

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

to hoe. Keeping track of changing sales tax rates, online sales tax requirements and

...

Gail Cole • Jul. 28, 2022



Businesses required to collect and remit sales tax in multiple states have a hard row to hoe. Keeping track of changing sales tax rates, online sales tax requirements, and reporting obligations can be challenging. Keeping compliant in all jurisdictions can be even more difficult, especially for businesses selling in home-rule states.

What is home-rule sales tax?

When it comes to sales tax, *home rule* describes states where local governments like cities or counties can administer local sales tax: They can audit businesses, create

their own forms, and define terms differently from the state. In non-home-rule

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

sales tax on transactions that are exempt from state sales tax, or exempt sales that are subject to state sales tax. And they may demand businesses file local sales tax returns and remit tax to the local tax authority in addition to filing with the state. Adding to the complexity, local returns may or may not follow the same schedule as state returns.

There are varying degrees of home-rule authority. In some states, like [West Virginia](#), the state department of revenue administers home-rule sales taxes. That's generally true in [Illinois](#) as well, with the exception of some [Chicago](#) taxes. This is typically the best-case scenario for businesses because they usually only need to deal with one taxing authority.

In other states, like [Alabama](#) and [Colorado](#), state tax departments administer sales tax for some local governments but not others. Approximately 70 home-rule cities in [Colorado](#) and 20 home-rule cities in [Idaho](#) are self-collecting; some of these cities require businesses based outside city limits to [register for the local option tax](#).

The [Louisiana Department of Revenue](#) doesn't administer any local sales taxes. More on that in a bit.

Home-rule jurisdictions have been around for decades, and they've always complicated sales tax compliance for certain businesses. Yet their reach was somewhat limited because states — and by extension, local governments — could require a business to collect and remit sales tax only if the business had a physical tie to the state (or locality).

That changed when the Supreme Court of the United States ruled in favor of the state in [South Dakota v. Wayfair, Inc.](#) (June 21, 2018). Physical presence still gives a business nexus, or a connection creating a sales tax obligation, but thanks to the

Wayfair decision, states can also tax businesses with no physical presence in the

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

So ...

How did Wayfair impact states with home rule?

At first, Wayfair caused a bit of a free-for-all in many states. More than one state took a “tax now, work out the kinks later” approach, and though it's [been four years since Wayfair](#), sales tax in some states is still tangled.

In the wake of the ruling, each state had to figure out the best way to tax remote sales: whether to base the economic nexus threshold on sales volume and/or number of transactions, whether to include services or exempt transactions in the threshold, and so forth. States also had to set an effective date, figure out how soon after crossing a threshold a business would need to register, and more. For states, winning the right to tax remote sales was a big deal; actually taxing remote sales is perhaps an even bigger one.

Home-rule states faced an additional hurdle: how to minimize the burden of local sales tax registration, collection, and remittance for remote sellers.

The Wayfair decision doesn't expressly prohibit states from piling burdensome sales tax obligations on businesses. However, the decision approvingly noted that South Dakota's tax system tries to prevent “undue burdens upon interstate commerce” by providing state-level tax administration, uniform definitions for products and services, simplified tax rate structures, and other simplification measures.

Whatever else may be true about home rule, it generally doesn't make tax compliance simpler for businesses.

Wayfair overturned decades of precedent, but as we all know, what the court gives it can take away. Perhaps that's why most [home-rule states are trying to simplify sales](#)

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

collect, remit, and report [Alabama's Simplified Sellers Use Tax](#) (SSUT) on all sales into the state rather than the combined sales tax rate in effect at each location. Businesses participating in SSUT file returns through the state's online system, My Alabama Taxes, and are audited by the Alabama Department of Revenue, not individual taxing authorities.

Cities and counties can still levy their own taxes; some have asked the Alabama Department of Revenue to administer local taxes on their behalf; others administer local taxes themselves. Businesses not participating in SSUT, including businesses with a physical presence in the state, could therefore need to register and remit to one or more local tax authorities.

