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PRODUCT & SERVICE GUIDE

The Basics of Sales Tax Filing for Small Businesses

The rules and procedures for filing sales taxes are completely individual to each state. So it's imperative to find out what the rules and processes are for each state where you are collecting sales taxes. For those specifics, you can turn to our ...

Scott Peterson • Nov. 17, 2016



Congratulations! You, or your small business client, has received a sales tax permit, have registered with the state, and have collected taxes on sales. So what's next?

Now it's time to file with the state, reporting the amount of taxes you've collected and handing those funds over to the state. It seems like a simple enough task, but, as with anything sales-tax-related, it can be surprisingly complex and not always easy to figure out how to get it right. Here's how to get started and what to watch out for so that you can file your sales taxes confidently and correctly.

One size does not fit all

The rules and procedures for filing sales taxes are completely individual to each state. So it's imperative to find out what the rules and processes are for each state where you are collecting sales taxes. For those specifics, you can turn to our [state sales tax guides](#) or the individual websites of each state. That said, here are some common things you need to know.

Filing format

Each state has a sales tax return form that you are required to fill out and send in. For a long time, filing taxes involved filling out a paper form and mailing or delivering it to the appropriate tax authority. That's still an option in many states, but technology now offers other methods.

Every state offers some online option so that you can file and send with the touch of a button. Many states also offer the choice to file using a touch-tone phone (telefiling).

Some states have done away with paper forms altogether, requiring all sales tax filers to use electronic options. Others require electronic filing only for some taxpayers, most commonly if they are over a certain threshold for the amount of tax they are remitting.

Due dates

When you register with the state, you should be assigned a filing frequency. This may be monthly, quarterly, annually or other and applies for both filing and payment. Businesses with more tax to pay are commonly required to file more often. Your due dates for filing taxes will be determined by your frequency.

Businesses with a lot of tax to remit may be required to prepay, meaning they may have several filing/payment deadlines for a reporting period.

Due dates will often fall on the same day of the month every reporting period, but they can vary due to holidays, weekend, etc. So it's important to know the exact due dates. For example, the 20th of the month after the previous month's collection period is a common filing deadline. But if the 20th falls on a Sunday, the 21st may be the actual deadline for that month.

If you are filing and paying electronically, pay careful attention to when you actually need to initiate your payment in order to meet the deadline. It may not be credited the same day you submit it.

Payments

If you are filing a paper form, then you can send a check or money order in with your return to remit payment. There are also many options for electronic payment. Some states have an option for paying with a touch-tone phone, and all offer online payment. All states allow you to pay through direct debit from your bank account, and most also offer an option to pay via credit card. Credit-card payments usually incur a small convenience fee.

Late penalties

All states penalize businesses for missing filing and payment due dates. Penalties can be compounded by interest, so fees can add up quickly. Even if you can't pay right away, it's important to at least file as soon as you can to avoid paying more in fees than you have to.

Timely discounts

Many states offer incentives to taxpayers who file and pay early or on time by offering discounts on the amount of tax that must be paid. These can range from 0.5% to 5% with various maximum amounts. In some cases, businesses must pay electronically to qualify for the timely discount.

Zero-tax filing

In most states, you must file sales tax returns even if you didn't collect any tax for the reporting period. This is called zero-tax filing.

Streamline sales tax filing

Automation can help make the reporting, filing and remittance process much easier. With software solutions like [Avalara TrustFile](#), you can import transaction data from your ecommerce or accounting platform and prepare your sales tax returns in minutes, whether you are filing in one state or several.

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