

Avalara

Tax Changes & 2017 Preparation



Jesse Powell

Business Development Manager

3 years supporting tax technology

Previously Micro Finance Advisor in Nigeria

Finance Degree from CU Boulder

Avid travel & outdoor enthusiast

TODAY

Who is Avalara?

Federal Legislation Update

State Nexus Laws in 2016

Product Taxability & Rate Changes

Tax Planning



Making sales tax less taxing

Avalara helps businesses of all sizes achieve compliance with transactional tax requirements by delivering comprehensive, automated, cloud-based solutions that are fast, accurate, and easy to use.

- ✓ Largest Sales Tax Provider
- ✓ 20K+ Active Customers
- ✓ 250+ New Customers / Mo.
- ✓ 500+ Pre-built Integrations
- ✓ 10B+ Calculations / Yr.
- ✓ Millions of Managed Exemption Certificates
- ✓ Million+ Tax Returns Filed / Yr.
- ✓ 190+ Countries

You may have used us before



500+ Pre-Built Integrations





Federal Legislation

Federal Legislation?

1. Marketplace Fairness Act (MFA)

- Broaden state authority to require remote sellers to collect tax regardless of physical presence.
- Requires states to simplify legislation and streamline state tax codes and filing / remittance requirements.
- When will it go into affect?

2. Remote Transactions Parity Act (RTPA)

- Similar to MFA however smaller remote sellers can be exempt for collection if gross annual receipts stay below:
 - \$10 million first year
 - \$5 million second year
 - \$1 million third subsequent year



Federal Legislation?

3. Online Sales Simplification Act (OSSA)

- States would only collect tax on sales originating in its state and use the rates/rules of the origin.
- More complex then it sounds...What constitutes origin? How would consumers and businesses react to this?

4. No Regulation without Representation Act

- Seeks to solidify the physical presence requirement upheld by the U.S. Supreme Court in 1992.
- “States should not have the ability to tax non-citizens”.
- Establishes de minimis physical presence settings as well.
 - # of days, types of activity (tradeshows), contractors, etc.





State Legislation

Beware of 2016 Nexus Changes

South Dakota

- Out-of-state seller has nexus if gross annual sales exceed \$100K or engaged in 200 separate transactions.

