



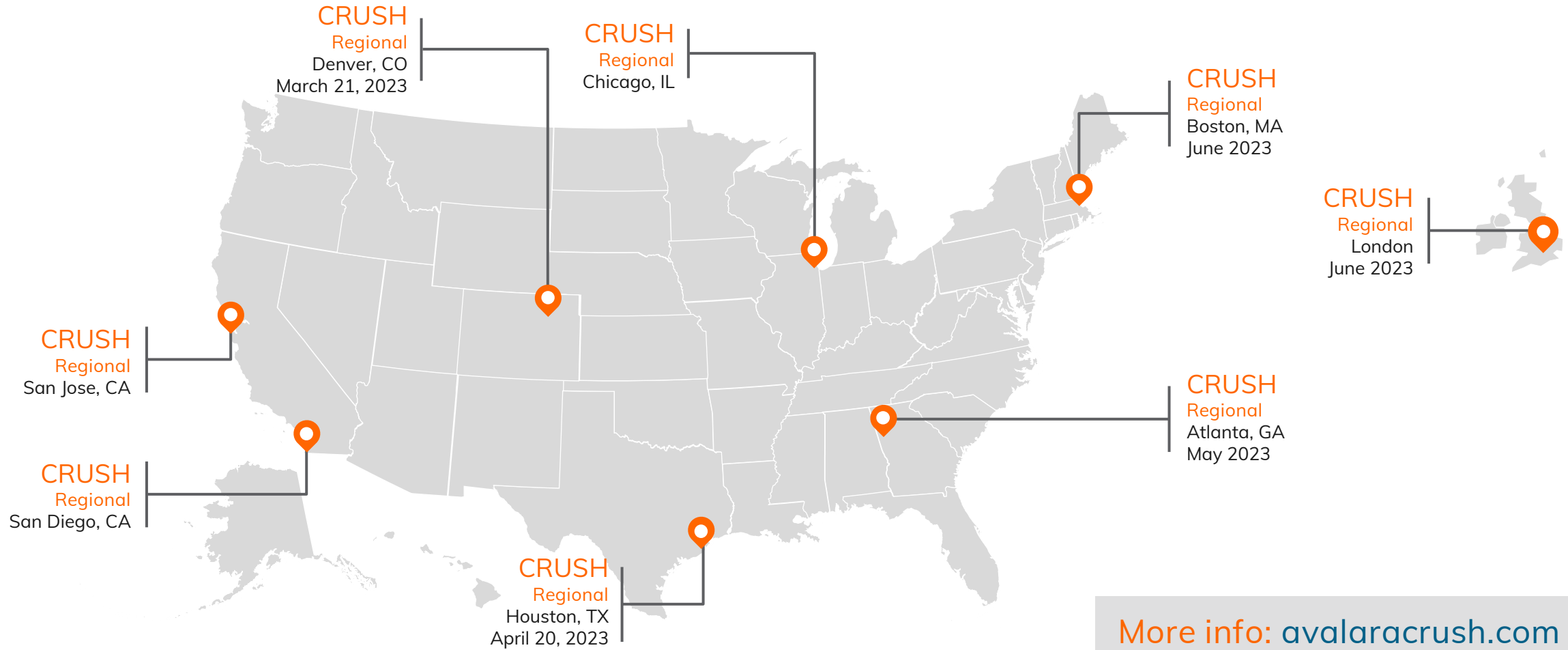
Sales tax returns: How new legislation and economic trends impact your obligations

Presented by:

Sarah Faria, Director, Tax Compliance Services

Matt Johnson, Senior Director, Tax Compliance Services

Join us in-person



More info: avalaracrush.com



Sarah Faria

Director of Tax Compliance
Services

Avalara

As Director of Tax Compliance Services, Sarah Faria leads Avalara's Premium Returns Services Team, Avalara for Accountants, and Beverage Alcohol returns team at Avalara. She has a passion for delivering an excellent customer experience along with a drive for accuracy and efficiency.

