

SALT

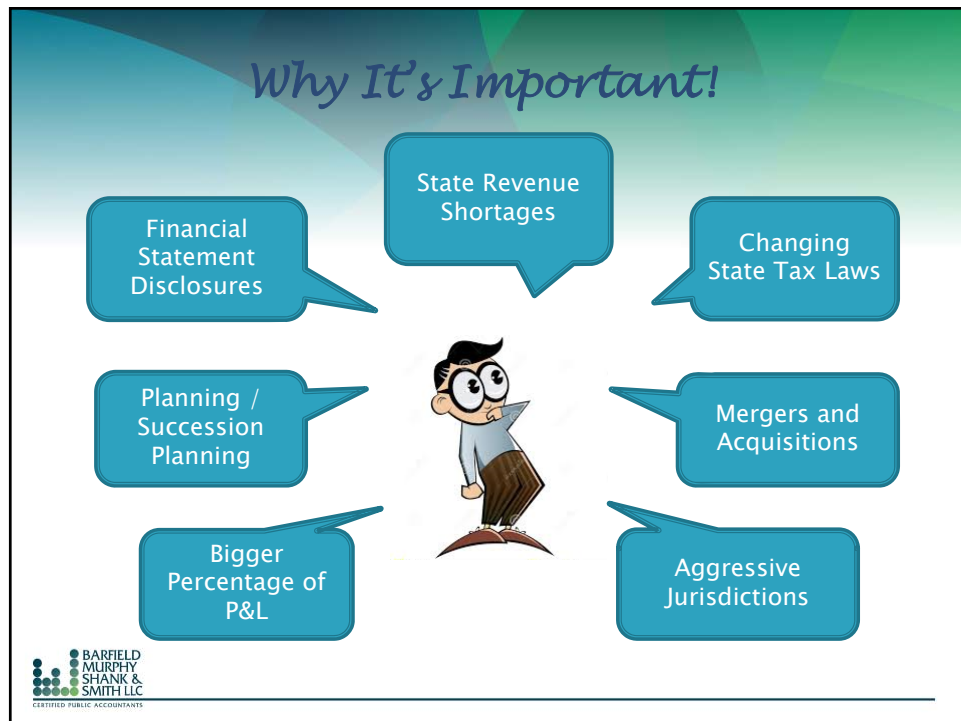
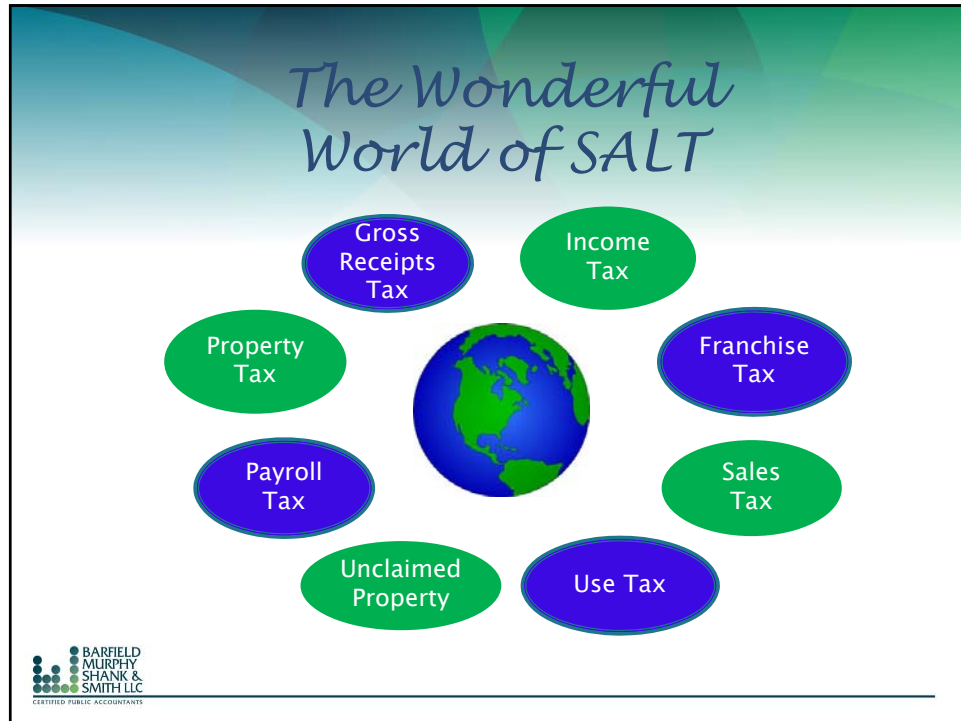


