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# SALT Best Practices - 2015

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# Agenda

Sales/Use Tax Best Practices  
State Income Tax Best Practices

## 1. Identifying States with Nexus

- Physical Presence
- Independent Contractors
- Affiliated Networks
- Click Through Nexus
- Remote Employees

## 2. Product and Service Taxability

- Sale of Tangible Personal Property
- Sale of Services
- Combo Sales – TPP and Services
- Digital Products
- Intangibles

## 3. Using the Right Tax Rates

- Rate in Destination for Sales Tax and Rate in Location of Use for “Use” Tax.
- State Rates vs. City/County Rates
- Zip Codes vs. Municipality.

## 4. Manage Exempt Sales

- Retail vs. Wholesale
- Certain industries maybe exempt such as Medical
- Exempt Entities – Nonprofits, etc.
- Resale exemption Certificates – Every Year or at least Every Two Years.
- Occasional sale exemptions
- “Sales/use tax” exemptions on purchases

## 5. Know Where and How to Remit Taxes

- Registering with state for a sales tax permit
- Filing the correct forms and understanding the filing frequency
- Multiple locations within the same state issues.

## 6. Be Audit Ready

- Transaction history
- Exemption certificates a must
- Follow steps #1 - #6 above 😊

## 1. Identifying States with Nexus

- Physical Presence
- Independent Contractors
- P.L. 86-272 Protection on Sale of TPP
- Factor Presence Nexus
- Economic Nexus

## 2. Determining appropriate filing requirements

- Combined vs. Consolidated
- Separate Filing
- Treatment of single member LLCs and Qsubs
- Special filing requirements for LLCs (e.g. CA LLC Fee)

## 3. State Apportionment Determination

- Apportionment Formulas – Single vs. Three Factor
- Sourcing of Service Revenue (COP, Market Sourcing) vs. TPP
- States with a “Throwback” or “Throwout’ Rule.
- Payroll and Property Factor Issues

## 4. State Modifications to Tax Base

- Depreciation (e.g. Bonus)
- State Income Tax Addback
- Intercompany Addback Rules
- Differences in Federal vs. CA Basis on Stock or Asset Sales

## 5. Payment of Tax

- Nonresident withholding
- Unique estimated tax payment dates