While sales tax compliance in Alabama is easier than it could be, there are still challenges. For example, while local tax authorities are [required to notify the department](#) in writing of tax changes, they may do so later rather than sooner. This can cause businesses to scramble, especially around [sales tax holidays](#).

Alaska localities coordinate sales tax collection for remote sellers

There's no statewide sales tax in Alaska, but more than 100 cities and boroughs have a local sales tax and about 50 of those [tax remote sales](#).

Realizing how difficult it would be for businesses to register and remit to individual jurisdictions, local governments in Alaska created the [Alaska Remote Seller Sales Tax Commission](#) (ARSSTC) — “a simplified, single-level statewide administration.”

The ARSSTC provides a single filing platform for all participating communities, notifies registered sellers about new members and sales tax rate changes, and more. It also works with sales tax compliance software companies like Avalara, which in turn facilitate compliance for customers selling into the Last Frontier.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

County and state TPT. But local tax information is now provided by the Department of Revenue, and businesses no longer need to register or file returns with local governments in addition to registering and filing returns with the state.

Colorado has a single point of remittance portal

Colorado has a well-deserved reputation for being a bear when it comes to local sales and use tax. Despite the state's efforts to simplify sales tax since Wayfair, that continues to hold true.

There are approximately 100 home-rule jurisdictions in Colorado. About 70 of the home-rule municipalities are self-collecting, meaning the Colorado Department of Revenue does *not* administer local sales tax on their behalf. The remaining home-rule districts are state-collected; see the [Colorado Department of Revenue](#) for an up-to-date list.

Self-collecting home-rule municipalities generally adopt and administer their own sales tax laws and may tax certain transactions differently from the state. For example, [Colorado's new 27-cent retail delivery fee](#), which took effect July 1, 2022, is exempt from state and state-collected local sales taxes but reportedly subject to local sales tax in about 10 self-collecting home-rule jurisdictions.

Even state-administered home-rule jurisdictions have more taxing freedom than districts in non-home-rule states. Although generally required to adhere to state sales tax laws, they can exempt certain types of sales, such as food for home consumption. The Department of Revenue provides more details in [DR 1002](#).

Although state-collected jurisdictions began taxing online sales at the same time as the state, self-collecting home-rule municipalities need to adopt a local economic nexus provision in order to tax remote sales. The Colorado Municipal League (CML) encourages home-rule districts to adopt its [model economic nexus ordinance](#) and to

join the state's new single point of remittance portal, [SUTS](#). In fact, the CML urges

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Sales tax compliance in Colorado can be as challenging for in-state online sellers as for out-of-state sellers because [Colorado is transitioning to destination sourcing](#) for sales tax. It started the process in 2019 and currently provides an exception only for small businesses with less than \$100,000 in retail sales. Beginning October 1, 2022, all businesses in Colorado will need to collect and remit the tax due where the customer takes possession of the property, just as remote online sellers do now.

Louisiana is trying

Like Colorado, Louisiana is famously difficult when it comes to sales and use tax.

Louisiana enacted economic nexus in June 2018, just before the Supreme Court of the United States overturned the physical presence rule. However, it didn't start [taxing remote sales](#) until July 1, 2020, in part because its sales tax system is so complex.

To simplify sales tax compliance for remote sellers, the Legislature established the Louisiana Sales and Use Tax Commission for Remote Sellers — a single, state-level tax administrator for remote sales. All localities participate in the system, though some would [prefer to administer local taxes themselves](#). For their part, a majority of voters in Louisiana oppose the idea of [a centralized sales tax system](#).

Out-of-state sellers with no physical presence register, remit, and file returns through the Louisiana Sales and Use Tax Commission for Remote Sellers. Businesses with a physical connection to the state still have to remit taxes to the individual taxing jurisdiction because [Louisiana imposes different requirements on “remote retailers,” “remote sellers,” and “direct marketers.”](#) So despite the state's best intentions, Louisiana sales tax compliance is still a burden for many businesses.

How you can ease the sales tax burden

Success often comes at a cost, and for many businesses, that cost is an obligation to

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved