



WEBINAR

NAVIGATE BUSINESS &
TAX CONSIDERATIONS FOR
OPERATING
IN THE U.S.

*MASTERING STATE &
LOCAL TAX COMPLIANCE*

WEDNESDAY, NOVEMBER 13

PRESENTED BY:

KYLE SIMMERMAN, BGBC ADVISORY
DARCY ADELMUND, BGBC ADVISORY

BGBC

STRENGTH IN NUMBERS



MEET YOUR PRESENTERS



KYLE SIMMERMAN, CPA
PARTNER
BGBC ADVISORY, LLC



DARCY ADELMUND, CPA
MANAGER
BGBC ADVISORY, LLC

ABOUT BGBC



Over 30 Years of Exceptional Client Service



Founding Member of the BDO Alliance USA Program



Serving Finnish Clients for Over 25 Years



Nearly 75 Team Members Strong



Named One of Central Indiana's Top Workplaces for 7 Consecutive Years



AGENDA

- **Overview of State Tax Landscape**
- **Sales and Use Taxes**
- **State income tax**
- **Property Tax**
- **Other Taxes**
- **Credits and Incentives**

WHAT YOU WILL LEARN

- Evolving nexus rules and their impact on state income tax filings
- Overview of US sales tax considerations
- State personal property tax filings and incentive programs

OVERVIEW OF STATE TAX LANDSCAPE

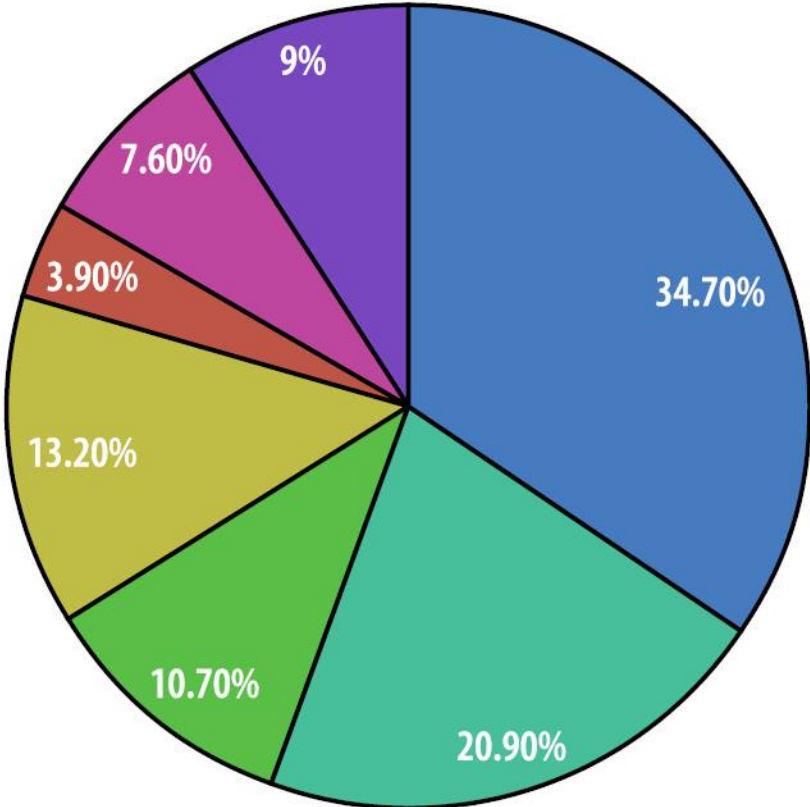


FY 2022 STATE & LOCAL TAX

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- State business taxes increased by 18% and local business taxes grew by 9%