*State and Local Tax*



*State and Local  
Taxes*





# Mergers and Acquisitions

## State and Local Tax

- Due Diligence
- Purchase Price/Sale Price
- Liabilities



# Succession Planning

## State and Local Tax

- What has been done?
- What can be done?
- What are the benefits?



## *Profit and Loss*

### State and Local Tax

- Sales Revenue
- Planning
- Financial Statements
- Changing Laws




## *Aggressive Jurisdictions*

### State and Local Tax

- Revenue Shortfalls
- Business Activities
- Filing Requirements




# Nexus



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# Nexus

## What is Nexus?



Nexus is the *minimum contact* required before a state is able to subject an out of state company to state taxes.

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## Nexus

If a company has Nexus in a state, then the company *must*:

- ▶ Register
- ▶ File
- ▶ Pay

**Note:** *Nexus is interpreted differently from state to state.*



## Nexus



Did you know?

Nexus rules can be different for sales, income, franchise and business license tax.



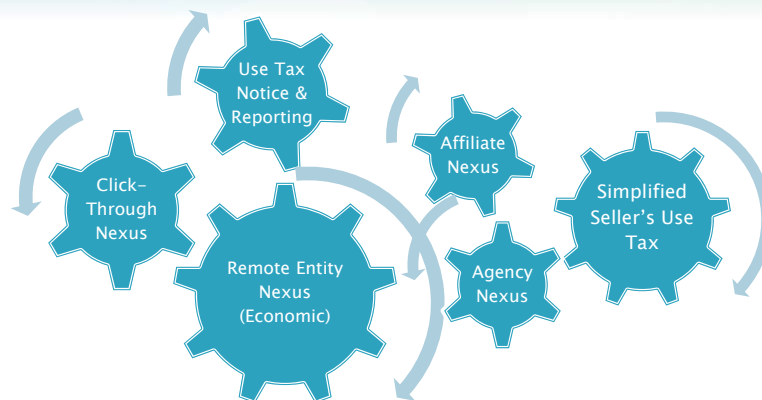
# Sales Tax Nexus

## TRADITIONAL Sales Tax Nexus:



## Physical Presence

# Sales Tax Nexus New and Improved



## Sales Tax Nexus

Delivery Truck



Fulfillment Ctr/Warehouse



Incidental Property




