



Avalara

# Unpacking economic nexus: The impact 5 years later

Presented by:

Maria Tringali  
Sr. Solutions Consultant  
Avalara

Derek Warren  
Sales Executive  
Avalara



## Maria Tringali

Senior Solutions Consultant

Avalara

- › Joined Avalara in 2014, and is focused on training, educating, and supporting customers, prospective customers, sales teams, and partners on tax compliance requirements for B2B sellers.
- › Passionate about improving the exempt customer experience and helping businesses improve upon and automate traditionally labor-intensive and risk-prone activities.



## Derek Warren

Sales Executive

Avalara

- › Joined Avalara in 2019 and has worked with hundreds of companies of all sizes and industries to develop tailored sales tax solutions
- › Been in the software industry for over 20 years, focused on digital transformation, automation, and compliance solutions
- › Has three daughters, two dogs, and enjoys spending time outdoors with his family.



# Agenda

- > *South Dakota v. Wayfair, Inc.*: An overview
- > Economic nexus defined
- > What triggers economic nexus?
- > What economic nexus means for your business
- > Q&A





# South Dakota v. Wayfair, Inc.:

## An overview



# South Dakota v. Wayfair changed sales tax for remote sellers

On June 21, 2018, the U.S. Supreme Court issued its decision in *South Dakota v. Wayfair*.

- › Ruled in favor of South Dakota and expanded upon the **physical presence standard** set by *Quill Corp. v. North Dakota* and *National Bellas Hess, Inc. v. Department of Revenue of Illinois*.

Economic nexus laws allow states to impose sales tax obligations on **out-of-state sellers** based on their level of economic activity in a state.

