

# Sales Tax Changes 2024

Scott Peterson

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The Association of  
Accountants and  
Financial Professionals  
in Business

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# Featured Presenter

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# Agenda

1. The digitalization of international tax
2. Income tax updates
3. Latest in economic nexus & marketplace facilitator laws
4. 1099-K updates and retail delivery fees
5. State-specific updates
6. Software taxability trends
7. Taxes on streaming
8. Q&A

# Poll Question 1:

Which continent are you joining us from today?

- a. Africa
- b. Antarctica
- c. Asia
- d. Australia
- e. Europe
- f. North America
- g. South America

# Poll Question 1 Results: (Placeholder)

Taxation goes digital

# E-invoicing mandates spread globally

1. E-invoicing streamlines the exchange of invoice data between business partners and enables tax authorities to retrieve relevant VAT information in real time
2. VAT in the Digital Age measures will further drive e-invoicing mandates.



**60+**

**COUNTRIES**

have (or soon will have)  
e-invoicing mandates



**ISRAEL, POLAND,  
ROMANIA, AND SPAIN**

have e-invoicing requirements  
going into effect in 2024

# VAT in the Digital Age (ViDA) delayed

1. European Union's proposed plan to modernize tax in the EU with:
  - Real-time digital reporting system
  - Updated VAT rules for platform economy
  - Single VAT registration
2. Planned to launch in 2024 but recent vote delayed introduction by one year





# U.S. programs turn sights to digital programs

1. The U.S. government is taking strides to embrace the digital age:
  - FedNow: A Federal Reserve instant payment program designed to reduce the time and cost of moving money.
  - Digital Business Networks Alliance: The U.S. Business Payment Coalition's voluntary framework for U.S. businesses to connect and exchange e-invoices with each other.
2. While the U.S. doesn't have e-invoicing mandates, state governments may begin to pay attention as more businesses adopt the practice.



# Income tax updates

# Income tax updates

1. Corporate income tax doesn't have the same bright line thresholds that were established with economic nexus laws for sales tax
2. About 15 states follow the Multistate Tax Commission's (MTC) guidelines specifying that a business doesn't have substantial nexus within a state unless it exceeds the following in a tax period:
  - \$50,000 of property,
  - \$50,000 of payroll,
  - \$500,000 of sales, or
  - 25% of its total property, payroll, or sales in the state
3. States assert that economic nexus is triggered because a business is "doing business" in the state, but that can mean 35 different things to 35 different states.

## State-specific updates:

- Ohio's Commercial Activity Tax (CAT) increased its annual exclusion from \$1 million to \$3 million
- Washington State exempted newspaper printers or publishers (or other eligible digital content) from paying B&O tax from Jan 1, 2024 – Jan 1, 2034

## Poll Question 2:

What has been the most challenging aspect of managing your tax compliance in 2023? (select all that apply)

- a. Determining nexus
- b. Calculating and collecting sales tax
- c. Tracking and managing exempt sales
- d. Remitting sales tax (returns)
- e. Keeping up with changing tax laws and guidelines
- f. International tax requirements (VAT, e-invoicing, etc.)
- g. Other

# Poll Question 2 Results: (Placeholder)

# Economic nexus & marketplace facilitator updates

# 5 years later, economic nexus is still a challenge

According to a 2023 [Avalara/Censuswide survey](#):

**72%  
of respondents**

think online sales tax laws  
are complex and confusing.

**40% of  
respondents**

say economic nexus laws  
have increased the cost of  
managing tax requirements.

**72% of  
respondents**

have invested in technology  
to help with the calculation  
and reporting of online  
sales tax requirements.

