



NELSON CPAs

Sales Tax

All states are active in performing sales tax audits in hopes to find additional tax revenue. Make sure you are aware and follow all sales tax rules that apply to your business. Please contact our office with any questions regarding your specific business.

When are you required to collect and remit sales tax for a particular state?

- You are required to collect and remit sales tax for all taxable sales in every state you are considered to be “doing business” in. Each state has their own rules regarding what items are taxable and when a business is considered to be “doing business” in their state.
- Generally, you will be considered to be “doing business” in any state where you have an office or other location (including a home office), have property (such as equipment or inventory), have employees, subcontractors or agents in that state working on your behalf, or visit the state for any reason (such as trade shows or delivering product using your own vehicle).

What steps need to be taken to determine if you are required to collect and remit sales tax and what sales tax rate to charge?

1. Determine which state the sale is “Sourced” to. Sales are generally sourced to the place where the purchaser takes possession of the item or the place where the service is performed. Generally, a purchaser takes possession at the place where they pick up the item or the place the item is shipped to.
2. Determine if you are considered to be “Doing Business” in that state under that state’s rules.
3. Determine if the product or service is taxable in that state under that state’s rules.
4. Determine the sales tax rate for the place the sale was “Sourced” to. This is generally determined by the zip code. Many states have local sales taxes in addition to their state sales tax. You need to make sure you are collecting the correct state and local tax rate for that particular zip code.

What should you expect from a sales tax audit?

- The state will assess sales tax for all taxable sales during the entire audit period that have not previously been reported to that state. Sales tax audits are generally done for more than one year, each Minnesota sales tax audit covers a four year period. Any Use Tax due will also be assessed. Please see our separate fact sheet regarding Use Tax that is available on our website.

Does your business sell goods or services online?

The U.S. Supreme Court's June 21, 2018 decision in *South Dakota vs Wayfair* means that remote sellers (online, by mail, telephone, etc.) may be required to collect sales tax in states where they do not have a physical presence. Due to this decision:

- Remote sellers that sell goods or services into Minnesota from other states must register and begin collecting sales tax in Minnesota no later than October 1, 2018.
- Minnesota businesses that remotely sell into other states may also need to start collecting sales tax in those states.

For further information – For Minnesota, sales tax information can be found on the Minnesota website at www.revenue.state.mn.us . All states have sales tax information posted on their websites.