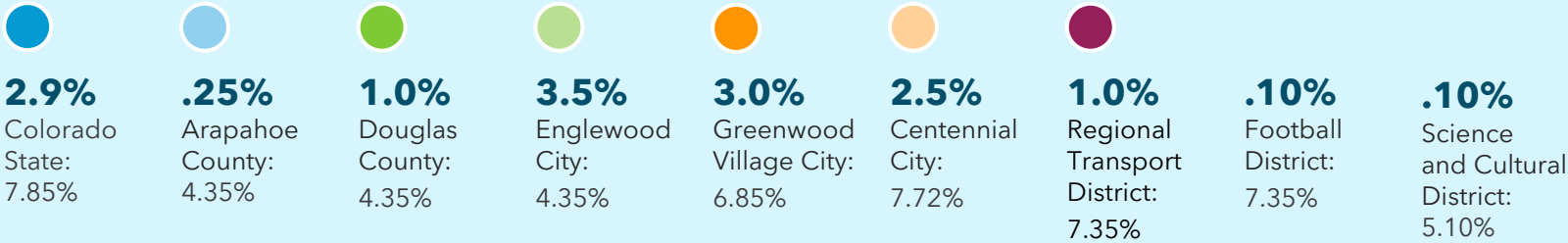
13,000+ sales & use tax jurisdictions

Boundaries may overlap

Zip code-based jurisdiction assignment is accurate



80111 taxes



> **Why Filing Sales and Use Tax Returns is hard**

The 4 biggest challenges

Industry data from reports:



Multi-state filing complexity

13,000+ tax jurisdictions



Data reconciliation issues

Recorded vs.
Reported
variance



Strict filing deadlines

High penalties for
late filings and
payments



Changing tax regulations

Constant updates
require ongoing
monitoring

> Returns challenge

Forms

Filing Frequency

Prepayments

Multiple Data Streams

Due Dates

Filing Methods

Payment Methods

Credits

Amending

Notices

Forms

Which form to register
and file?

ALABAMA



Sales Tax



Sellers
Use Tax



Consumer
Use Tax



City /
County



Simplified
Seller

FLORIDA



Each
Location

MISSOURI



Sales Tax



Use Tax



Parish

LOUISIANA

Filing Frequency



Monthly, quarterly, semi-annually, annually, occasional

- What is a quarter though?
January – March?
 - Not in New York!



Jurisdictions assigns at time of registration and issue a change



RETURNS CHALLENGE

Prepayments

Taxpayers are required to know when they've reached a prepayment threshold and begin making prepayments.

Just because you don't receive a notice, doesn't mean you're not required to make them.

FLORIDA



60%

of current
monthly liability



60%

same month
prior year



60%

average tax liability
of the prior year

What's a year?

Jan - Dec? July - June?

TEXAS



1.25%

additional
discount earned!



RETURNS CHALLENGE

Multiple Data Streams

Retail calendar, 4-5-4



Ecommerce



ERP



Marketplace



POS



Due Dates



What if due date falls on:

- Weekend or holiday?

When is it due?

- Next business day?



If filing electronically, when must it be received?

FLORIDA

- Funds must be received by the 20th



Filing/Payment Methods



Paper return

- May change when returns are due
- Postmark date? Received date?



