



## SALES TAX REVIEW



As you can imagine, we spend a lot of time talking about sales and use tax. A LOT of time. In our conversations, we speak with all sorts of individuals, all with different knowledge levels, about a wide range of sales and use tax issues. But there are certain key principles that everyone dealing with sales and use tax should know. And that's where our handy-dandy newsletter comes in....

1. **Sales tax is not imposed by the IRS.** While the IRS can and does impose excise taxes on certain items/services, sales tax is imposed by state and local governments. Most people who hear "taxes" or "audit" think "IRS" but that obviously is not always the case. Though, when writing a check, we suppose it kind of all feels the same.
2. **Sales tax is imposed on receipts, not profits.** If a sale is subject to sales tax, sales tax is due on the sale amount, not the profit amount (though the term "sale" has a variety of definitions depending on the purpose). When meeting with potential clients, they often ask how they can owe any sales tax when they're not making any money. The answer: Profit has nothing to do with sales tax.
3. **If you do not collect sales tax you still owe it.** Another question many clients ask is how they can owe any sales tax when they never collected it. Well, the government has decided that's your problem. If a transaction is subject to sales tax and you decide not to collect the sales tax, you still owe them the money. If you loan your friend \$20 and your friend doesn't get paid from his employer, he still owes you \$20, right? Well, the government wants its money too.
4. **Sales tax shouldn't be a separate expense, it should be collected and remitted.** Monies collected as sales tax are not income and should not be spent for general business purposes. Sales tax is collected on behalf of the government and remitted to the government. If a business cannot pay its expenses without using any portion of the sales tax collected, the business is not profitable.
5. **You still have an obligation to pay tax whether the vendor collects sales tax or not.** Right or wrong, some vendors do not collect sales tax. Maybe the vendor does not have nexus with the taxing jurisdiction. Maybe the vendor does not know that the transaction is subject to sales tax. Maybe the vendor simply doesn't care about their responsibilities as a vendor. It doesn't matter why. If a vendor fails to collect sales tax from you when they should have, you must self-assess a use tax. In other words, to help ensure the government collects tax on a transaction, they can either collect sales tax from the vendor or use tax from the purchaser. Just make sure the government is only getting paid once.

If you keep these facts in mind, you should at least have a good starting point for dealing with sales and use tax.



### Congratulations Jennifer Koo!

Sales Tax Defense LLC would like to congratulate our Tax Attorney Jennifer Koo for being elected Director on the Board of Directors of the Nassau County Bar Association.

### NEWS UPDATE: PIGS CAN FLY AND THE TAX DEPARTMENT DOES ISSUE REFUNDS!



A construction company came to us because they were under audit by the Tax Department. The construction company did mixed work: capital improvement jobs, exempt jobs and repair

### ABOUT OUR FIRM



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

work. Sales Tax Defense worked with the company to make sure that all of the correct certificates were obtained for each of the sales.

Additionally, since the company used a costing system, we were able to tie in specific purchases to each sale to determine if tax should have been paid on the specific purchase invoices. Since we were able to determine each item used in each job, we were also able to determine that the company paid tax on the purchases used for exempt and/or taxable repair jobs and that a refund was due.

Not only was a refund due on the purchases but the refund due for purchases exceeded the tax due on sales and the Tax Department now owes the Taxpayer money as a result!

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.

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

CALL: **631-491-1500**

**CONTACT US!**

“

I truly appreciate what you and your team did for me and my client please pass on my thanks!

**-BOB**

**MORE TESTIMONIALS**

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