



Everything you wanted to know about nexus (but were afraid to ask)

Location, location, location. This is a mantra in the real estate industry, but it's also an important issue to many businesses in the U.S. when it comes to collecting sales taxes. While the online economy has created a multitude of opportunities for businesses, selling goods to customers in many different states can make sales taxes complicated and confusing.

One of the most important sales tax questions any business must ask is, "Where must we collect, remit and report?" That's where nexus – a connection between your business and a state – comes in. If your business has nexus in a certain state, you generally must collect sales taxes within that jurisdiction.

Figuring out the answer to that “where” can be tricky, as rules vary widely from state to state, but here are a few examples of how nexus can be created.



Physical presence

One of the most basic nexus rules is that if your business has a physical presence in a state, you will be required to collect and remit sales taxes there. It’s relatively simple if your business is located in a particular state and you only have sales within that state—then, you only collect and remit in your home state.

However, if you have locations of your business in multiple states, you may create nexus in each of those states. This can apply to branches, stores, warehouses, drop-shipping facilities or any real estate or property that belongs to your company.



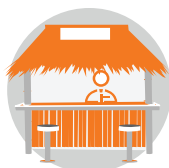
Delivery and Distribution

As long as you ship goods to customers by a common carrier such as USPS, UPS, or FedEx, you are unlikely to trigger a sales tax obligation through delivery. In some cases, however, the use of a drop shipper or a contract with a distributor that functions as a drop shipper is considered a taxable nexus-creating activity.



Employee location

Nexus can also be created if you employ sales people in different states. If your employees or contractors conduct any work at a customer’s out-of-state location or deliver products in another state, nexus can also apply.



Event attendance

Regularly attending tradeshows in other jurisdictions beyond the physical location of a business can also be considered nexus in certain states.



Advertising and affiliates

If you advertise online or use affiliates to get business, you may trigger nexus. When a business in another state sends customers to your business through links on a website, this can create nexus in the originating state, according to affiliate or click-through nexus laws.





Trailing nexus

Even if you cease doing business or having a presence in a state, your nexus may not end there – it can have a longer shelf life than you may imagine. You may still be considered to have nexus in that state for a period that can last through the end of the calendar year or even longer after you quit the state.



Growing net of nexus

In 1992, the Supreme Court decision in [Quill Corp. v. North Dakota](#) (1992) confirmed that, under the Commerce Clause of the U.S. Constitution, vendors with no physical presence in a state did not have nexus requiring them to collect sales tax, even if they makes sales to customers in that state.

However, as states attempt to collect as much sales tax as they can, nexus-triggering possibilities keep growing. Amazon.com, for example, collects sales tax in half the states in which it does business due to expanding definitions of nexus.

Sales tax solution

Knowing where you have nexus is crucial for businesses, yet it is a specialized area that requires state-by-state research—and one that changes constantly. It can take a lot of time and effort to make sure you are getting nexus right, and if you don't, the consequences of noncompliance can cost you even more time – and money.

One solution is automated sales tax software such as Avalara's AvaTax. AvaTax integrates seamlessly into the most popular accounting and ecommerce solutions to provide 100% guaranteed accurate sales-tax calculations based on the latest rules, rates and boundaries. AvaTax knows where you have nexus and the right amount of sales tax that you need to collect.

Get Started.

To learn more about pricing, view online demonstrations, or chat about AvaTax's capabilities, visit:

www.avalara.com

or call 

877.780.4848 today.

About Avalara

Avalara, Inc., is a leading provider of cloud-based tax automation for businesses of all sizes. We help businesses achieve transactional tax compliance for sales and use, excise, communications, VAT and other tax types. Avalara's comprehensive, cloud-based solutions are fast, accurate, and easy to use with more than 500 hundred pre-built connectors into leading accounting, ERP, ecommerce and other business applications. Our Compliance Cloud™ platform helps customers manage complicated and burdensome tax compliance obligations imposed by state, local, and other taxing authorities throughout the world. Each year, Avalara processes billions of indirect tax transactions for customers and users, files hundreds of thousands of tax compliance documents and tax returns, and manages millions of exemption certificates and other compliance related documents.