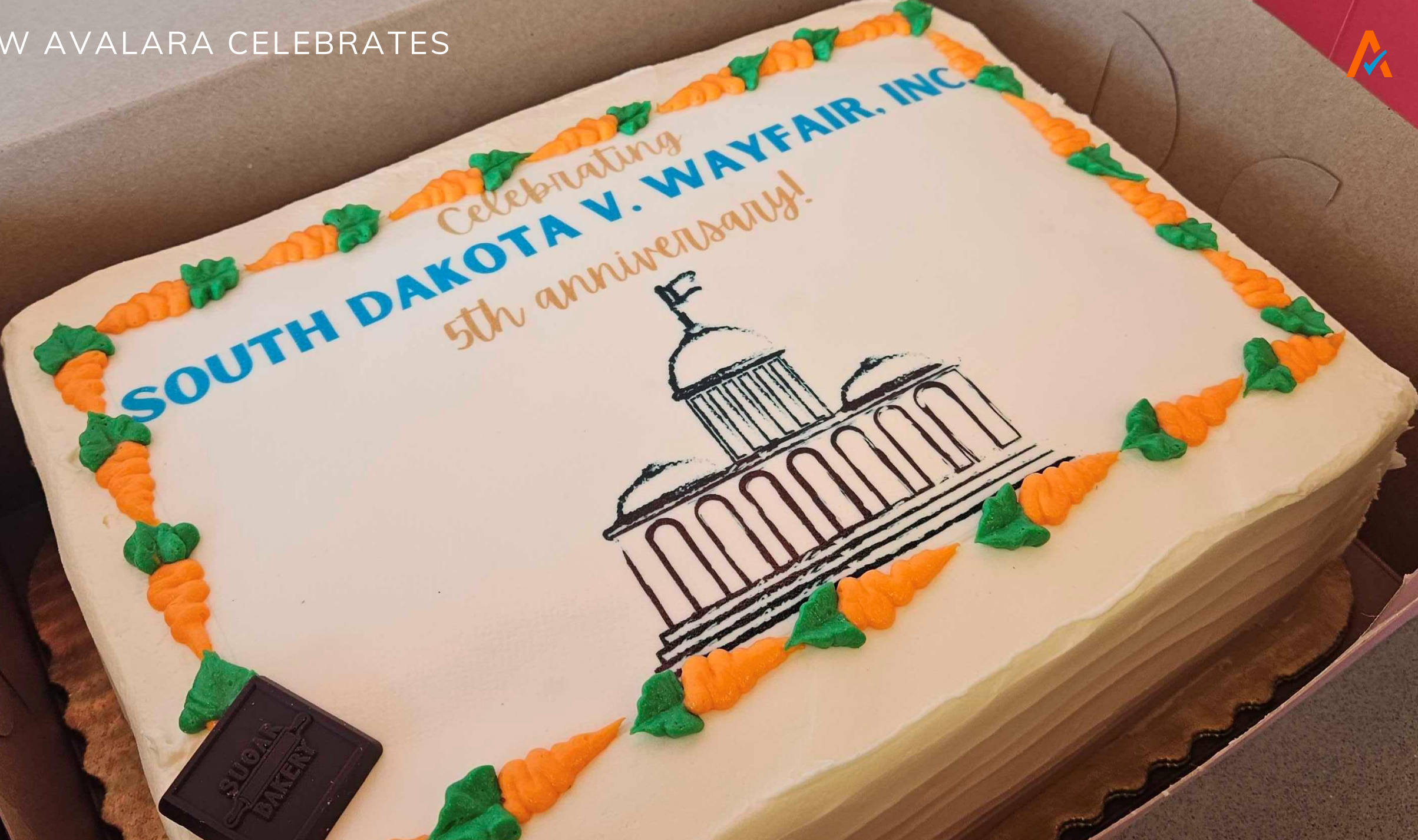
46 states

have enacted economic nexus laws.

*Thresholds vary state-by-state.*











SURVEY\*

## The impact of economic nexus

71%

of businesses agree or strongly agree that online sales tax requirements are “complex and confusing”

40%

of businesses surveyed claimed economic nexus increased the cost of managing tax requirements

37%

of survey respondents said economic nexus increased the time of managing tax requirements

31%

of surveyed businesses said economic nexus has increased the number of states/regions they have to register, collect, and file taxes





POLL

Could you explain your online sales tax obligations to someone outside your organization?

According to the Avalara and Censuswide survey,

**55% of respondents**

said they can explain *all* their online sales tax obligations to someone outside their organization.





# Economic nexus defined



# What is economic nexus?

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.

---

**All 45 states** with a state sales tax, Washington, D.C., Puerto Rico and some localities in Alaska have adopted economic nexus laws (thresholds vary).





# What triggers economic nexus?





## What nexus was...

*Based mainly on physical presence*

- › Physical locations
- › Inventory
- › Employees
- › Drop shipping
- › Tradeshows
- › Service/repairs/maintenance

## What nexus is now...

*Your customers can determine nexus*

- › Physical presence
- › Economic activity
- › Online sales
- › Marketplace sales
- › Software/SaaS/digital goods