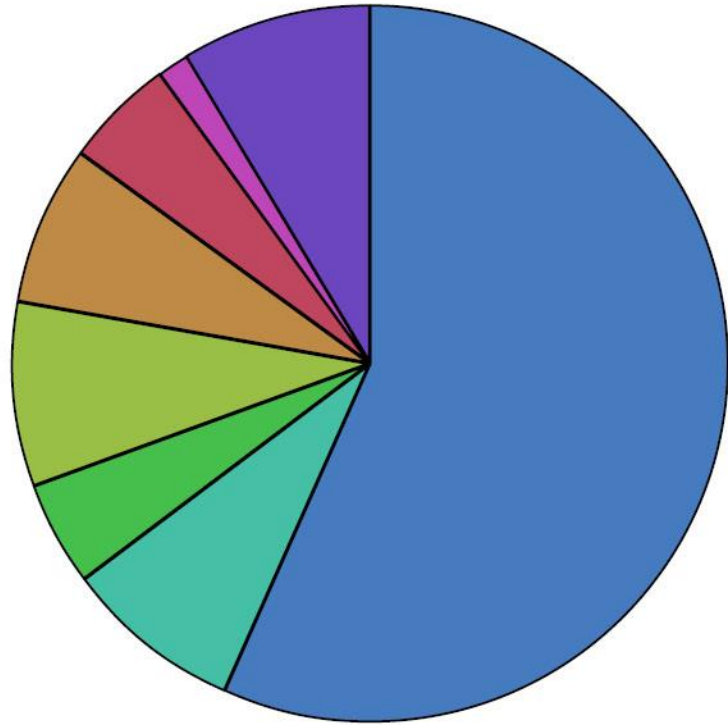
STATE & LOCAL TAXES BY TYPE, FY 2022



Source: Total State and Local Business Taxes: State-by-State Estimates for Fiscal Year 2022, study prepared by Ernst & Young LLP for the State Tax Research Institute and the Council On State Taxation (December 2023)

