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COULD YOUR BUSINESS OWE TAX TO MULTIPLE STATES?

Over the past couple of years, there has been an increase in state taxing authorities making a more concerted effort to collect taxes and penalties from taxpayers who in some way had conducted business in their state. This has led to a spike in tax notices and taxpayers are looking to their CPAs for reprieve. One of our goals as a firm is to help avoid any unpleasant tax surprises. In order to help avoid these surprises, we need to be made aware of activities going on in other states.

Although each state has a different set of taxes and fees they can impose, it is nexus that establishes a taxable connection between the state and the taxpayer. In our Summer 2014 Newsletter we discussed what nexus is with an emphasis on Washington state taxes, attached here. Common activities that could generate nexus in a state are:

- Storing wine or other goods
- Maintaining a branch office or other place of business
- Visiting trade shows, wine events, or other activities to promote / showcase your products
- Soliciting orders by an employee or other representative
- Having payroll for an employee

The determination of whether nexus has been established is a gray area, which is why it is important to know which activities your business performs in other states and to reach out to your CPA and inform them of these activities. If you have any questions or need assistance regarding out-of-state taxes, please contact Irvine & Company to discuss further.