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IS STREAMLINE SALES TAX REALLY STREAMLINED?

There are those who think sales tax has become too complicated. Each state having its own sales tax rules makes doing business across state borders difficult. Not only must a national seller know when to charge sales tax in each state, it must know when an exemption exists in order to keep the total charge to the customer down and stay as competitive as possible. For example, in New York, buying electronically downloaded software is generally subject to sales tax while in California, it usually is not.

So what have several states decided to do in an effort to simplify the sales tax laws? 24 states - including Indiana, New Jersey, Ohio, Rhode Island, and Washington - have created and adopted streamlined sales tax rules. Under the streamlined sales tax rules, the same goods and services would be taxed in each state, a state would generally have only one sales tax rate, and sales tax would be based on the destination/delivery or receipt by the purchaser.



While the concept appears to simplify sales tax in these states, does it succeed? That depends on what you consider success. While those 24 states adopted the streamlined sales tax rules, there are still slight variations in their laws. Therefore, for example, it cannot be guaranteed that something taxable in New Jersey is also taxable in Ohio. Furthermore, while Ohio is part of the streamlined sales tax, Ohio has a separate Commercial Activity Tax which is a tax imposed on the privilege of doing business in Ohio and measured by gross receipts from business activities in Ohio. Is the Commercial Activity Tax a loophole? Maybe it is. After all, New York, which is not a streamlined state, generally imposes sales tax on more items. Yet, a streamlined state like Ohio has gotten around that by creating a separate tax on businesses to generate more revenue.

Another thing to consider is how fast the world is evolving. Technology has evolved rapidly and more products have been created but the law often struggles to keep up. For a single state's legislature, passing laws and addressing new concepts such as cloud computing can be slow. Considering there are 24 states involved in streamlined sales tax, how fast can anyone expect them to make changes? And if a case goes to court in one state but the other states don't agree with that judge's ruling, how does that case law affect the other 23 states? Time will tell...

If you need assistance in any of the streamlined (or not streamlined) sales tax states, contact us! We are here to help!

A TEXAS SALES TAX AUDIT



A business came to us. It had been audited by the Texas Comptroller's Office for sales and use tax. A bill was issued for over \$1 million in tax alone and although the auditor was not being horribly unreasonable, she refused to make all of the necessary adjustments to her work papers.

Sales Tax Defense LLC requested a hearing. We reviewed the auditor's calculations and requested documentation from the company to support our counterarguments. We presented our case before the hearing officer. We argued that certain purchases were made for resale and certain customers were exempt from tax. We provided all of the supporting documentation needed, including exemption certificates. We also showed the hearing officer how several of the auditor's calculations were incorrect.

ABOUT THE FIRM



We are a dedicated team of sales and use tax professionals who have committed our careers to helping businesses and fellow professionals with sales and use tax problems.

Since the only work we are focused on is sales tax consulting, 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.

Due to delays in the Texas Comptroller's Office, the company had to wait two years to receive a decision. During those two years, the hearing officer requested additional information and documentation. While the wait was long, it paid off. The tax amount was reduced from over \$1,000,000 to \$12,000!

WHEN YOU HAVE A SALES TAX PROBLEM, *WE ARE THE SOLUTION!*

CALL: **631-491-1500**

CONTACT US!

“

“Mark & Joseph, I am most grateful for your attention to my situation as I am very aware that it was not the easiest possible. You have earned my trust and confidence beyond any level of professionalism that I have ever experienced.”

-Nic F., Business Owner

MORE TESTIMONIALS

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