



STATE AND LOCAL TAX SERVICES (SALT)

NEXUS STUDY CHEAT SHEET

WHAT IS NEXUS?

Nexus is defined as a connection or series of connections linking two or more things.

HOW DOES NEXUS APPLY TO MY BUSINESS?

Nexus occurs when a business has a significant presence in a state and is then subjected to state income taxes and sales taxes for all sales made within that state. Many states define Nexus differently. Nexus is subject to each state's particular taxing authority, making it a complex, layered issue. There are many activities that can trigger Nexus, including business license, gross receipts, payroll expense or telecommunications tax filings. Since the tax impact can be significant, it is important to be aware of Nexus-creating activities.

As technology continues to become more sophisticated, it is becoming easier for states to detect businesses who have not filed correctly. It is also common for a state to change its position on Nexus. This creates opportunities for business owners to be at risk of nonfiling exposure, simply because they were unaware of establishing Nexus in a particular state. For all of these reasons, it's important to educate yourself on Nexus to avoid unnecessary tax burdens.

WHAT ARE SOME EXAMPLES OF THE DIFFERENT TYPES OF NEXUS?

Physical Nexus:

- Employees, independent contractors solely working for a company, company owned vehicles, offices, property, inventory.

Economic Nexus:

- Physical presence is not required - there is new case law to support this new term.

Affiliate Nexus:

- A connection between a vendor and another entity that may be related in some way or that performs certain work that can be attributed to the vendor to cause the vendor to have nexus in the taxing jurisdiction.

Fulfillment Nexus

- Owning inventory held at a fulfillment warehouse in a state where you otherwise did not have Nexus.

Click Through Nexus:

- An online retailer's use of an in-state party to host an advertisement and subsequently paying that in-state party a commission for sales generated from the advertisement.

WHAT IS A NEXUS STUDY?

A review of all relevant records, circumstances and an interview of company personnel to identify any and all connections a company has in each state will be conducted by Anders. This step is followed by gathering and summarizing all data into a "Nexus Matrix" spreadsheet to identify states that have clear cut Nexus laws, and states where further research is needed to determine if Nexus exists. Finally, we will meet with ownership and/or upper management to present the results and determine the next steps of the registering and filing process.

WHY IS A NEXUS STUDY PERFORMED?

To minimize risk and bring taxpayers into compliance.

RECENT STATE DEVELOPMENTS

- Enacting non-income-based taxes.
- Aggressively broadening the concept of nexus.
- Seeking to capture a larger proportion of the taxable income of multistate businesses by replacing the traditional, equally weighted payroll, property and sales apportionment with formulas based predominantly or solely on the percentage of sales to customers in the state.
- Lowering the bar so its easier to meet the nexus standards in some states.

“Perform a Nexus study to minimize your risk and bring taxpayers into compliance.”

NEXT STEPS

- Perform an internal Nexus review and present it to Anders for a complete review.
- Participate in a voluntary disclosure (or tax amnesty) program.
- Reduce Nexus triggers to minimize exposure.
- Engage Anders to perform a comprehensive Nexus study.

Partnering with an experienced professional services firm to make informed business decisions is important. We understand the SALT compliance and regulations and offer valuable insights on issues that impact the growth and visibility of your organization.

To learn more about our services or arrange meeting with our team, please contact:

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