STATE COMPARISONS OF TAX REVENUES BY SOURCE

TEXAS, 2023

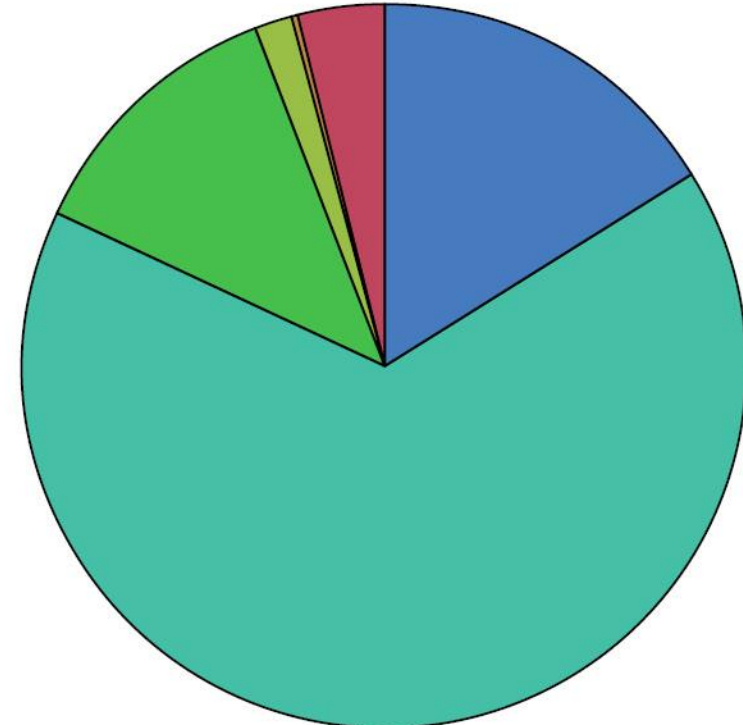


SALES & USE
FRANCHISE
CIGARETTE & TOBACCO

MOTOR VEHICLE
OIL PRODUCTION
OTHER TAXES

MOTOR FUEL
INSURANCE

CALIFORNIA, 2023



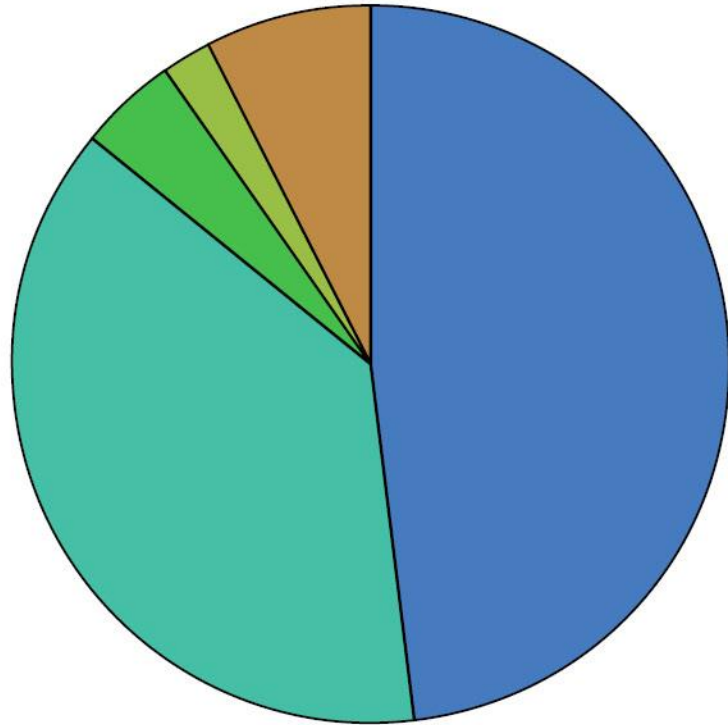
SALES & USE
INSURANCE

PERSONAL INCOME
ALCOHOLIC BEVERAGE

CORPORATION
OTHER TAXES

STATE COMPARISONS OF TAX REVENUES BY SOURCE

INDIANA, JUNE 2024

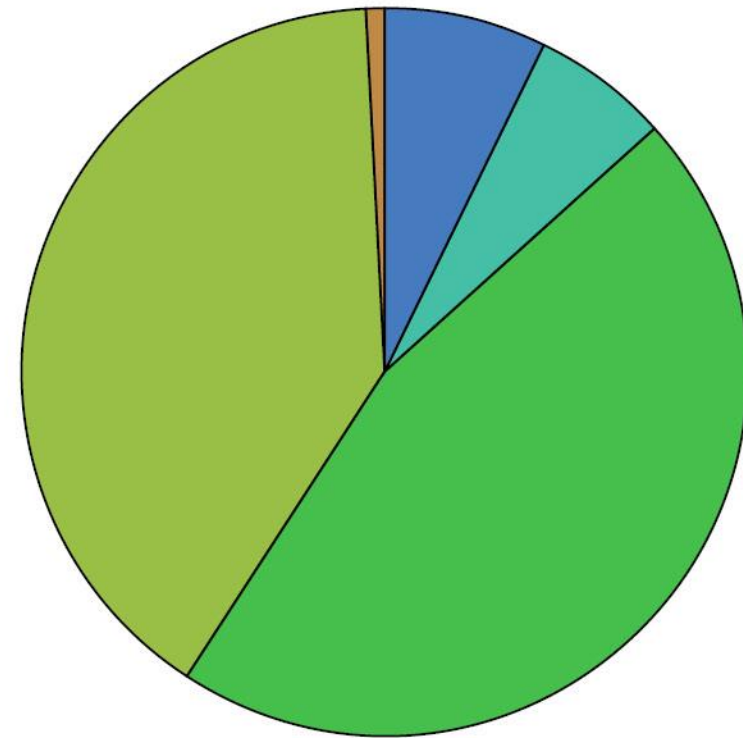


SALES & USE
GAMBLING

INDIVIDUAL INCOME
OTHER

CORPORATE INCOME

OREGON, 2023



CORPORATE INCOME
PROPERTY

CORPORATE ACTIVITY
MARIJUANA

INDIVIDUAL INCOME

SALES & USE TAXES



SALES TAX VS. VALUE-ADDED TAX (VAT)

SALES TAX

- Collected by seller at final stage of supply chain
- Resellers issue exemption certificate and do not pay tax
- Purchaser remit complimentary use tax when sales tax is not collected
- Exemptions available on use
- About 13,000 taxing jurisdictions

VALUE-ADDED TAX

- Collected by all sellers in each stage of supply chain
- Resellers pay tax to the vendor and reclaim VAT paid on inputs
- Purchaser calculates and reports a reverse charge when necessary
- No exemptions available on use of product
- Taxing authority at federal level