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## Sales Tax Nexus


Internet Sales



Occasional Visits

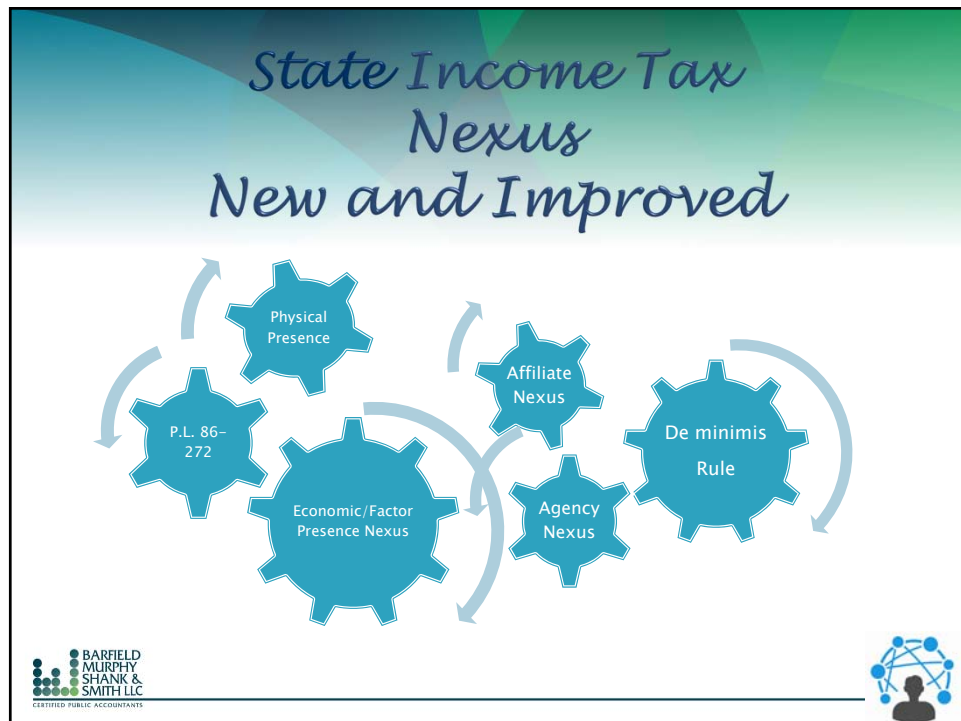
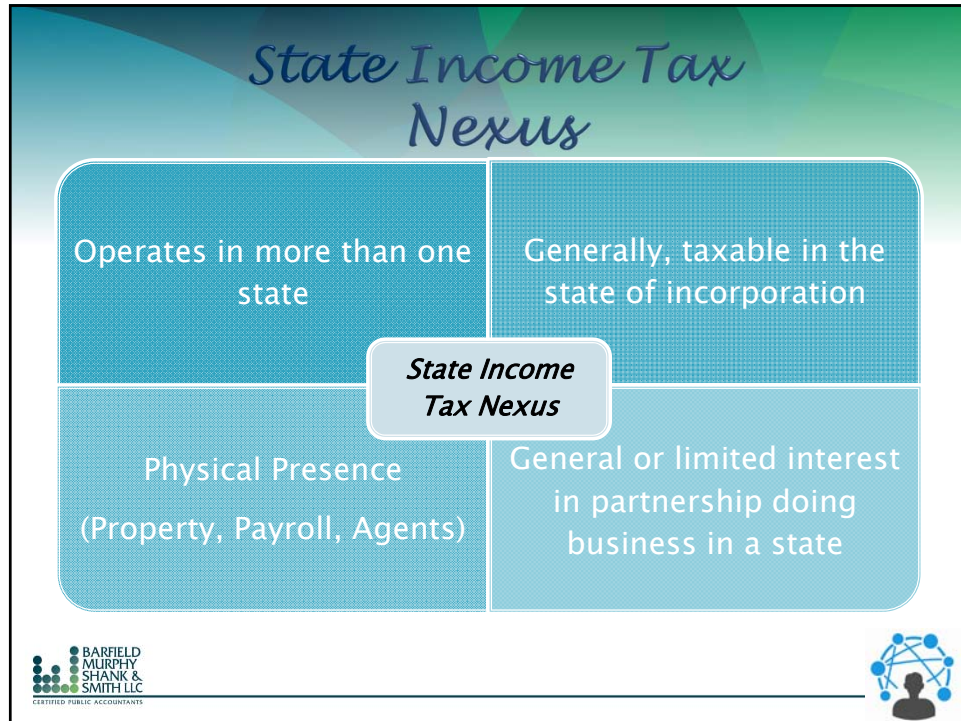


Trade Shows



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## Sales and Use Tax




## Sales Tax

**Sales tax** – a transactional tax on the retail consumption of *tangible personal property* and *selected services*.



**Use tax** – complement to sales tax. Imposed on the privilege of ownership or possession, storage, use or consumption in a jurisdiction.



# Sales Tax




**Each transaction** must be evaluated on the facts and circumstances.





# Sales Tax

Not all sales are taxable.




Retail sales are generally taxable.

*Exceptions: Sales to a reseller, manufacturer or other specifically exempted sales.*



# Use Tax

No sales tax paid?



Use tax is generally due.


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**SALES TAX**

# Use Tax

Who is subject to use tax?

- An individual or business that purchases something that is used or consumed, for which sales tax was not collected.



- Examples:
  - Some internet purchases
  - Items purchased in one state but used in another state

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**SALES TAX**

## Sales Tax

Operating in multiple states?

