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Marshal Kushniruk • Sep. 28, 2015



Self-employed clients are innovative, entrepreneurial and like taking a lot of risk, but probably aren't paying much attention to their back-office operations, including the somewhat complicated issue of sales tax.

That's why they have you, of course. It's part of your job to educate them on how to improve their processes, discussing how you can not only shorten the time it takes to

prep and file their tax return, but also meet ongoing state and federal compliance.

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state, and taxpayers cannot claim a deduction for the sales tax collected and submitted. However, the taxpayer is required to include, as income, any portion of sales tax the state allowed them to keep.

What are the sales tax requirements by state?

Most states maintain this information through their government website. For example, the information for Texas can be found at the [State Comptroller of Public Accounts'](#) website. For any other state, a simple Google search is the best way to find a state's information. But, if you're practicing in a particular state, you should already be aware of these rules.

According to the [Sales Tax Institute](#), there are 45 states, plus the District of Columbia, that currently impose a general sales tax. The five states without general sales tax are Alaska, Delaware, Montana, New Hampshire and Oregon. However, Alaska permits local sales taxes, while Delaware imposes a rental and service tax. Most of the states also impose different excise, meal or lodging taxes, even though they don't impose a general sales and use tax. Most states also impose a variety of local sales taxes, including county, city and transit taxes.

What are the sales tax rules for “products” vs. “services?”

While self-employed clients who provide a service are mostly exempt from sales tax, most products are taxable. If your business owner sells a product or service that is subject to sales tax, he or she must register with the state's tax department, and taxable and nontaxable sales must be tracked and included on the company's sales tax return.

Should self-employed clients worry about nexus?

Absolutely. Nexus laws are complex and each state handles the issue differently. The

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To further complicate the issue, a presence in another state does not necessarily mean the client has a retail presence in that state; however, if there is an office, warehouse or employee working in that state, the state revenue department may consider this as a presence for tax purposes.

Avalara has a [short video](#) that explains sales vs. use tax. If your client has established nexus, check the state's sales tax laws so that he or she can accurately calculate, file and remit the appropriate sales tax liability. Here's another good [resource](#) for Internet sales tax issues.

Remember, your self-employed clients need your help when it comes to all-things accounting and tax, especially sales tax compliance. Learn all you can about their nexus and their presence. In the long run, if they ignore the issue, they could be subject to a sales tax audit.

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Sales Tax

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