SALES TAX NEXUS

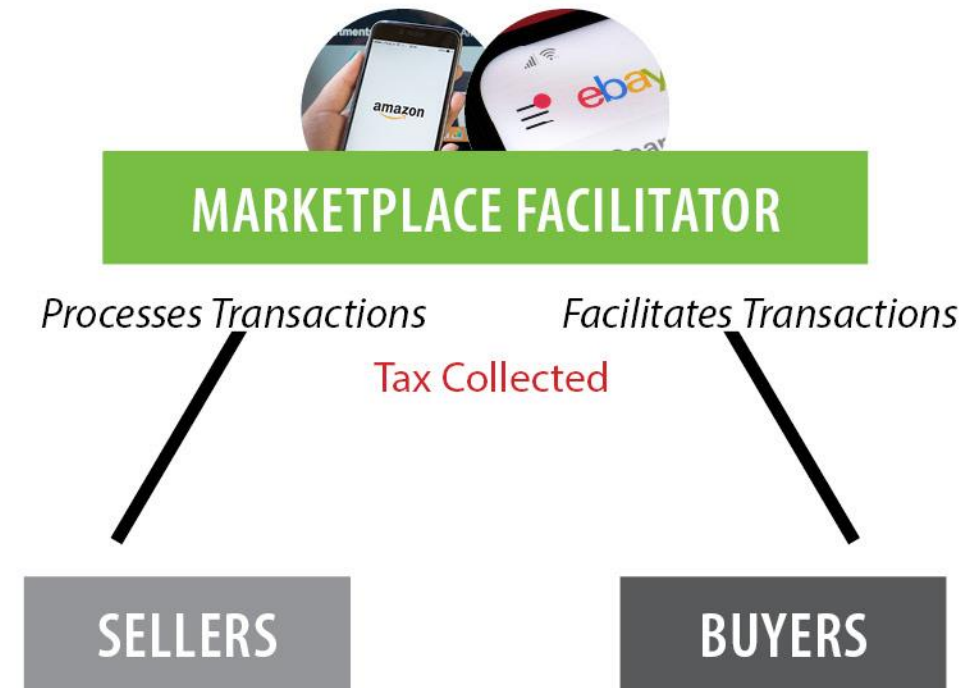
Sales tax nexus can be created in two ways:

1. Physical presence
 2. Economic presence (remote seller)
- South Dakota v. Wayfair was a pivotal US Supreme Court Case
 - Each state has created their own standards
 - Click-through nexus
 - Agency nexus
 - Independent contractors

Jurisdiction	ECONOMIC NEXUS THRESHOLD				
	Revenue	AND / OR	Transactions	Timing Requirements	Includable Sales
Alabama	\$250,000	-	-	Prior Calendar Year	Retail
Arizona	\$100,000	-	-	Prior or Current Calendar Year	Gross
Arkansas	\$100,000	OR	200	Prior or Current Calendar Year	Taxable

MARKETPLACE FACILITATOR

- A Marketplace Facilitator is an entity that owns and operates a marketplace (or platform), and it directly or indirectly processes transactions on behalf of marketplace sellers.
 - Examples include Amazon and eBay
- Marketplace Facilitators may be required to collect sales tax on behalf of the marketplace seller.
- The thresholds for a Marketplace Facilitators are similar to those of a remote seller.



TAXABILITY OF TRANSACTIONS

- Understanding what the customer is receiving
 - True Object determination
 - Contracts and invoicing are key to determination
- TPP vs. Services vs. Digital Goods
- Understanding who the customer is
 - Resellers
 - Direct pay holders
 - Non-profit organizations
 - Manufacturer