Alabama & Tennessee

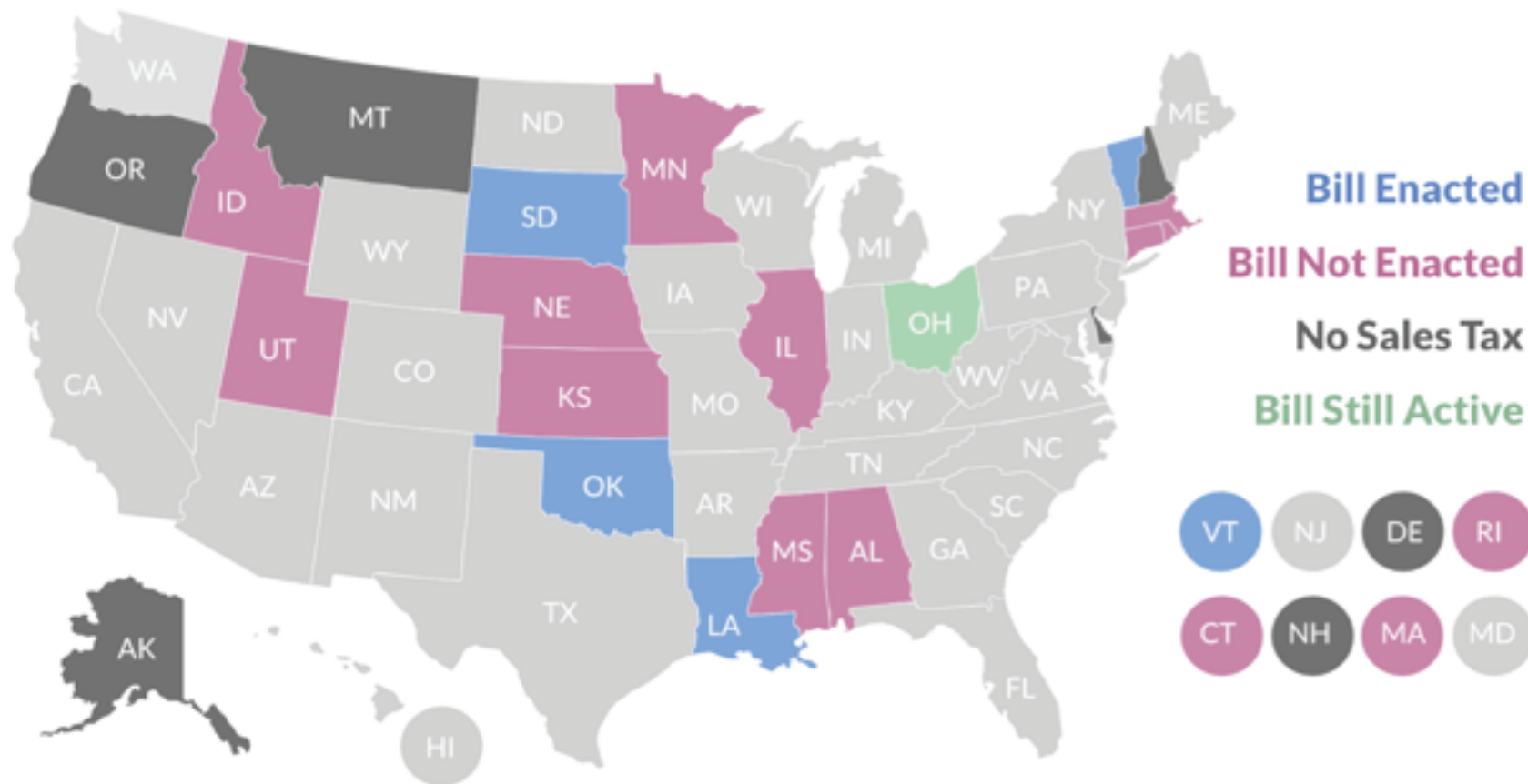
- Substantial nexus based on economic activity rather than physical presence. Litigation currently underway!

Louisiana

- Soliciting business in the state through independent contracts (any representative) in exchange for a consideration, provided gross receipts from such sales exceeds \$50k.



Nexus Bills in the 2016 Legislative Session



States are emphasizing major changes in

1. Nexus requirements
2. Reporting & notification requirements



Product Taxability & Rate Changes

Product Taxability Changes

Soda

- Boulder, Colorado, San Francisco, Oakland, Albany, California.
- New York is pushing for a “penny-per-ounce soda tax” to help close a budget gap.

Essential Items

- Tax exemptions for “essential items” is growing.
- Feminine hygiene products – NY (2016), IL (2017), CT (2018)

Vaping

- CA extends cigarette and tobacco taxes to e-cigarettes and any similar vaping product starting January 1 2017.
- Marijuana rapidly evolving in 7 states as well – more to come.



2017 Rate Changes

January 1st

- Arkansas
- Florida
- Illinois
- Kansas
- Minnesota
- Nebraska
- Oklahoma
- Utah
- Washington
- Wisconsin