Be aware of the sales and use tax laws in each state.



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## Sales Tax

Sales tax is one of the most **complicated** areas of taxation. It is a very hot audit topic for states, and particularly, local jurisdictions.



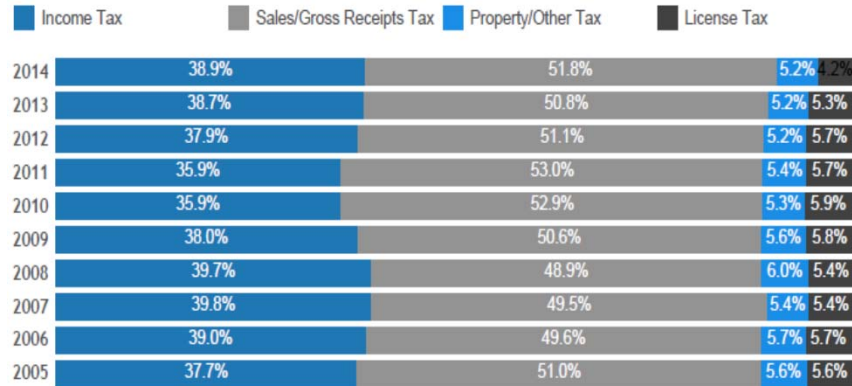
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# Alabama Tax Revenue

Select State:  
Alabama

GOVERNING Data



SOURCE: U.S. CENSUS BUREAU; ANNUAL SURVEY OF STATE GOVERNMENT TAX COLLECTIONS

# Alabama Tax Revenue

## Alabama Annual State Tax Collection Data

Year	Total Taxes	Income Taxes	License Taxes	Other Taxes	Property Taxes	Sales and Gross Receipts Taxes
2014	\$9,293,754	\$3,612,991	\$386,378	\$152,113	\$329,598	\$4,812,674
2013	\$9,266,469	\$3,584,722	\$490,475	\$161,597	\$322,300	\$4,707,375
2012	\$9,049,294	\$3,430,690	\$517,676	\$153,041	\$321,530	\$4,626,357
2011	\$8,631,984	\$3,097,084	\$496,117	\$147,958	\$315,698	\$4,575,127
2010	\$8,396,805	\$3,017,494	\$492,844	\$120,988	\$319,999	\$4,445,480
2009	\$8,306,446	\$3,156,731	\$478,927	\$151,721	\$315,784	\$4,203,283
2008	\$9,070,530	\$3,602,361	\$487,934	\$246,093	\$301,034	\$4,433,108

NOTE: Listed dollar amounts shown in thousands.

SOURCE: U.S. CENSUS BUREAU; ANNUAL SURVEY OF STATE GOVERNMENT TAX COLLECTIONS



# U.S. Tax Revenue

Select State:

United States

GOVERNING Data

Income Tax Sales/Gross Receipts Tax Property/Other Tax License Tax

2014	41.2%	47.5%	5.3%	5.9%
2013	41.9%	47.0%	5.2%	6.0%
2012	40.4%	47.9%	5.4%	6.3%
2011	39.5%	48.5%	5.3%	6.8%
2010	38.9%	48.8%	5.1%	7.2%
2009	40.0%	48.0%	5.1%	6.9%
2008	42.0%	46.0%	5.6%	6.3%
2007	42.1%	46.6%	5.2%	6.2%
2006	40.9%	47.2%	5.6%	6.3%
2005	40.0%	48.0%	5.4%	6.5%

SOURCE: U.S. CENSUS BUREAU; ANNUAL SURVEY OF STATE GOVERNMENT TAX COLLECTIONS

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# U.S. Tax Revenue

## United States Annual State Tax Collection Data

Year	Total Taxes	Income Taxes	License Taxes	Other Taxes	Property Taxes	Sales and Gross Receipts Taxes
2014	\$865,752,089	\$357,104,785	\$51,120,024	\$31,880,270	\$14,232,835	\$411,414,175
2013	\$847,096,988	\$354,613,207	\$51,009,480	\$30,507,512	\$13,239,497	\$397,727,292
2012	\$796,917,528	\$322,306,097	\$50,111,478	\$29,836,115	\$13,107,189	\$381,556,649
2011	\$762,378,532	\$300,893,710	\$51,700,543	\$26,065,048	\$14,243,208	\$369,476,023
2010	\$703,444,475	\$273,755,330	\$50,330,009	\$21,413,523	\$14,545,004	\$343,400,609
2009	\$713,474,529	\$285,158,344	\$49,145,634	\$23,583,593	\$12,982,802	\$342,604,156
2008	\$779,770,337	\$327,856,477	\$49,066,849	\$31,783,017	\$12,689,300	\$358,874,699