Sarah has been with Avalara for 11 years and is based out of Sacramento, CA. Prior to joining Avalara, Sarah spent several years in the public accounting industry, where her drive for customer excellence began. Sarah enjoys yoga and running, and road trips to the mountains and beaches of California with her husband and four children.



Matt Johnson

Senior Director of Tax
Compliance Services

Avalara

Matt leads tax compliance services at Avalara, including returns filing, notice management and client engagement. With more than 15 years of experience from a variety of software support and services, Matt is known for innovative problem solving, process optimization and customer engagement.

Matt joined the Durham, NC Avalara team in 2016 and has enjoyed working with clients to help solve their tax automation needs. Matt has won Avalara's Impact Player (2017) and Hard Hat (2018) awards during his time leading the Customer Experience team. Outside of work, you can find Matt competing in triathlons, cooking, and spending time with his family.



Agenda

- The current state of commerce and noteworthy tax changes
- Economic nexus overview
- The common challenges of filing sales tax returns
- Q&A



The current state of commerce





2023

The state of commerce: Ecommerce and in-store sales

\$1.03T

Total U.S. ecommerce sales in 2022. First time passing 1 trillion. Up 7.7% from 2021*

\$299B

U.S. ecommerce sales during Q4 of 2022. Up 6.2% from 2021*

\$816B

Total value of merchandise returned for all of 2022**

\$4.88T

Total U.S. retail sales in 2022. Up 6.8% from 2021*

Noteworthy tax changes

- › Lawmakers in 37 states introduced cryptocurrency legislation in 2022
- › Some states began taxing NFTs, including Pennsylvania and Washington
- › Due to rising inflation, some states have updated tax holidays and reduced sales tax on certain products to ease the burden on consumers
- › Maryland's digital advertising tax was declared unconstitutional
- › E-invoicing requirements continue to spread globally





PULSE CHECK ON ECONOMIC NEXUS

Economic nexus allows states to impose sales tax on remote sellers.

88% of businesses

said the Wayfair decision impacted how their company conducts business.*

All 45 states

with a state sales tax, plus District of Columbia and Puerto Rico have enacted economic nexus laws.

Thresholds vary state-by-state.

Home-rule local tax requirements

for remote sellers are evolving.