EXEMPTION CERTIFICATES

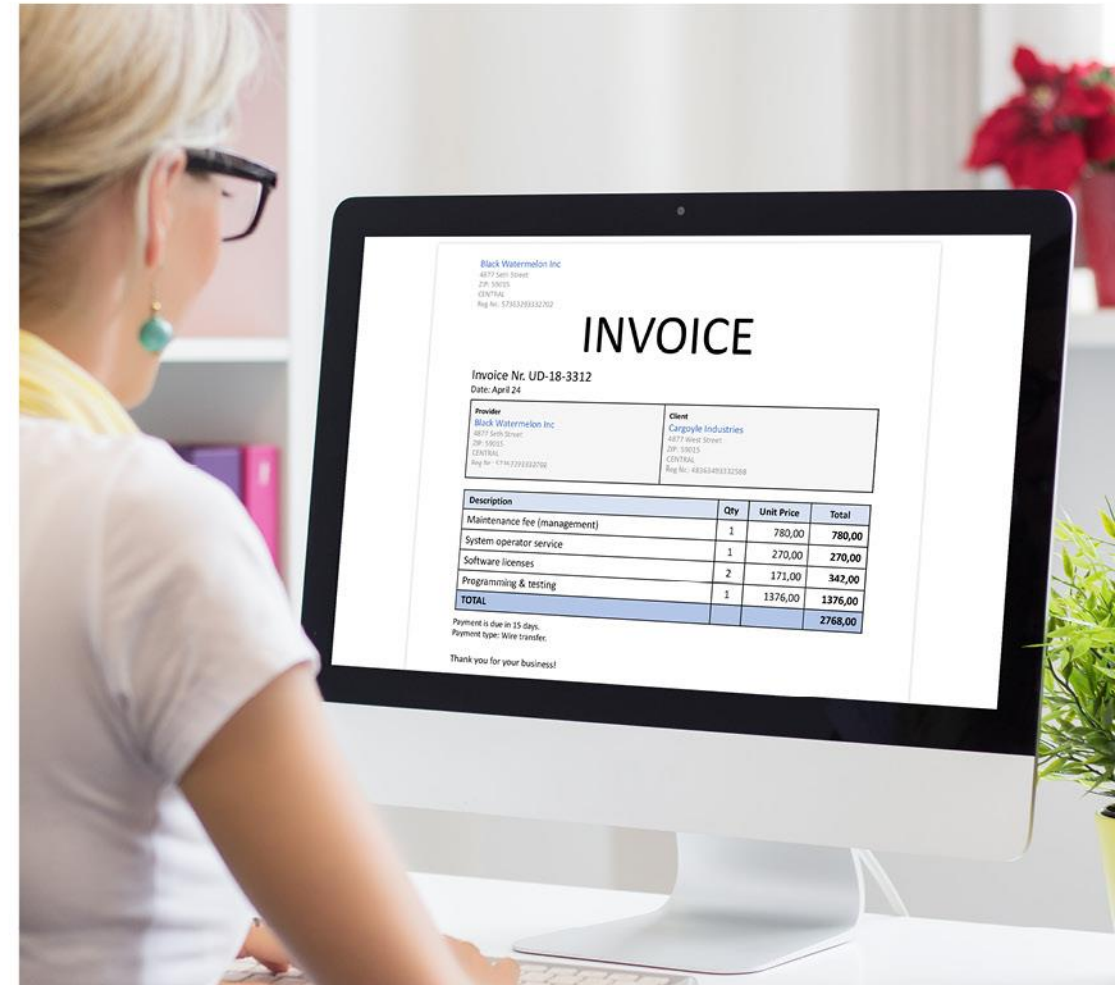
- If a customer provides the seller with an exemption certificate, sales tax is not charged on the sale.
- Retention of exemption certificates is extremely important, especially in the case of an audit.
- Validity periods of the exemption certificates may require an updated certificate at a frequency determined by the state.

REGISTRATION PROCESS

- Each state has separate agencies for separate registrations.
 - Secretary of State
 - Department of Revenue
 - Department of Labor
- There may be registration fees associated with the registrations depending on the state and agency.
- Once registration is processed, account is issued to company and a filing frequency is assigned.

SALES TAX PROCESS EXAMPLE

- Invoice to customer including sales tax (November 27, 2024).
- The return and tax amount are remitted to the state
 - Assuming monthly filing frequency was assigned, the return and payment are submitted in December 2024.
 - Invoice amount and tax amount are placed on the next sales tax return (November 2024 filing period).
- Customer pays invoice (January 2025).