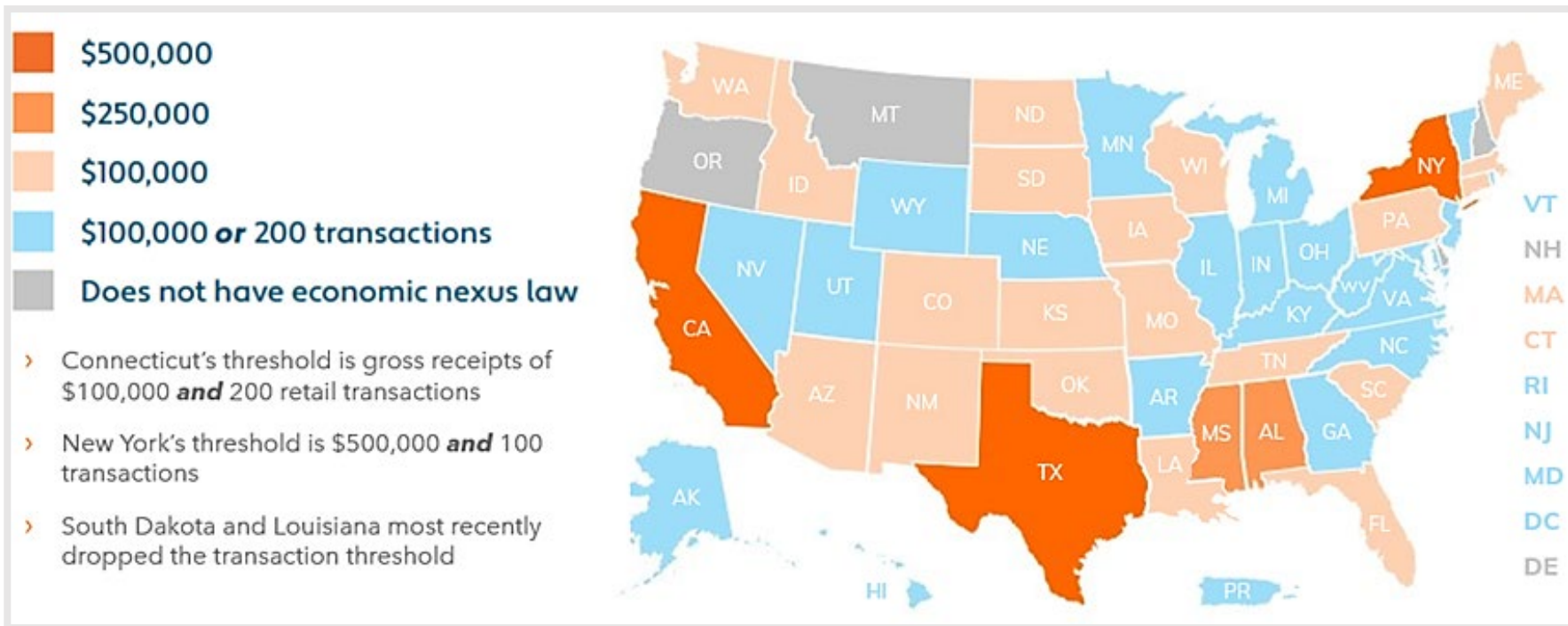
# 5 years later: What's new with economic nexus?

1. All 45 states with a state sales tax, plus District of Columbia and Puerto Rico have enacted economic nexus laws. (*Thresholds vary state-by-state.*)
2. States reconsider nexus thresholds. 10 states have dropped the transaction threshold so far.



