



In 2018 the US Supreme Court in *South Dakota v. Wayfair* overturned the established physical presence rules for businesses to determine if they needed to register, collect and pay sales tax in an individual state. If your business has a website and engages in internet-based out-of-state sales, you could be exposed to new laws passed by over 35 states requiring you to register, collect, and pay sales tax in that state.

Most states have passed laws stating that if you sell more than \$100,000 of products or services OR more than 200 transactions of any dollar amount to customers in their state, you are subject to their sales tax rules. Failure to follow their rules could essentially bankrupt your company in a few years with penalties. The AICPA has an example of a company with a \$9,000 annual sales tax liability unpaid for seven years. With penalties after 7 years the company would owe the state \$2.6 million in back taxes and penalties.

We do not monitor your sales volume or the number of transactions by state and do not register or file sales tax returns for you when we prepare your income tax returns. If you have a website selling products or services, or you offer sales across state lines, it is important that you track your sales levels and the tax law changes in all states where you do business. You need to be aware of this issue because it is not part of your income tax preparation.

We are concerned about the impact these new laws could have on your company as there are over 9,000 separate state and local taxing jurisdictions in the United States. Please familiarize yourself with these changes and, if necessary, take action. We cannot over-emphasize the importance of compliance with these rules.

Sincerely,

*Anderson, Davis & Associates, CPA*