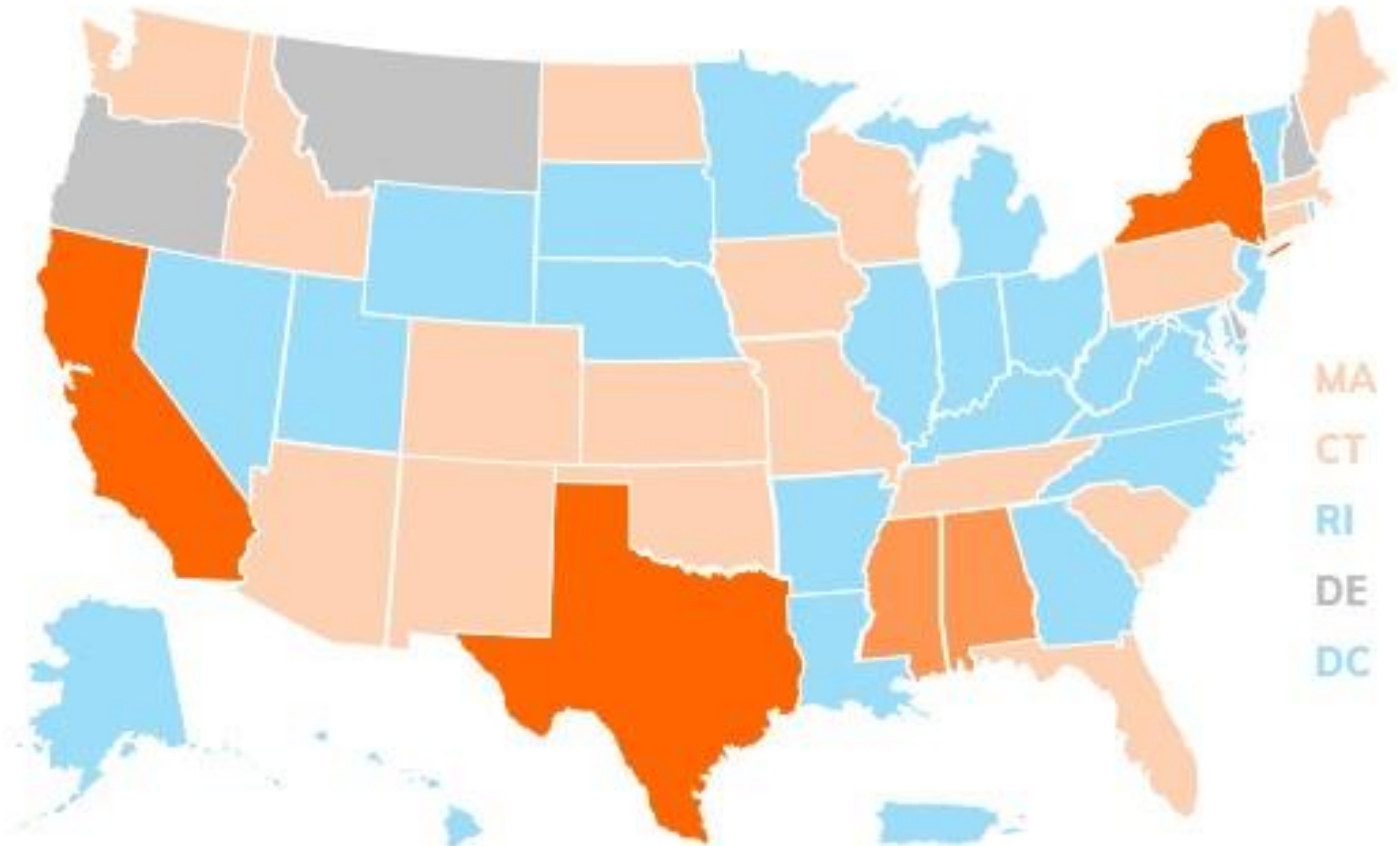
*Based on a May 2022 survey conducted by NetReflector/Potentiate for Avalara



Economic nexus thresholds by state

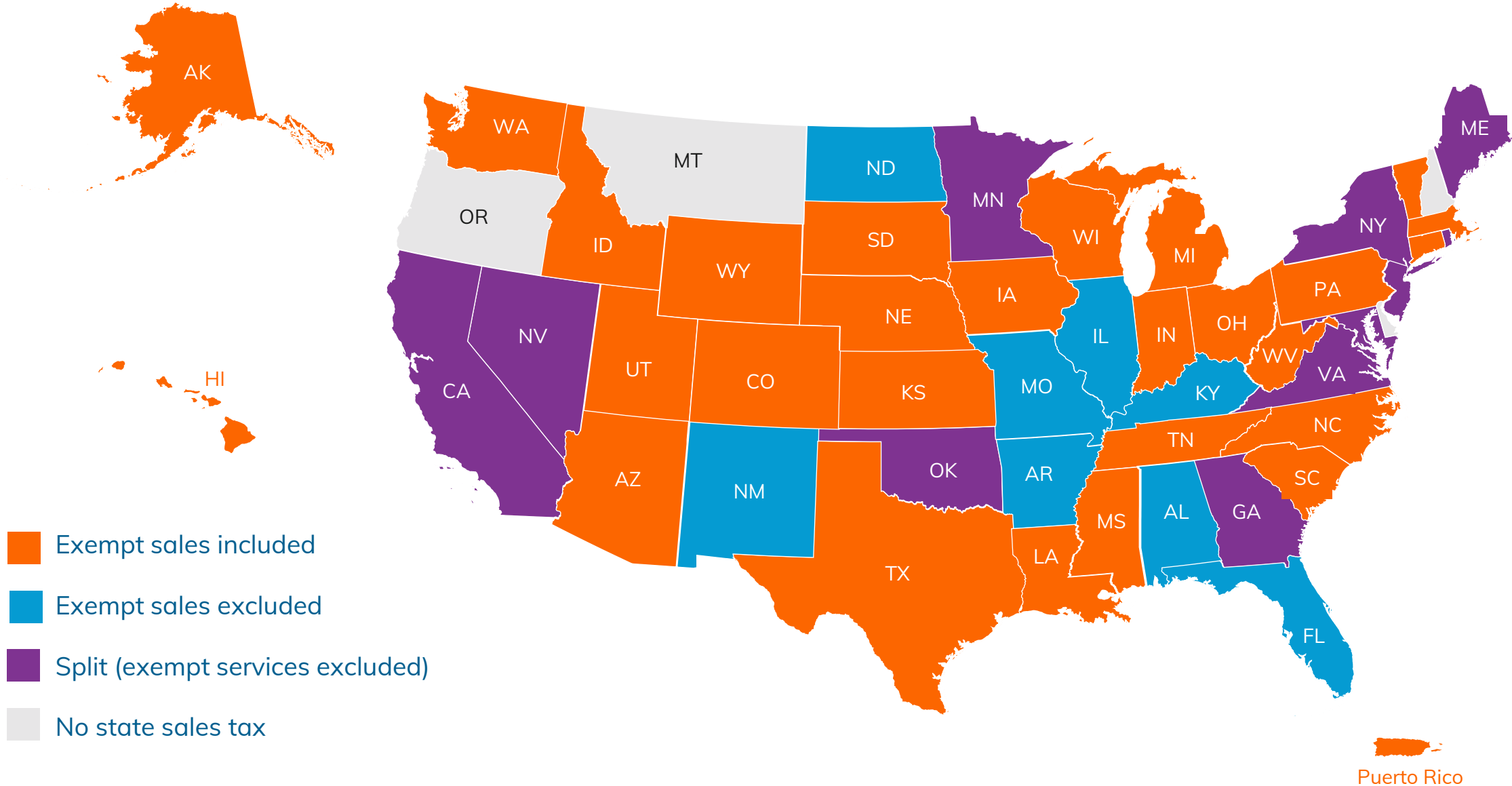


- > Connecticut's threshold is gross receipts of \$100,000 and 200 retail transactions
- > New York's threshold is \$500,000 and 100 transactions



Use our free [sales tax risk assessment](#) to determine where you have nexus.

Exempt sales in economic nexus thresholds



A woman with dark curly hair is lying on a bed with a green sheet, looking up with a stressed expression. She is holding a white sheet of paper in her left hand and another document in her right hand. The bed is covered with several tax forms, a calculator, and a laptop. The scene is dimly lit, suggesting a late evening or night.

Sales tax returns: Overcoming the 4 common challenges

BEST PRACTICE #1

Many states, changing rules

Physical and remote seller presence

- > State and local jurisdictions

Sales and transaction thresholds

- > Vary by state
- > As low as \$100,000 in sales/200 separate transactions – some states getting rid of transaction threshold
- Exempt sales included in sales threshold

Tax collected/remitted by marketplace(s)