NOTE: Listed dollar amounts shown in thousands.

SOURCE: U.S. CENSUS BUREAU; ANNUAL SURVEY OF STATE GOVERNMENT TAX COLLECTIONS

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## Simplified Sellers Use Tax

Simplified  
Sellers Use Tax

- Collections from October 2016 through May 2017 \$33.82 million
- Out of state sellers
- Flat 8% rate, with discount of 2%

Out of State  
Reporting


- Out of state sellers, effective 7/1/17
- Required reporting of sales to ADOR
- Must notify AL customer of use tax payment requirement

## Sales Tax Rate Rankings

State	State Tax Rate	Rank	Avg. Local Tax Rate(a)	Combined Rate	Rank
Tenn.	7.0%	2	2.44%	9.44%	1
Ariz.	6.6%	9	2.56%	9.16%	2
La.	4.0%	38	4.87%	8.87%	3
Wash.	6.5%	10	2.36%	8.86%	4
Okla.	4.5%	36	4.17%	8.67%	5
Ark.	6.0%	16	2.61%	8.61%	6
N.Y.	4.0%	38	4.48%	8.48%	7
Ala.	4.0%	38	4.45%	8.45%	8
Calif. (b)	7.5%	1	0.88%	8.38%	9
Kans.	6.3%	12	1.95%	8.25%	10
Tex.	6.25%	13	1.89%	8.14%	11
Ill.	6.25%	13	1.88%	8.13%	12
Nev.	6.85%	8	1.08%	7.93%	13
Mo.	4.225%	37	3.23%	7.46%	14
Colo.	2.9%	45	4.49%	7.39%	15

*Source: Tax Foundation Facts and Figures 2013: How Does Your State Compare?*



## Sales Tax Rate Rankings

State	State Tax Rate	Rank	Avg. Local Tax Rate (a)	Combined Rate	Rank
La.	5.00%	33	4.98%	9.98%	1
Tenn.	7.00%	2	2.46%	9.46%	2
Ark.	6.50%	9	2.80%	9.30%	3
Ala.	4.00%	40	5.01%	9.01%	4
Wash.	6.50%	9	2.42%	8.92%	5
Okla.	4.50%	37	4.36%	8.86%	6
Ill.	6.25%	13	2.39%	8.64%	7
Kans.	6.50%	9	2.12%	8.62%	8
N.Y.	4.00%	40	4.49%	8.49%	9
Calif. (b)	7.25%	1	1.00%	8.25%	10
Ariz.	5.60%	28	2.65%	8.25%	11
Tex.	6.25%	13	1.94%	8.19%	12
Nev.	6.85%	8	1.13%	7.98%	13
Mo.	4.23%	39	3.66%	7.89%	14
N.M. (c)	5.13%	32	2.43%	7.55%	15
Alaska	--	--	1.76%	1.76%	46

Source: Tax Foundation Facts and Figures 2017: How Does Your State Compare?



## State Income Tax



## State Income Tax

### *SALT for Thought:*

- State Filing Requirements
- Sourcing of Sales
  - Services vs. Product
- Payroll – Mobile Employees
- Franchise/Net Worth Tax



## State Income Tax

### *SALT Stats:*

- 12% is the current highest marginal state corporate income tax rate (IA)
- 7 states have top corporate income tax rates at or below 5% (AZ, NC, ND, CO, MS, SC, UT)
- 4 states impose a **gross receipts tax** vs. corporate income tax (NV, OH, TX, WA)



## State Income Tax

### ***SALT Stats:***

- 2 states do not have a corporate income or gross receipts tax (SD, WY)
- 18 states have a Franchise Tax
- 13.3% is the current highest marginal state individual rate (CA)



## State Income Tax



“Though often thought of as a major tax type, corporate income taxes account for just 5.4% of state tax collections and 2.7% of state general revenue.”

