

Disclosed Practice 8.1.c. – How is the State’s Remote Seller Monetary Economic Nexus Threshold Calculated? Only one answer should be “yes”.

Explanation: A State may base its monetary economic nexus threshold on gross sales, gross revenues, gross receipts, retail sales, taxable sales or on some other basis.

Best Practice: The State’s Remote Seller monetary economic nexus threshold is based on gross sales, gross revenue, or gross receipts from all sales.

8.1.c.i. The State’s Remote Seller monetary economic nexus threshold is based on GROSS sales, gross revenue, or gross receipts from all sales. A Remote Seller who has met the economic nexus threshold in the state but has not made any taxable sales into the state should review DP 8.1.n for exceptions.

If the threshold is calculated based on “gross sales”, all sales and transactions into the state are included in determining whether the Remote Seller meets or exceeds the threshold, including sales for resale and other exempt or nontaxable sales.

Example:

Company A has \$400,000 (400 transactions) in total sales to State 1 for the calendar year that are made up of the following:

- \$220,000 (220 transactions) of those sales are to wholesalers that provided exemption certificates claiming sales for resale.
- \$75,000 (75 transactions) of those sales are to purchasers claiming exemption for purposes other than resale (use in manufacturing, exemption certificate on file, sales to exempt entities).
- \$10,000 (10 transactions) of those sales are sales that qualify for product exemptions.
- \$95,000 (95 transactions) are taxable sales to purchasers

Company A has \$400,000 (400 transactions) in GROSS sales for purposes of computing the thresholds.

8.1.c. ii. The State’s Remote Seller monetary economic nexus threshold is based only on RETAIL sales (only excludes sales for resale). A Remote Seller who has met the economic nexus threshold in the state but has not made any taxable sales into the state should review DP 8.1.n for exceptions.

“Retail sales” are defined in the SSUTA, in part, as any sale other than a sale for resale. Since sales for resale are specifically excluded from the definition of “retail sale,” they are not included in the threshold computation. However, sales that are not taxable because of the provision of an exemption certificate or that are exempt due to a product exemption, such as food in certain states, are included in the computation.

Example:

Company A has \$400,000 (400 transactions) in total sales to State 1 for the calendar year that are made up of the following:

- \$220,000 (220 transactions) of those sales are to wholesalers that provided exemption certificates claiming sales for resale.
- \$75,000 (75 transactions) of those sales are to purchasers claiming exemption for purposes other than resale (use in manufacturing, sales to exempt entities).
- \$10,000 (10 transactions) of those sales are sales that qualify for product exemptions.
- \$95,000 (95 transactions) are taxable sales to purchasers.

Company A has \$180,000 (180 transactions) in RETAIL sales for purposes of computing the thresholds.

8.1.c.iii. The State’s Remote Seller monetary economic nexus threshold is based only on TAXABLE sales (all sales and transactions that are taxable).

“Taxable sales” means all transactions that are (or should be) taxed. Transactions that are not taxed due to the provision of an exemption certificate or other documentation on the part of the purchaser are not included in “taxable sales.”

Example:

Company A has \$400,000 (400 transactions) in total sales to State 1 for the calendar year that are made up of the following:

- \$220,000 (220 transactions) of those sales are to wholesalers that provided exemption certificates claiming sales for resale.
- \$75,000 (75 transactions) of those sales are to purchasers claiming exemption for purposes other than resale (use in manufacturing, sales to exempt entities).
- \$10,000 (10 transactions) of those sales are sales that qualify for product exemptions.
- \$95,000 (95 transactions) are taxable sales to purchasers.

Company A has \$95,000 (95 transactions) in TAXABLE sales for purposes of computing the thresholds.

8.1.c. iv. The State calculates the monetary economic nexus threshold based on something other than Gross, Retail or Taxable sales. The State should indicate in the Comment column what the State’s monetary economic nexus threshold is based on.