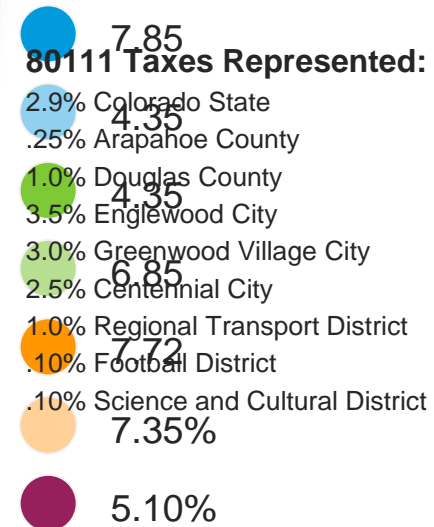


STATE & LOCAL

<http://www.taxrates.com/blog/category/sales-tax-rate-changes/>

Sales tax rates by ZIP Code = **Inaccuracy**

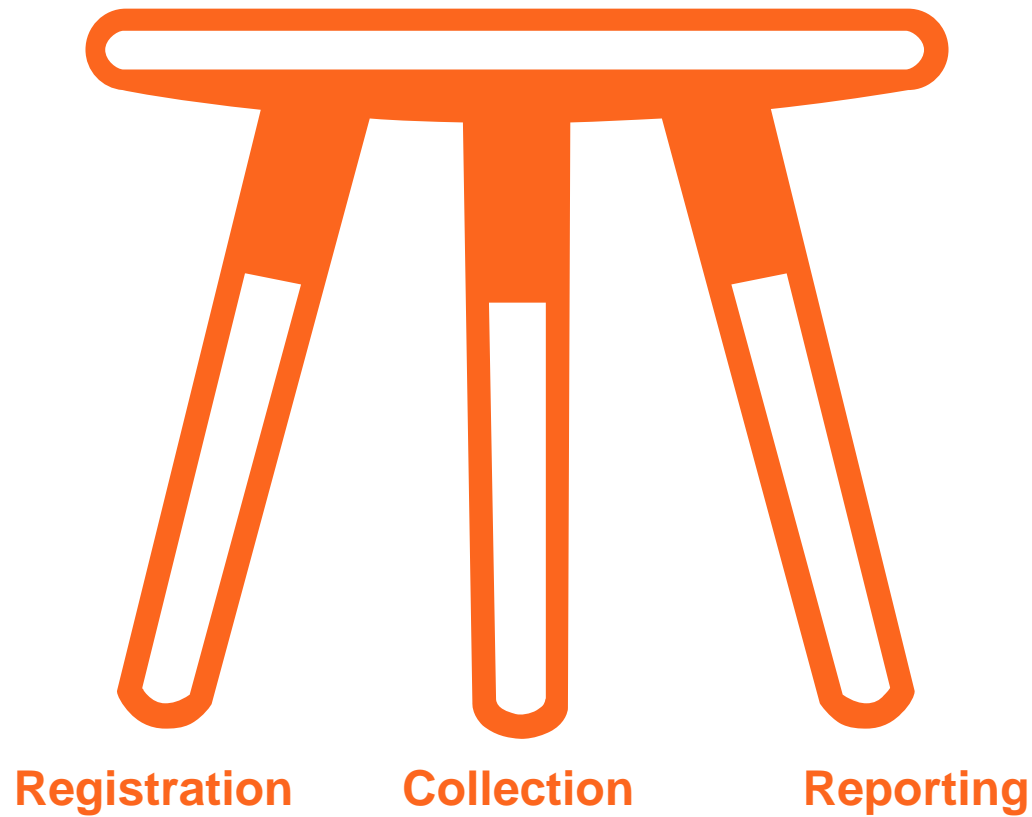
Determining sales tax rates by ZIP codes is **inaccurate and risky.**





Tax Planning

Tax compliance is a three-legged stool



Reduce your audit risk

You should:

- ✓ Do a nexus study
- ✓ Stay up-to-date with rate, rule, and boundary changes
- ✓ Report consumers' use tax
- ✓ File your \$0 returns!
- ✓ Be compliant from day one, especially new businesses
- ✓ Automate with technology

Make sure you have:

- ✓ An understanding of your filing requirements
- ✓ Calculations that are rooftop accurate
- ✓ Product taxability coverage
- ✓ Detailed sales records
- ✓ A process for managing exemption certificates



Thank You!

Jesse Powell
Business Development Manager
Direct Line: (206) 826-4900 x 1276
Jesse.powell@avalara.com

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