*Source: Tax Foundation State Corporate Income Tax Rates and Brackets for 2017*



# Unclaimed Property



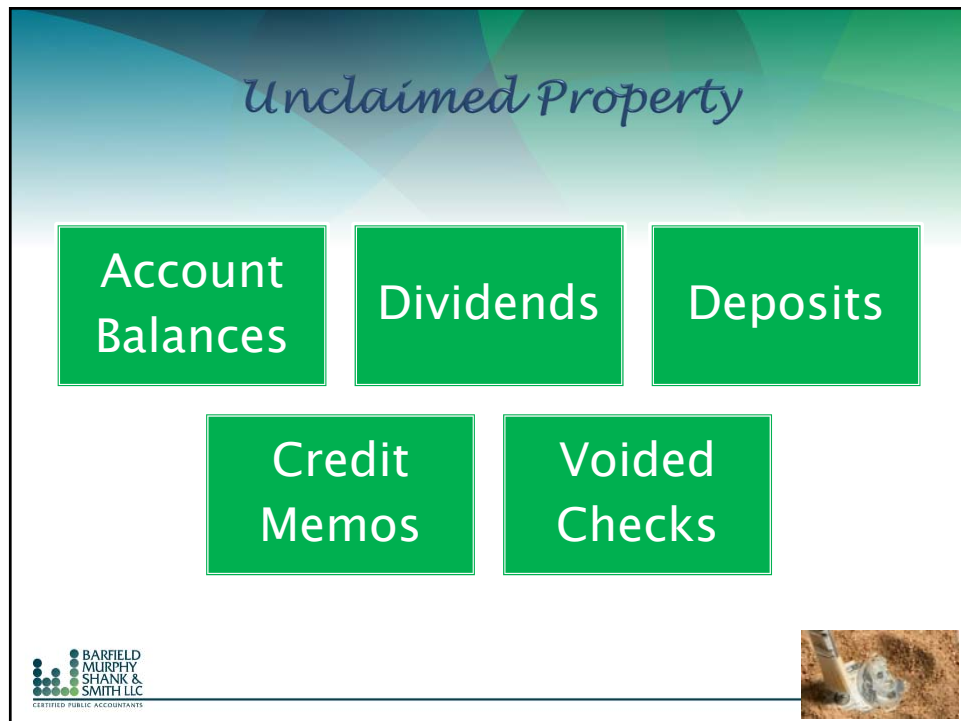
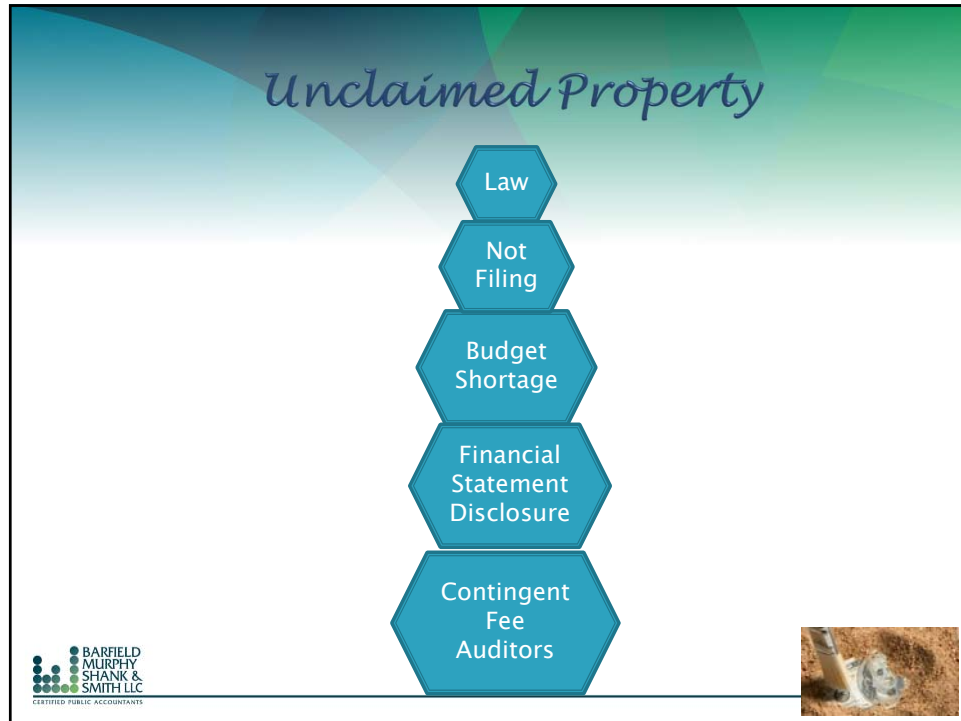
# Unclaimed Property