SOFTWARE SOLUTIONS

- There are several software solutions on the market
- Typical software solutions assist with:
 - Determining economic nexus thresholds have been met
 - Calculate sales tax on taxable transactions
 - Submit sales tax registrations and returns

PAST EXPOSURE REMEDIATION

- Remediation options are usually based on amount of exposure and business' risk tolerance
 - Voluntary Disclosure Agreements
 - Remit tax on historical periods and pay penalties & interest
 - Remit tax on prospective periods

STATE INCOME TAX



STATE INCOME TAX NEXUS

- **People**
 - Working in an office
 - Working at home
 - Job Function
 - Traveling into state more than on occasion
 - COVID remote work considerations
- **Property**
 - Office/Rent
 - Inventory
 - Fixed Assets
- **Economic Nexus**

MODIFICATIONS FROM FEDERAL TAX

- Follow most Book to Tax Differences
- Depreciation is accelerated more for Federal than State
- State Tax Expense
- GILTI

APPORTIONMENT OF INCOME

- **Apportionment Factors (in-state vs. everywhere)**
 - Payroll
 - Property
 - Sales (customer location)
- **Service or Intangible**
 - Cost of Performance
 - Market Based
 - Generally over or under 100%
- **Tangible Property – 100% apportionment**

APPORTIONMENT EXAMPLE

Federal Taxable Income		\$100
State Depreciation Adjustment		\$5
State Taxable Income		\$105
State A Sales	\$50	
Everywhere Sales	\$500	
State A Apportionment	10%	
Subject to Tax		\$10.5

FRANCHISE TAXES

- Additional tax on Equity
- Similar Apportionment Factors
 - Sales, Property, Payroll
- Minimum Taxes
 - Examples include California for \$800

STATE INCOME TAX COMPLIANCE

- Annual tax returns due with the Federal return or 30 days after
- Estimated tax payments similar to Federal

STATE INCOME TAX ESTIMATES

- Similar considerations to Federal
- Safe Harbor vs. Current Year Estimate
- Growing online payment mandates

FEDERAL TREATY CONFORMITY

- Treaties are applicable at the federal level.
- Many states do not directly adopt treaty provisions.
- Indirectly, most states will follow federal return position.
 - Minnesota does not
- State apportionment may not follow federal treaty.

STATE APPORTIONMENT EXAMPLE - TREATY

Federal Taxable Income (Treaty Protection)		\$0
State Depreciation Adjustment		\$0
State Taxable Income		\$0
State A Sales	\$50	
Everywhere Sales	\$500	
State A Apportionment	10%	
Subject to Tax		\$0

AUDITS

- No statutory audits
- Audits are selected at random
- Customer is audited
- California audits about 1% of accounts per year

PROPERTY TAX

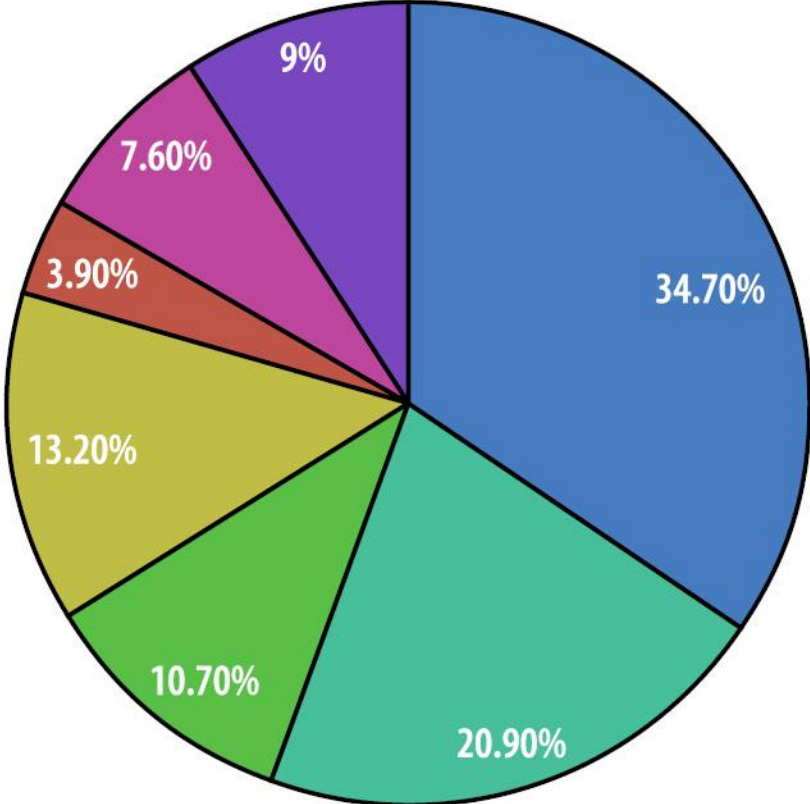


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PERSONAL PROPERTY TAX CONSIDERATIONS