- > May result in over or under reporting

CONSIDER

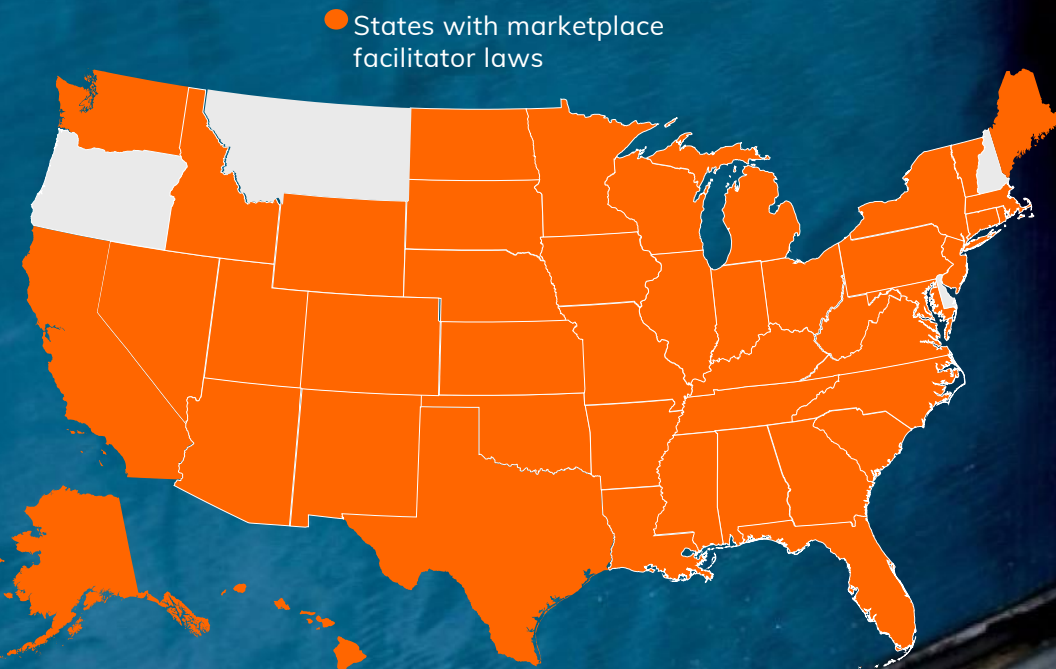
- > Assessing distribution of your online sales in each state to determine nexus obligations.
- > Discussing with your CPA a plan to regularly assess your registration requirements.

Determine where you have nexus using our [free sales tax risk assessment](#).



MARKETPLACE FACILITATOR LAWS

The responsibility to collect and remit sales tax lies with facilitators



45 states, plus Washington, D.C., Puerto Rico, and some localities in Alaska have adopted marketplace facilitator laws.

Require marketplaces to collect and remit sales tax on behalf of their third-party sellers, but sellers may still have reporting obligations.

States are refining marketplace laws to include food delivery and lodging marketplaces.

BEST PRACTICE #2

Managing returns deadlines

Returns filing frequency

- > Monthly, quarterly or annually (subject to change)
- > Pre-payments

Filing deadlines

- > Vary by state: 15th, 20th, 25th, or last day of the month
- > Timely filing discounts and late filing penalties

CONSIDER

- > Tracking deadlines
Excel, triggered calendar reminders, etc.
- > Immediately updating systems of new deadlines or changes in filing frequency.





BEST PRACTICE #3

Aggregating tax data

Multiple data sources

- › POS, ecommerce, marketplace, accounting/ERP systems, etc.

Consolidation & breakout

- › State & local jurisdictions
- › Business type & exemptions

Review & reconciliation

- › Process for validation and archive in case of an audit



CONSIDER

- › Keeping an inventory of the systems and data sources needed to gather your tax data.
- › Developing a process to gather tax data as well as perform checks and balances.



