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When you have a sales tax problem, we are the solution!

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“Like Us” on Facebook (even if you don’t like Sales Tax)

Thinking Facebook and sales tax don’t go together? You’re in for a surprise. Facebook, like Amazon and many other websites, sell ad space to other businesses. Banners and columns of advertisements pop up, urging people to try a new weight loss program or use a new toothpaste. Generally, advertising services are not subject to New York sales tax. However, the secret word in all of this is nexus.



Nexus is when Action A results in Action B. But in the world of sales tax, nexus is the connection between a business and a state that results in the business being forced to collect and remit sales tax in that state. When a business does not have nexus with the State of New York, that business can legally sell products to customers in New York without charging sales tax. This, as you can see, gives the business a competitive advantage.

For instance, Amazon is an internet based company with no physical office or employees in New York. XYZ is a New York business with a website that also advertises for Amazon. Amazon pays XYZ a commission based on the number of “clicks” on the Amazon advertisement. Thus far, New York courts have ruled that New York businesses such as XYZ are acting like a salesperson for Amazon. XYZ is located in New York, thus, Amazon has salespersons in New York, soliciting sales, which creates the necessary nexus for sales tax. This is often referred to as the “Amazon Rule.”

Historically, Amazon had not charged New York customers sales tax. New York has determined that Amazon should be collecting sales tax on every (applicable) purchase shipped to a New York customer, and, as you can imagine, that adds up to a lot of sales tax! The highest court in New York, the Court of Appeals, has just ruled in favor of the State, upholding the determination that Amazon has to collect the tax. So it looks like buying online might not save you money - you might have to pay shipping fees and sales tax.

Other states are following New York’s lead and incorporating the “Amazon Rule” into their laws. So if you think starting an online business is the easy way to go, you may want to think again!

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www.facebook.com/salestaxdefense



Internet Sales do Lead to Sales Tax

A company located in Connecticut specializes in selling one product to customers across the United States. While the company had no physical office or employees in other states, it did use fulfillment centers in five states. Furthermore, like Amazon, this company paid commissions to other businesses based on the number of “clicks” on its advertisement. The company was only collecting and remitting sales tax on Connecticut sales. The company came to Sales Tax Defense to help it determine if it was required to collect sales tax in any other state.

After researching the issue, Sales Tax Defense determined that the company had nexus in four of the five states due to the fulfillment centers. Furthermore, the commissions based on advertisement clicks alone created nexus in three of the five states, showing that many states are following New York’s lead in finding ways to tax Internet sales.

While the company now has additional administrative costs from having to file sales tax returns in four additional states, by filing the returns, it cuts the period the state can audit the company. If and when the four states audit the company, the company should owe no tax because it now knows the correct sales tax rules.

About Us

We are a dedicated team of tax professionals who have committed our careers to helping businesses and fellow professionals with tax problems. Since the only work we are focused on is solving tax problems, businesses never have to be concerned that we will try to sell them other services they do not need. And professionals never have to be concerned with us encroaching on their client relationships, because we view you, our fellow professional, as our client.

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