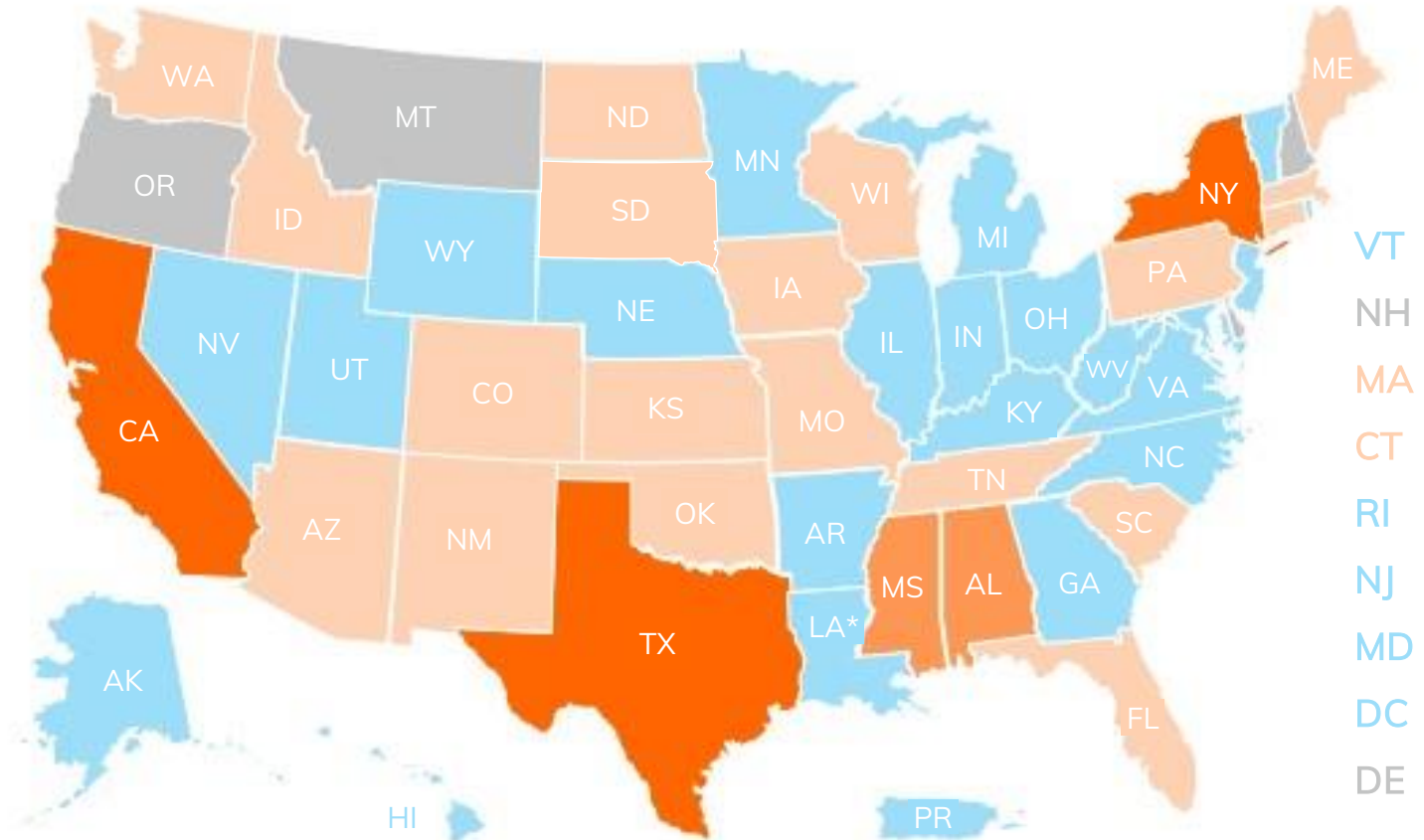




# Economic nexus thresholds by state

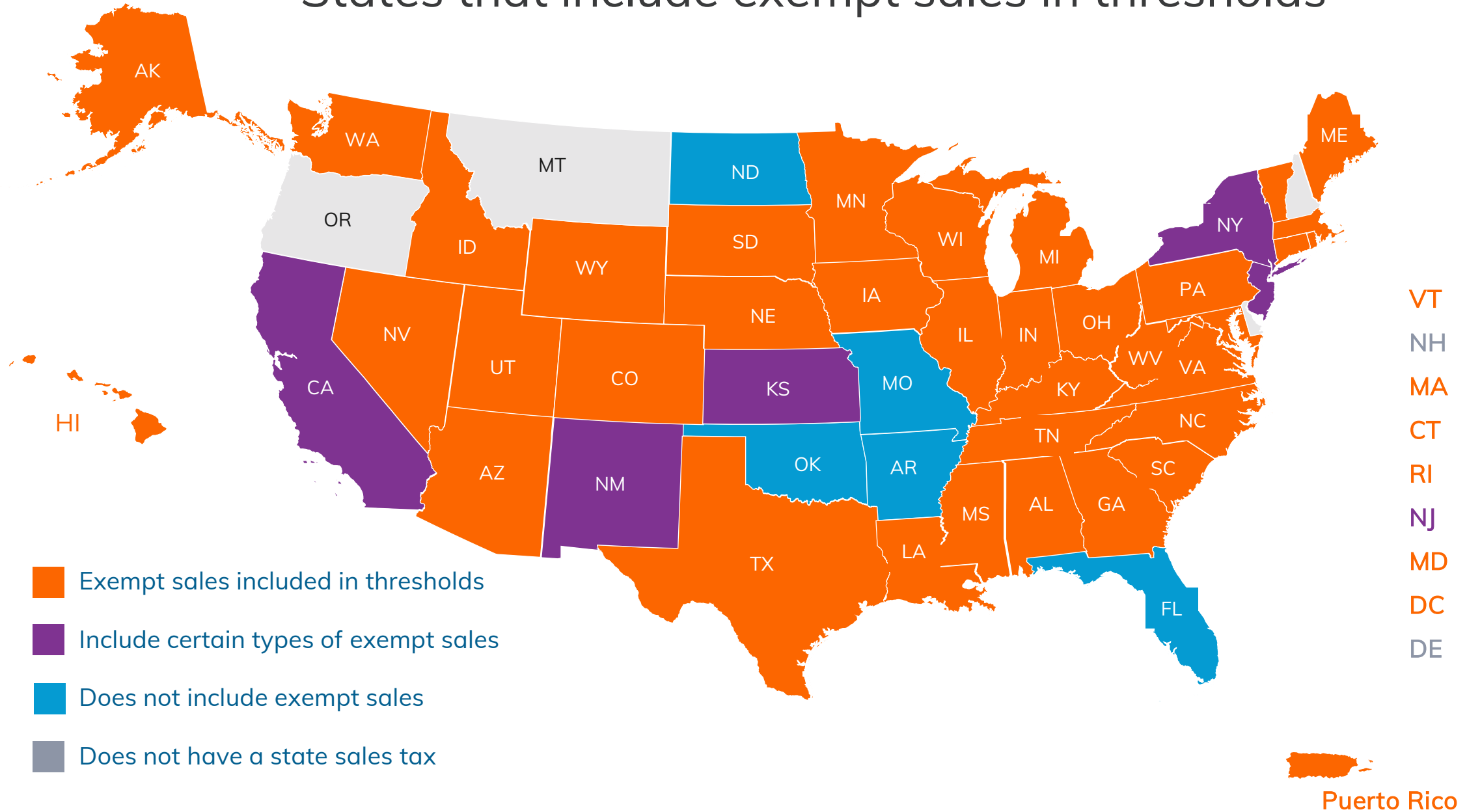
-  \$500,000
-  \$250,000
-  \$100,000
-  \$100,000 **or** 200 transactions
-  Does not have economic nexus law

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



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

# States that include exempt sales in thresholds







# What economic nexus means for your business

# How economic nexus impacts your business



Many businesses have gone from having nexus in one state to multiple states in a short period of time.

---

Once you trigger nexus in a state, you must register for a sales tax permit and/or business license and begin collecting within the state's timeframe.

*Grace periods vary by state.*

---

To comply, you must know the sales tax laws in every state you sell into, including each local jurisdiction.

*There are over 13,000 sales tax jurisdictions in the U.S.*

---

Technology is no longer a luxury, but a requirement to help businesses comply at scale.



## POLL

Because of economic nexus,  
my businesses has had to or  
will have to beging collecting  
and remitting sales tax in:





# Common questions about economic nexus

Q: When do I have to begin collecting sales tax once I pass the threshold?

A: It varies by state. In some states, it's as soon as the next transaction. In others, there's a 30-60 day grace period.

