Properly charging sales tax for e-commerce businesses

The information below is accurate as of 6/20/2020. As a best practice, clients should seek advice from an accountant for the most updated information.

- Most online shopping cart apps and payment portals are now both collecting and remitting sales tax to States and cities. Fort Collins adopted "economic nexus and marketplace facilitator rules," on 11/1/20 which now requires these marketplaces to collect and remit sales on behalf of their sellers. The State of CO has the rules in place. Most other states have or will adopt similar rules in the very near future.

  https://www.bigcommerce.com/blog/ecommerce-sales-tax/#undefined

- The basic rule for collecting sales tax from online sales is: If your business has a physical presence, or "nexus", in a state, you must collect applicable sales taxes from online customers in that state.

- Economic *Nexus rules are setup where if your business exceeds a threshold, then it's considered to have economic nexus, regardless of any physical presence, and must start collecting and remitting tax.

- For example, the Colorado economic nexus rule means that if a business in Utah does more than $100k in sales in to the State of CO then that business must start collecting and remitting taxes to the State.

  - The Colorado economic nexus rules have no bearing on how Colorado businesses must treat other states. Each business must adhere to the economic nexus thresholds adopted in each state they do business. All other states work the same way.

Colorado businesses that **do** meet the economic threshold are required to use destination sourcing for all sales within 90 days of meeting the threshold. Laws do vary by State and type of sales (i.e.- online marketplace such as Shopify and Amazon, Affiliate marketing, etc.). With that in mind there is no "blanket rule" and that is why it can get confusing for the business owner.

State of Colorado Sales Tax Guide, https://tax.colorado.gov/sales-tax-guide.

Here is a link to more detailed information: https://www.avalara.com/us/en/learn/guides/state-by-state-guide-economic-nexus-laws.html and from the State of Colorado Website: https://www.colorado.gov/pacific/tax/fyi-publications-sales-tax - Sales Tax Topics: Marketplaces

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As far as E-commerce platforms:

- WooCommerce has an option to upload Colorado Sales Tax criteria using a spreadsheet.

- Shopify, Amazon, 3-D Cart and Big Commerce all have the ability to collect and submit taxes for the merchant. Some platforms charge extra to submit the taxes for you; some have it included in their packaged bundle.
  Before getting in to the 6/20/20 e-commerce memo, here are two other good links from Avalara that might be worth including…

<u>Important Links:</u>

City sales tax FAQ's
      a. https://www.fcgov.com/salestax/faq
City sales tax on-line filing FAQ's
      a. https://www.fcgov.com/salestax/rules-regs.php
City sales tax rules and regulations
      a. https://www.fcgov.com/salestax/rules-regs.php

*Know Your Nexus - https://www.avalara.com/us/en/learn/whitepapers/know-your-nexus-ebook.html

Managing Sales Tax - https://www.avalara.com/us/en/learn/guides/five-steps/introduction.html