BEST PRACTICE #4

Managing returns filing

Thousands of jurisdictions / hundreds of forms

- › Latest forms
- › Due dates & filing schedule

Filing and payment options

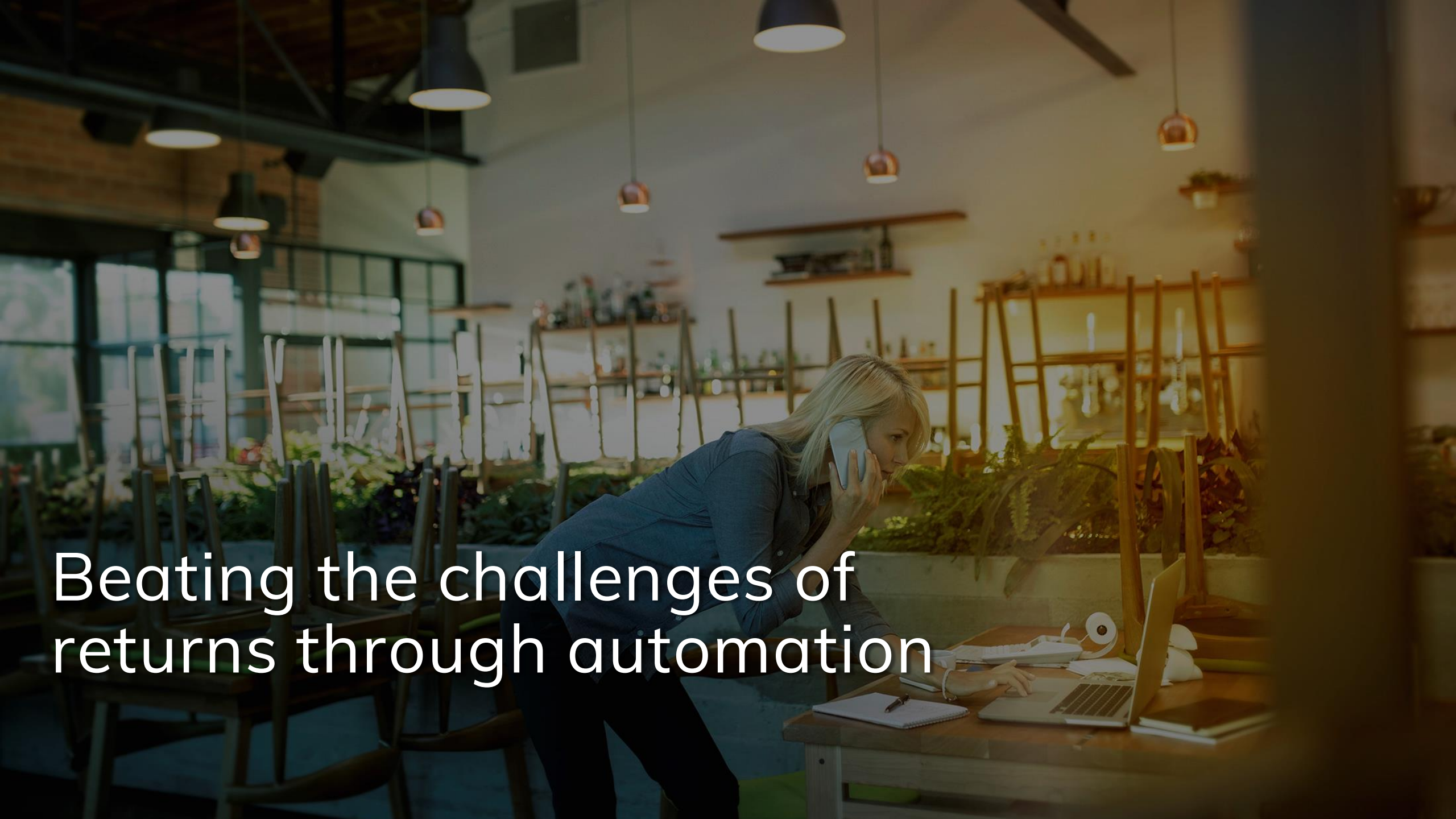
- › Mandatory online filing: Account setup & filing time
- › Web site changes
- › Coordinating filing and payment