Q: What type of sales are included in the thresholds?

A: It varies by state. Some states only include taxable sales; others include gross sales.

Q: Are marketplace facilitator laws included in the thresholds?

A: It varies by state. Some states include them; others don't.

Q: Are changes ever made in thresholds?

A: Yes. Some states are removing the transaction volume threshold to include sales amount only.



# States offer help with Streamlined Sales Tax (SST)

● SST member states

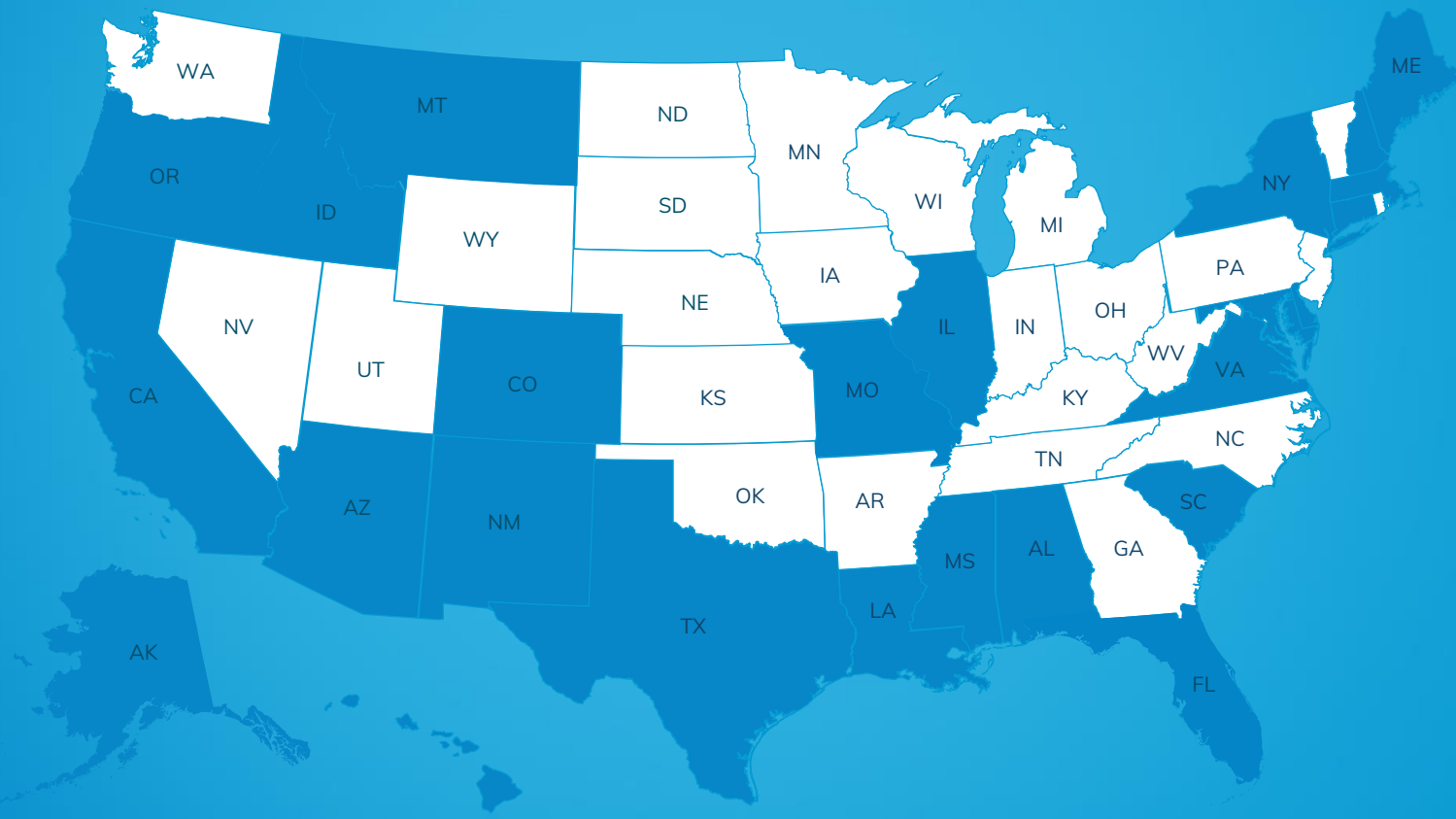
Effort by state and local governments to simplify sales tax compliance