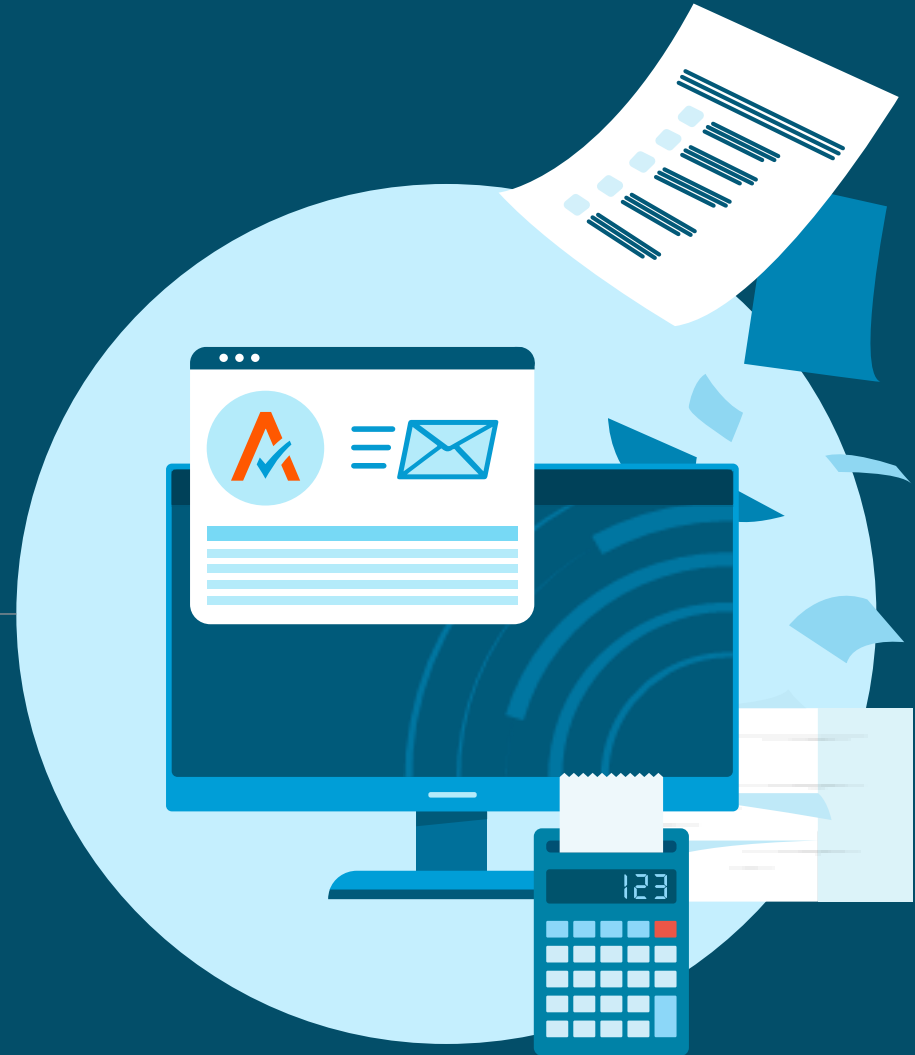
Electronic filing and payment

- May be required for large taxpayers

ALABAMA

COLORADO

LOUISIANA



Credits



Issuing refunds to customers

- What happens when credits exceed tax due for the month?



Write off bad debt

- Separate return, amend original return, or



Amending



How do you amend a return?

- Depends on the state
 - Electronic
 - Paper



How are all filed returns stored?



Notices

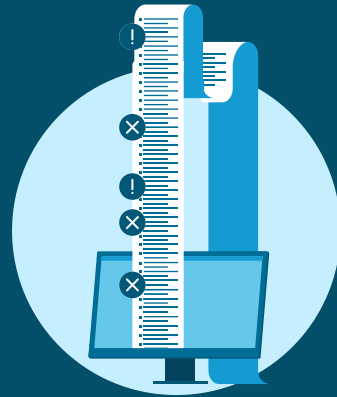


DON'T IGNORE!!!

Not responding timely can cause a plethora of issues:



Assessment may become final



Lien filed on corporate officer



Seizure of assets



Loss of liquor license



Unable to renew business license

Manual sales tax compliance is complex, time-consuming, and error-prone—delays or mistakes can lead to hefty penalties and slow your business growth.

