



Sales Tax Compliance Checklist for E-Commerce Retailers

Sales tax is complex. Let Hands Off Sales Tax (HOST) help you wrangle it with our handy sales tax compliance checklist.

Before Collecting Sales Tax

- Determine where your business has sales tax nexus.**
Name states where your business has:
 - Employees (including yourself)
 - Contractors
 - Locations (such as a store or warehouse)
 - Sales people
 - Inventory
 - Temporary sales activity (such as at a tradeshow or craft fair)
 - Economic nexus - Where your business makes sales and does not qualify for the state's small seller exemption.
- List all of your sales channels.** Determine which of your sales channels require you to set up sales tax collection. A "marketplace" like Amazon might collect sales tax on your behalf, while a shopping cart like Shopify requires that you set up and collect sales tax. Don't forget in-person sales!
- Determine if the items you sell are taxable in your nexus states.** Physical goods are typically subject to sales tax while services are not, though this has changed somewhat in recent years.

Getting Sales Tax Compliant

- Register for a sales tax permit in your nexus states.**
Don't start collecting sales tax from buyers until you have a valid permit in your customers' state.
- Check additional requirements for each of your nexus states.** Some states have other requirements for online retailers including setting up accounts for other tax types. Get familiar with each of your nexus states' requirements.
- Set up sales tax collection on all of your sales channels.**
Don't forget that you're required to collect sales tax via every channel in every state in which you have nexus.

Staying Sales Tax Compliant

- File and remit sales tax on time.** Consistently filing late can be a red flag to auditors. As an incentive, many states offer a small timely filing discount to businesses who file on time.
- Follow each state's specific sales tax reporting procedure.** Many states require that you report how much sales tax you collected in every city, county and other taxing jurisdiction.
- File online when required.** Many states now require certain retailers to file sales tax online. Failing to do so can raise an audit red flag.
- Monitor business changes.** Did your business move? Change your name? Change your employer identification number (EIN)? Report any required changes to the state or risk fines and penalties.
- Keep up with sales tax rates and law changes.** Both sales tax rates and sales tax laws change periodically. Keep up with state laws and any notices from each of your nexus states to ensure you stay compliant.
- Rectify mistakes quickly.** Did you forget to collect tax on a certain shopping cart? Or find a chunk of sales tax you forgot to remit? Amend your sales tax filing in order to avoid fines and penalties.
- Create a process for tracking resale certificates.** It's fine to sell your items to another retailer for them to resell. You're not required to collect sales tax on that transaction. But you are required to keep proof that the transaction was legal, otherwise you are on the hook to pay back the taxes you didn't charge.
- Track sales tax meticulously.** Track how much sales tax you collected, the rates at which you collected, how much you remitted to the state, and any sales tax refunds you issued. This keeps you out of hot water in case of an audit.
- Track sales by state.** As your business grows, you will reach economic nexus in more states. Tracking your sales and amount of transactions into each state will allow you to quickly realize when you have sales tax nexus in a new state.

Too much to handle?
Let HOST take sales tax completely off your plate

In Case of an Audit

- Contact a sales tax expert before responding to the audit notification.** An auditor's job is to collect money from the state, and they are not required to advise you of your rights. You need an advocate on your side.
- Only give the auditor the specific information they ask for.** It can be tempting to open your books up to the auditor to prove that you have nothing to hide. This only allows them to find more potential ways to penalize your company.
- Get everything in writing.** Create a paper trail of everything the auditor asks you for and everything you deliver to them. This will assist you should you dispute the audit.
- Don't agree to an extension (without talking to your sales tax expert).** In general, an extension only helps the auditor. There are, however, times when you might also need extra time to get paperwork together. Your sales tax expert will advise you whether an extension is appropriate.
- Apply for a penalty waiver and dispute the audit results.** Just because the auditor has left your office doesn't mean you don't have options. However, some states make disputing an audit very difficult, so consult with your sales tax expert on how to proceed.

Read more about how to handle sales tax audits in our [Navigating Sales Tax Audits Guide for E-Commerce Retailers](#).



HOST has been helping retailers take their hands off sales tax for 25 years.
We help e-commerce retailers:



SALES TAX REGISTRATION

We apply for sales tax registrations (permits/licenses) with every applicable state taxing jurisdiction.



SALES TAX FILINGS

HOST offers sales tax filing plans to meet your business needs.



NEXUS ANALYSIS

We analyze your sales data and footprint to determine where your business has met the thresholds for economic or physical nexus.



SALES TAX CONSULTATION

Register for a 15 minute consultation, 30 minute consultation, or an hour long consultation for any sales tax questions.



AUDIT DEFENSE

We're your trusted, battle-tested partner in resolving your sales tax audit.



VDA

We file voluntary disclosure agreements (VDA) with states to limit the look-back period and abate the penalty if sales taxes are owed.

Do you need a little help with one aspect of sales tax or finally want to finally take sales tax off your plate?

Contact HOST today!

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