contact to require you to register with a state taxing authority or other regulatory body?" Don't make the mistake of getting frightened by the term.

Mary C. Thomas • May. 09, 2018

At its most basic level, nexus is answering the question, "Do you have sufficient contact to require you to register with a state taxing authority or other regulatory body?" Don't make the mistake of getting frightened by the term. Basic nexus assessment is fairly logical: example, if your client has one employee in California, they have nexus, no matter where their business is based. And, if that is true, that means your client must register with the California Secretary of State, Franchise Tax Board, Board of Equalization, and the Economic Development Department.

There are various circumstances that set off nexus, and many services, like nexus studies and assessments, are offered by tax experts and can help determine your client's potential exposure.

Why nexus determination is so important

same way as a company that is natively based in that state. And remember, opening the door on one tax type can open the door on more.

Nexus has become a hot spot

Nexus is a hot topic due to changes in the nature of business. Companies now commonly conduct business across state borders, and country borders, due to the internet and online commerce. It has become more common for employees work remotely. Inventories can be held in remote locations. There is also ambiguity about when states can impose a duty to register on out-of-state businesses. The state of the law has not stayed up with the advances in technology.
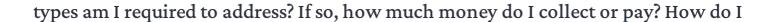
Expertise is needed to get nexus right

If a client asks me the best way to handle nexus issues, I advise them to hire an expert. Many smaller businesses don't have the time or interest to learn the nuance of nexus rules, and mistakes in this area can be costly. State and local tax compliance (including matters of nexus) is a multi-billion dollar industry for a reason. Experts may devote entire careers to it.

Nexus compliance should not be treated as an afterthought. That is the biggest mistake I see clients making...thinking that state and local tax compliance is easy or that recover from a mistake is easy. I have seen mistakes in handling state and local tax put significant crimps in people's lifestyle and business status. Guidance from and expert can help protect the client from the worst outcomes.

Nexus ties in to state and local tax compliance

Nexus is the first question that businesses must address when they are assessing their compliance to sales tax rules. The order is: Must I register, i.e. do I have nexus? What potential agencies require registration? Is what I do subject to taxation? What tax

types am I required to address? If so, how much money do I collect or pay? How do I

Mary C. Thomas is a TX CPA/attorney who works in state and local sales/use tax. As a principal of Thomas, Thomas & Thomas, PC, she helps business owners and accountants comply with sales/use tax regulations. When she is not solving tax puzzles, Mary enjoys taking Ella (her dog) on social dates, gardening, and walking off good meals.

Sales Tax • Technology