Historical records

- › Proof of filing & remittance in case of audit

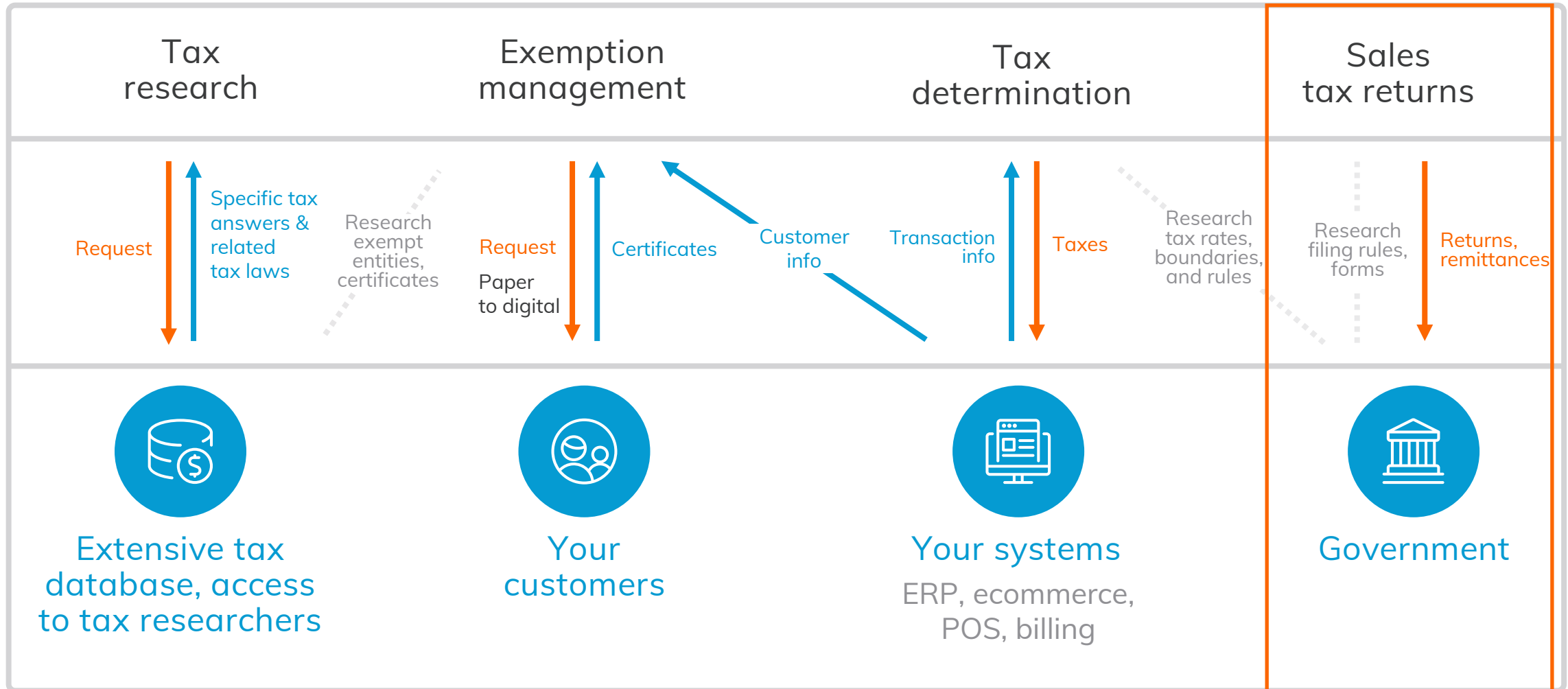
CONSIDER

- › Scheduling time each month dedicated to completing and filing returns.
- › Building in time to keep current on reporting changes in your registered jurisdictions.
- › Leveraging technology to save time and reduce risk.



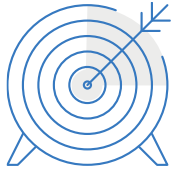
Beating the challenges of
returns through automation

Avalara's tax compliance suite





Why automate sales tax management?



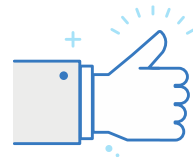
Accuracy

Real-time tax calculations that get it right every time



Efficiency

Reduce costs and time spent managing tax compliance



Customer satisfaction

Streamline transactions with instant sales tax calculations



Risk management

With accurate results, you'll decrease your company's risk



Business growth

Free up resources to focus on high-value projects



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
 - + Multi-location 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.
- + Special-handling returns

Key takeaways



Businesses have adapted to current market conditions by **expanding ecommerce options**.

Selling into multiple states can **increase tax obligations** in state and local jurisdictions.

Each state/jurisdiction has **its own returns requirements**: filing schedules, forms, etc.

Your business must:

- > Understand and track nexus obligations by state.
- > Keep track of filing frequency for the taxing jurisdictions you collect in.
- > Find a way to aggregate and organize sales data from multiple sources by taxing jurisdiction/business type.
- > Keep track of changes in taxing jurisdictions to accurately manage filing returns by the deadline using correct forms.

Avalara Returns can offload the high-cost and hassle of returns.

Questions?



Avalara

Tax compliance done right

Learn more at Avalara.com/returns