

Economic Nexus Sparks Need for Speedy Sales Tax Registration



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Repost from [Avalara](#)

Economic nexus is here. Is your business prepared?

Before the Supreme Court of the United States issued its ruling in *South Dakota v. Wayfair, Inc.* (June 21, 2018), states could only tax sales by businesses with a physical presence in the state. Wayfair changed that long-standing rule. The court found the respondents' "economic and virtual contacts" with South Dakota to be a sufficient basis for a tax collection obligation (nexus).

For economic nexus, a business establishes an obligation to collect and remit sales and use tax by its economic activity in a state. Generally, states look at the volume of sales or the number of transactions during a particular time frame, usually (but not always) the current or preceding calendar year. In South Dakota, the threshold is gross sales of \$100,000, or 200 or more transactions in the state.

Already enforced in fourteen states, economic nexus will soon be in effect in 27 states, and counting. Businesses making sales into multiple states need to be on their toes, ready to register and commence collection activities as soon as nexus is triggered.

Unfortunately, determining when economic nexus has been established in a state is complicated by the fact that there's little uniformity between jurisdictions. And once established, the process for getting things rolling (i.e., registering to do business) varies from state to state.

Economic nexus laws vary by state

While the thresholds in the majority of economic nexus states are \$100,000 or 200 transactions, that's not the case in all states: In Georgia, it's \$250,000 or 200 transactions, in Minnesota, it's 10 or more sales totaling more than \$100,000 or 100 retail sales, and so on.

Furthermore, the threshold in some states is based on tangible personal property only, while in others it includes services and in some, it includes electronically transferred property. The threshold is comprised of taxable and exempt sales in some states but only taxable sales in others. To top it off, some states simply haven't said.

Once nexus has been established, businesses may need to act fast.

Economic nexus can be established overnight

Consider Illinois, where economic nexus went into effect on October 1, 2018. Remote sellers must ascertain at the end of each quarter whether they've met one of the state's economic nexus thresholds during the preceding 12-month

period. If they have, they're required to register and commence tax collection and remittance at the start of the subsequent quarter — which could be the next day.

The Illinois Department of Revenue provides the following example: At the end of March 2019, a remote seller determines it made \$200,000 in sales to Illinois purchasers for the preceding 12-month period. As a result, it's required to register to collect and remit tax on sales to Illinois purchasers from April 1, 2019, through March 31, 2020. On March 31, 2020, the cycle starts again.

A seller with unexpectedly strong sales in Illinois at the end of a quarter could find itself with an unexpected obligation to collect and remit tax in a matter of days.

Learn More

Attend our Economic Nexus webinar to learn more, and download our complimentary whitepaper to learn more: *What the South Dakota v. Wayfair Inc. Decision May Mean for Your Business: Understanding Economic Nexus.*

WEBINAR: Thursday, January 31st @ 2 pm EST