The purpose of the Unclaimed Property Laws:

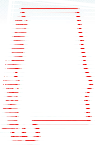


To be a custodian for unclaimed property.







## Unclaimed Property




First – To the last known address of the owner



Second – To the holder's state of incorporation







## Unclaimed Property


Statute of Limitations  
In most states:

**There is NONE!**



Many audits are going back to 1981.





## Unclaimed Property

### State of Alabama

#### Revenue from Unclaimed Property:



2012 / Fiscal Year	\$28,000,000
2013 / Fiscal Year	\$22,000,000
2014 / Fiscal Year	\$22,000,000
2015 / Fiscal Year	\$42,000,000
2016 / Fiscal Year	\$45,000,000
2017 / Estimated	\$52,000,000
2018 / Estimated	\$61,000,000

Source: Alabama Department of Finance and Executive Budget Office



## Unclaimed Property

### State of Delaware

- ▶ Third largest source of revenue on the yearly budget
- ▶ Revenue from Unclaimed Property:

2016 Actual	\$528,300,000
2017 Forecast	\$554,000,000



Delaware

Source: DE Economic and Financial Advisory Council Revenue Forecast



## Unclaimed Property

According to the National Association of  
Unclaimed Property Administrators:



As of March 2016,  
states were holding  
**\$42 BILLION** of Unclaimed  
Property.



## Unclaimed Property

Go to [www.naupa.org](http://www.naupa.org) to look  
for Unclaimed Property!



The Foremost Authority On Unclaimed Property



## *Business Licenses*



## *Business Licenses*

### *What is an Alabama Business License?*

**An annual license issued by a taxing jurisdiction for the privilege of doing any kind of business, trade, profession, or any other activity in that jurisdiction...**

AL Code §40-12-2 (State)

AL Code §11-51-90.1 (Muni)



## Business Licenses



***Companies are required to obtain a separate business license for each line of business.***



## Business Licenses

*Who issues Business Licenses?*

- Alabama
- Cities
- Counties



## Business Licenses - Alabama Muni's

**BEWARE AND PLAN AHEAD!**



A company can pay business license fees to several municipalities on the same gross receipts.



## Business Licenses - Alabama Muni's Special Provisions

**Delivery License**



**Small Vendor License**



## Business Licenses



*How will a taxing jurisdiction find out?*

- Company truck is seen in the jurisdiction.
- Company has sales/use tax or occupational tax accounts.
- Company undergoes a sales and use tax audit.
- Company has an awesome website that tells all about where you do business.
- One of the company's customers is audited.
- The company is mentioned in the newspaper.



## Ad Valorem



## Alabama Ad Valorem

Ad valorem (personal property tax) is a tax based on the assessed value of real estate or personal property.



## Alabama Ad Valorem *Real vs. Personal*

- ▶ **Real Property** – land and anything that is permanently affixed to it



- ▶ **Personal Property** – anything that is not real estate (tangible or intangible)



## *Ad Valorem State Differences*

- ▶ Intangibles
- ▶ Inventory/Supplies
- ▶ Construction in progress
- ▶ Software
- ▶ Lien date
- ▶ Return due date
- ▶ Payment date
- ▶ Protest/Appeal deadlines



## *State and Local Taxes*

### Questions



## *State and Local Taxes*

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