Qualified businesses eligible for free sales tax calculations and filing in the 24 SST-member states when using a Certified Service Provider (CSP) of sales tax software

Businesses must qualify as a “volunteer seller”

- > No fixed place of business for more than 30 days in the state
- > Less than \$50,000 of property and payroll in the state
- > Less than 25% of total property or payroll in state

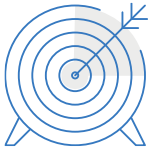
Learn more about SST at [www.avalara.com/SST](http://www.avalara.com/SST)





## TIPS TO STREAMLINE TAX COMPLIANCE

# Why automate sales tax management?



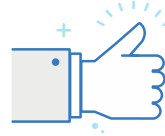
### Accuracy

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



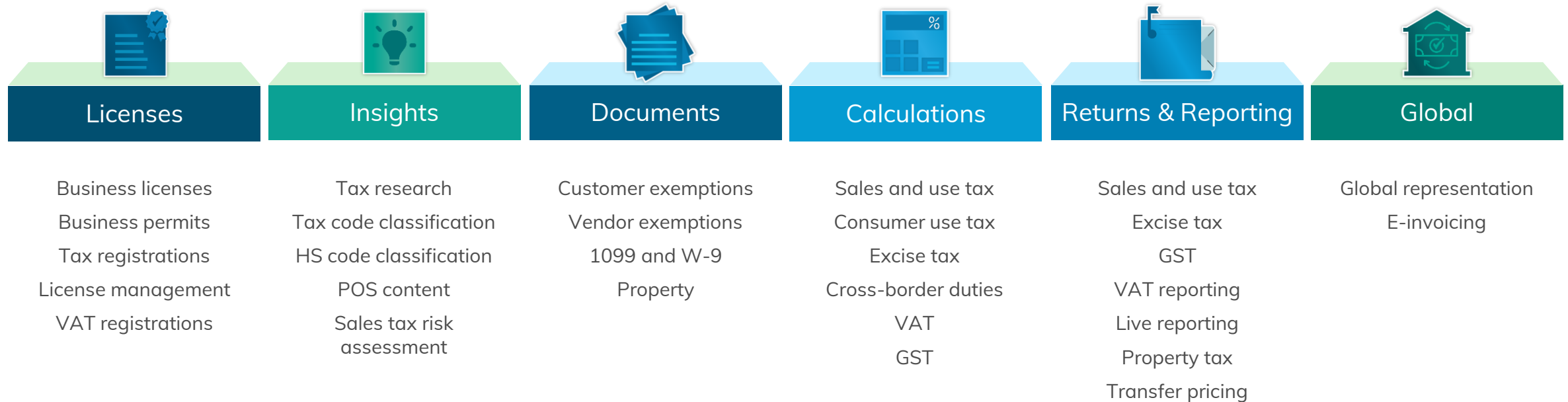
### Business growth

Free up resources to focus on high-value projects



# End-to-end tax compliance for businesses

The Avalara Compliance Cloud and platform help solve challenges across the compliance journey



Over 1,200 signed partner integrations for ecommerce platforms, point-of-sale (POS) systems, order management systems (OMS), marketplaces, customer relationship management (CRM) systems, enterprise resource planning (ERP) systems, accounting software, and more

POLL

Would you like a follow-up from an Avalara tax automation specialist?

# Q&A