➤ **Managed Returns in action**

BEST PRACTICE

How Avalara solves these challenges



Automated data collection & validation

No more manual tracking



Accurate calculations

Reduce errors and over/underpayments



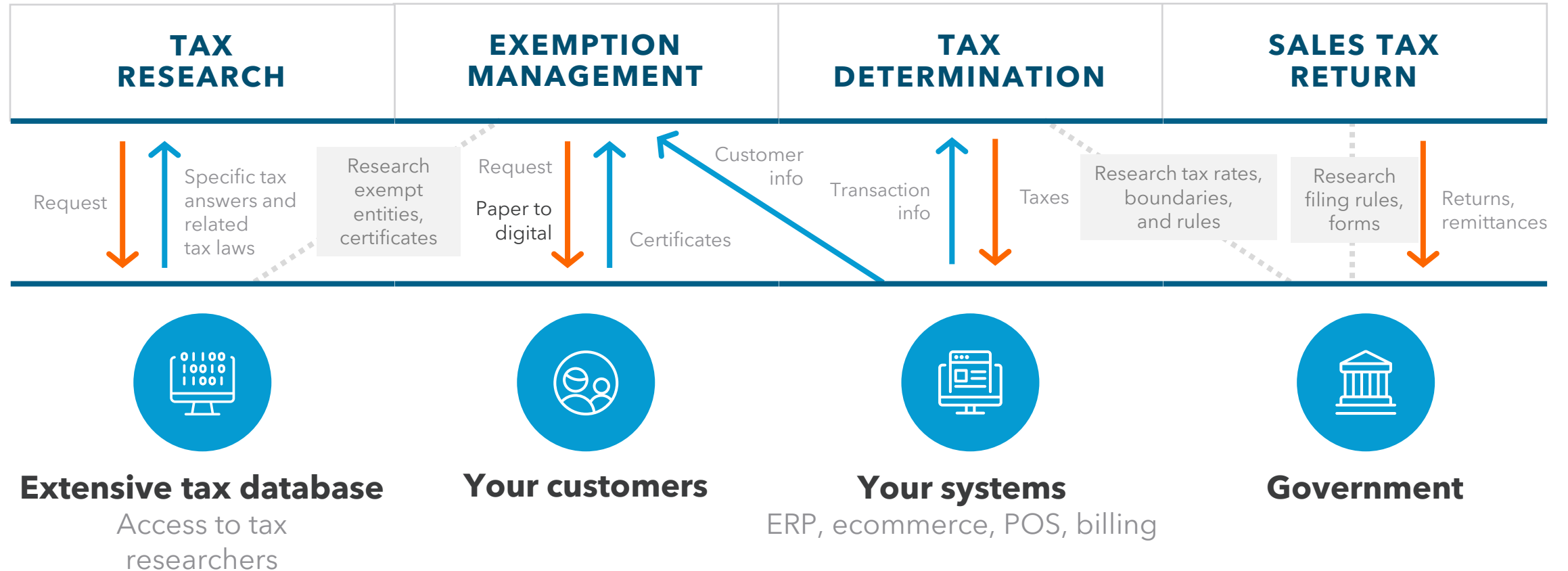
Timely filings

Never miss a deadline



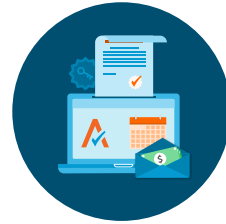
HOW AVALARA SOLVES THESE CHALLENGES

The Avalara Tax Compliance Suite



AVALARA RETURNS

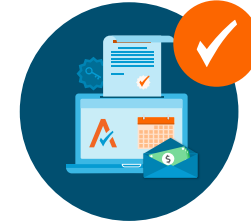
Meeting your business where you are



AVALARA MANAGED RETURNS

Ideal for businesses that need to file in multiple tax jurisdictions and want to outsource the end-to-end returns process.

