



Avoid Sales Tax Surprises: 9 Point Compliance Checklist

- Know Your Nexus**
Know the states in which you have sufficient physical presence to determine if you're liable for collecting sales or use tax in that state.
- Obtain Sales Tax and Business Licenses**
Once you establish nexus, obtain sales tax and business licenses and register to collect sales tax for that state.
- Know the Tax Rates**
To avoid over or under collecting sales tax, you must know the correct tax rates in the states and jurisdictions where you have nexus.
- Understand Product Taxability Rules**
Most items sold are considered tangible personal property (TPP) and are taxed at the standard sales tax rate. But there are exceptions so do your homework.
- Recognize Difference Between Origin Vs. Destination**
When it comes to intrastate transactions (those which occur within the same state), there are two types of jurisdictions: origin and destination.
- Maintain Exemption Certificates**
You can issue exemption certificates to a purchaser for various reasons, including resale, 501c3 status, products used in manufacturing or in farming.
- Charge Proper Tax Type**
Sales tax (intrastate transactions) and seller's use tax (interstate transactions) can differ. So it's important to know the type of tax being charged.
- Know the Risk on Returns**
There are sales tax-specific returns, seller's use tax returns and consumer use tax returns. Submitting them is an arduous task filled with potential error/risk.
- Understand Audit Triggers**
Understand what type of actions trigger an audit. Work with a CPA or sales tax expert to gain a better understanding of the compliance process.