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daunting task for small business owners and e-commerce merchants. Now, factor in the influx of brick-and-mortar stores moving their business online due to COVID and the...

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Staying up to date on changing sales tax laws is already an extremely difficult and daunting task for small business owners and e-commerce merchants. Now, factor in the influx of brick-and-mortar stores moving their business online due to COVID and the number of people opening first-time e-commerce shops for additional income – it's becoming more challenging.

Tax legislation is constantly changing. According to the [Vertex Inc. 2019 end of year](#)

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[out the state sales tax landscape](#) after *South Dakota v. Wayfair*.

While this does seem promising, our firm believes that any potential solution arising from this could take several years. We suggest that e-commerce businesses focus on mitigating your risk now by starting compliance with the states that you have the most risk for economic nexus. *Quick definition of economic nexus*: if you pass a state's economic threshold for total revenue or number of transactions in that state, you're legally obligated to collect and remit sales tax to that state.

What are the specific state-level changes?

In October 2019, more than 40 states followed through on previously announced plans to tweak their sales tax laws. The changes affected remote sellers (out-of-state sellers) and required them to charge sales tax subject to specific criteria in many states.

The coronavirus pandemic has also led to stalled legislative sessions and delayed tax filing deadlines. Specifically, the halt of sessions put simplification bills in Colorado and Louisiana in limbo, Idaho and Kentucky have paused audits, and remote sales bills in Kansas and Missouri are also uncertain.

With the way sales tax works, business owners collect sales tax from customers and remit that sales tax to the respective state on a monthly or quarterly basis. Many e-commerce business owners can hang on to the sales tax cash and defer the tax payments into the state. This is currently happening in California. The California Department of Tax and Fee Administration (CDTFA) [will allow small businesses with less than \\$5 million](#) in annual taxable sales to defer payment on up to \$50,000 of sales/use tax and such deferrals will be interest-free.

What do e-commerce businesses need to know about sales tax right now?

As an e-commerce business owner, you should consistently be taking steps to get

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transacting in. Obtain all necessary tax permits and registration documents to ensure compliance.

- **Make adjustments to your sales channels:** You'll want to ensure that your online sales channels are fully functional to support sales tax calculations and reporting. You can either manually configure your tax settings for orders or integrate your website with a tax calculating and reporting plugin or application programming interface.
- **Prepare to report on sales tax matters.** For some states, you'll need to submit annual reports to purchasers and state agencies addressing certain sales tax matters. [The Sales Tax Institute's Remote Sellers Nexus Chart](#) tracks new state reporting requirements.

E-commerce businesses can adjust to any new or changed sales tax laws by making changes from an accounting perspective and leaning into technology for support. Using a software solution can help you keep track of different state's tax laws and avoid compliance mistakes. It's crucial to know that the states for which you have physical nexus create the most sales tax risk. You also have to factor in that property, employees, and office spaces all create a physical nexus. For states that you do not have a physical presence, continuously monitor the rules in the states that you have the most sales in for rule changes. [TaxJar](#) will can definitely help with this!

Takeaway

Sales tax, especially with e-commerce, can be tricky but you don't have to figure it out all on your own. Working with a professional, such as an e-commerce CPA, can minimize your stress and give you peace of mind that you won't run into any issues. Professionals can help you manage your sales tax – this includes e-commerce bookkeeping and recording all financial transactions for your business (sales, purchases, payments). They can also help you develop a well thought out plan and

overall adjust your e-commerce accounting practices ensuring sales tax compliance

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