- ✓ Sales and sellers use tax forms for every state
- ✓ Outsourced filing for all returns
- ✓ Automated syncing with multiple sales and accounting channels
 - + Local jurisdictions
 - + Multilocation returns
 - + Single source of payment
 - + Notice management



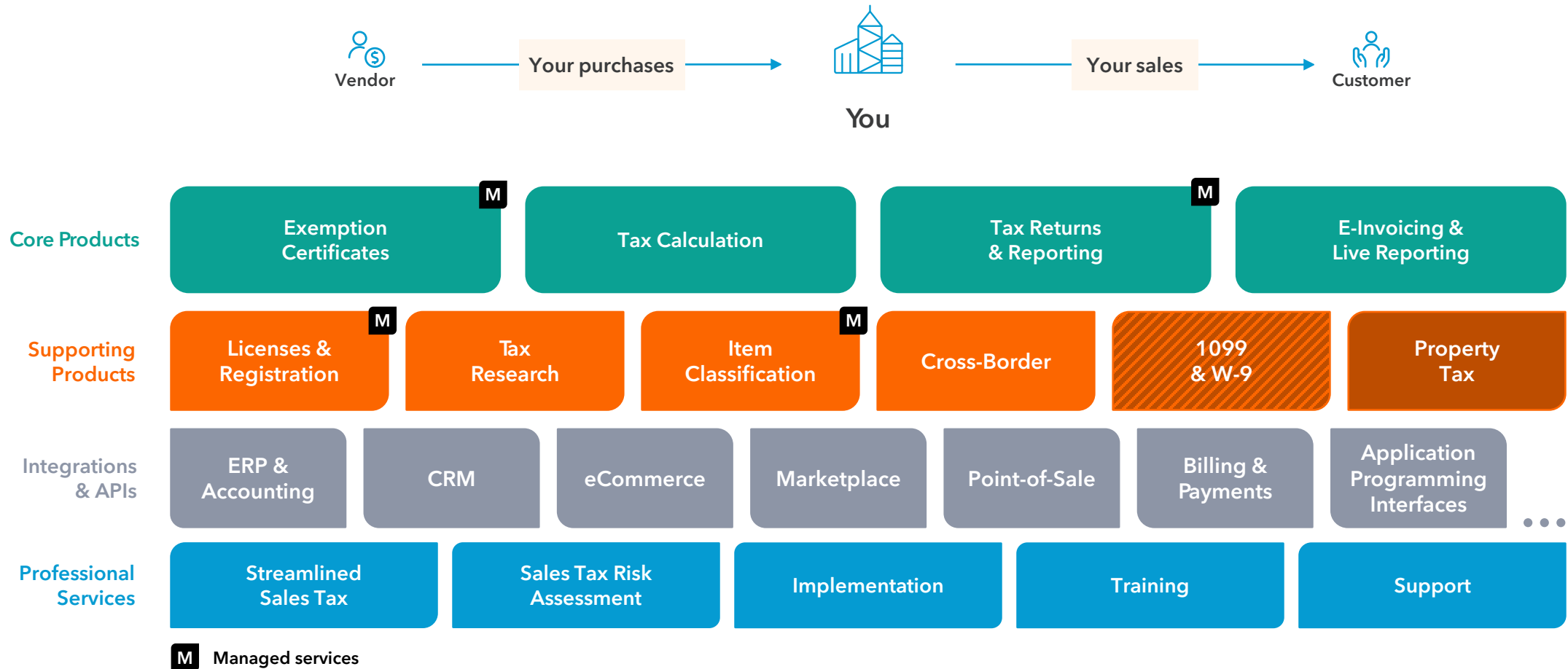
AVALARA MANAGED RETURNS PREMIUM

Meant for businesses with complex transactions or that want dedicated support.