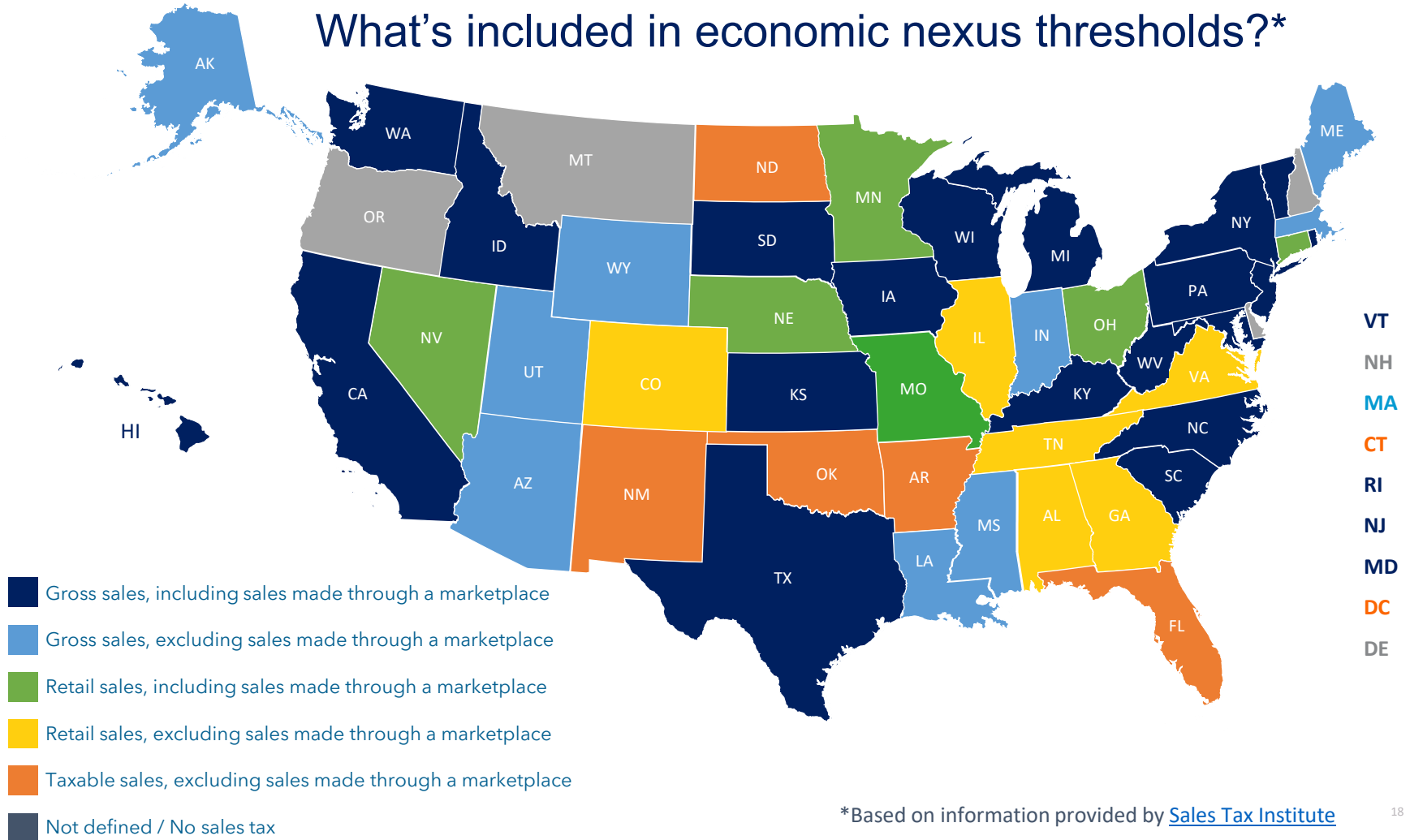


# Economic nexus thresholds by state



Use Avalara's free [sales tax risk assessment](#) to determine where you have nexus.