- Local jurisdiction property tax can include:
 - Fixed Assets
 - Inventory
- Need to maintain a good fixed asset schedule
- Assessment date
- Annual return
- Low tax rate

REAL PROPERTY TAX CONSIDERATIONS

- Value determined by tax assessor
- Annual notification of value

OTHER TAXES

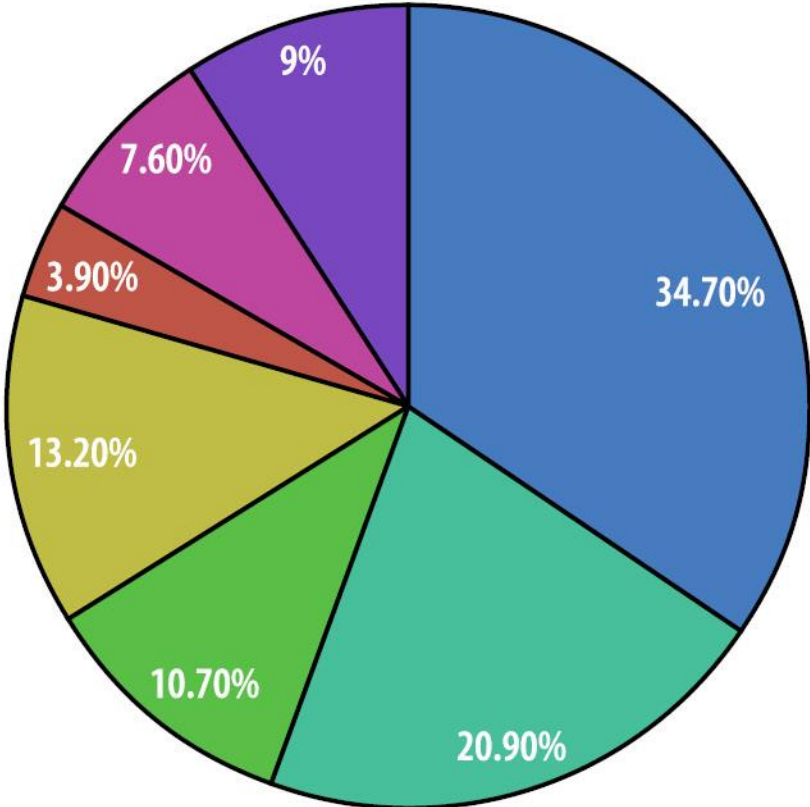


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OTHER REVENUE GENERATING FILINGS

- Business Licenses
- Miscellaneous fees
 - Retail Delivery Fee

A close-up photograph of two hands shaking in a firm grip. The hands are positioned over a wooden table. In the background, there are blurred documents, a pen, and a clipboard. The lighting is warm and soft, creating a professional and collaborative atmosphere. The text 'STATE & LOCAL TAX INCENTIVES' is overlaid on the left side of the image in a clean, black, sans-serif font.

STATE & LOCAL TAX INCENTIVES

TAX INCENTIVES

- Opportunity for state and local funding or tax credits to support growth
- Factors to consider:
 - Capital Investment (rent, equipment)
 - Number of employees
 - Wage of employees
- Secure before signing a lease agreement or publicly announcing



PROPERTY TAX ABATEMENTS

- Local governments can abate property tax
 - Usually prorated abatement over a span of 5 – 10 years
- Abatements available for both real property and tangible personal property

INCENTIVES COMPLIANCE

- Securing tax credits at various levels:
 - City of County Council
 - Development Commission
 - Local Economic Development Corporations
- Compliance steps needed:
 - Annual reporting
 - Annual council approval
 - Annual audit, depending on type of incentive received