- + A dedicated preparer and point of contact

ACCOUNTANT SOLUTIONS

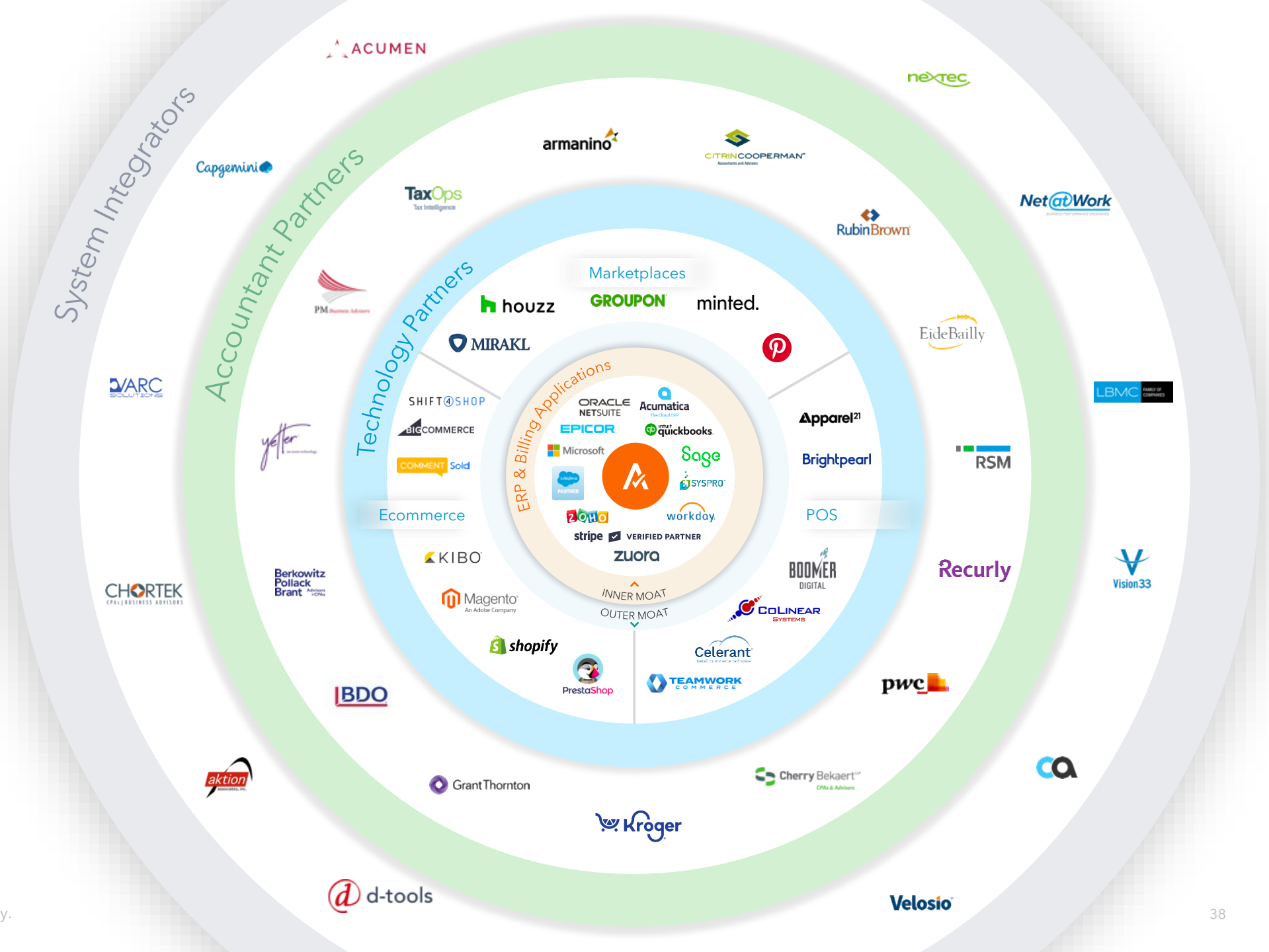
Avalara products and services



The Avalara Partner Ecosystem

1,200+

Signed partner integrations



The background is a solid dark blue color. It features several large, semi-transparent geometric shapes: circles and triangles in various shades of blue, some overlapping each other. These shapes are distributed across the frame, with a higher concentration on the right side. The overall effect is a modern, minimalist design.

> **Key takeaways**

Key takeaways



Efficiency



Risk Reduction



Scalability

Q&A



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Avalara

Tax compliance done right