# What's included in economic nexus thresholds?\*

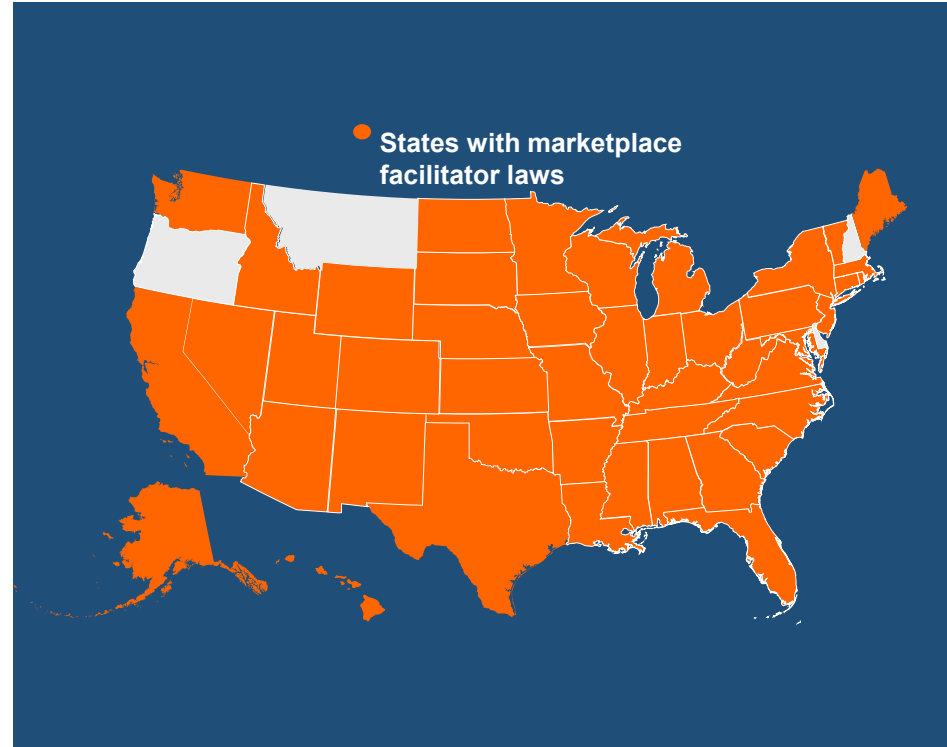


\*Based on information provided by [Sales Tax Institute](#)

# Marketplace facilitator laws

The responsibility to collect and remit sales tax lies with facilitators

1. 45 states, plus Washington, D.C., Puerto Rico, and some localities in Alaska have adopted marketplace facilitator laws.
2. States are revisiting their definitions of what constitutes a marketplace facilitator. Application varies state-by-state.
3. Multistate Tax Commission (MTC) and National Conference of State Legislatures (NCSL) have both provided guidance for states to determine their definitions.



# New 1099-K reporting requirements are coming

1. Online marketplaces, payment apps, and credit card companies are required to file Form 1099-Ks and provide to payees (sellers)
  - The current threshold is \$20,000 in payments and over 200 transactions
2. The IRS will phase in lowering the threshold in coming years\*
  - For tax year 2024: The threshold will drop to \$5,000
  - For tax year 2025: Threshold will drop again to \$600

[\\*Internal Revenue Service](#)



## Poll Question 3:

How automated are your tax processes and technologies?

- a. We've automated everything we can
- b. We've automated some, but still have areas to improve
- c. Almost nothing is automated
- d. Not sure

# Poll Question 3 Results: (Placeholder)

# Retail delivery fees

# Retail delivery fees

Colorado's retail delivery fee applies to all deliveries made by motor vehicle in the state that contain at least one item of tangible personal property.

- Effective May 4, 2023, qualifying new businesses and businesses with less than \$500,000 in sales during previous year are exempt.
- Effective July 1, 2023, the fee jumped from 27 cents to 28 cents.
- Marketplaces are required to collect and remit Colorado's retail delivery fee on behalf of their sellers.
- The IRS will phase in lowering the threshold in coming years\*
- For tax year 2024: The threshold will drop to \$5,000
- For tax year 2025: Threshold will drop again to \$600

[\\*Internal Revenue Service](#)

Minnesota will impose a similar, but different, 50-cent fee on retail deliveries of orders totaling \$100 or more, effective July 1, 2024.

- May be imposed on delivery of clothing, even though clothing isn't taxable in Minnesota.
- Marketplaces with less than \$1 million in retail sales will be exempt from Minnesota's fee.



# Other notable updates

# State-specific updates



**Illinois** is being challenged in court over the issue of destination and origin sourcing

**Virginia** now only allows law firms within the state to help businesses obtain beverage alcohol licenses.

**Maryland** and **California** both enacted bottle fees that in- and out-of-state sellers must adhere to.

# Software & digital product taxability updates

1. States are redefining their tax laws to include digital products and services.
2. The Multistate Tax Commission (MTC) is redefining digital products for the purposes of taxation.
3. Conversations are underway around digital sourcing within the Streamlined Sales Tax (SST).
4. Maryland's digital advertising tax is still making waves



# Taxes on streaming services

1. 33 states require streaming services to collect sales tax\*
2. More localities are asserting that streaming service providers owe sales tax due to physical presence through their use of broadband/fiber networks
3. So far, localities are not having much luck in the courts, as most courts have ruled that streaming services cannot be taxed in the same way that cable companies are
4. In Missouri, a state judge recently ruled that cities have there have a right to sue under state law



## Poll Question 4:

What information do you find the most valuable from Avalara Tax Changes? (select all that apply)

- Learning about broader commerce and industry trends
- Seeing relevant data points about those trends
- Learning about tax changes
- Other

# Poll Question 4 Results: (Placeholder)

# Questions and Answers

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# Thank you!

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