IPT Sales Tax Symposium 2022: Hot Topics and Trends in Sales Tax

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We recently attended the Institute for Professionals in Taxation's (IPT) 2022 Annual Sales Tax Symposium, where experts in the field presented on the hot trends and important matters in sales and use tax. Numerous topics were discussed, including the state of tax around the country, the sales tax profession and taxation difficulties facing companies. While attending sessions and speaking with other attendees, three major trends stood out to us: Home rule administration, talent burnout and digital assets.

TROUBLE WITH HOME RULE ADMINISTRATION CONSISTENCY

Home rule states, where jurisdictions such as counties or parishes administer their own sales taxes, have always complicated the process of charging, filing and payment of sales taxes for businesses. However, with the boom in e-commerce and the Supreme Court's decision in South Dakota v. Wayfair, Inc., 138 S. Ct. 2080 (2018), determining and administrating sales taxes has become even more complicated.

The *Wayfair* decision overturned the physical presence standard and allowed states to assert economic nexus for companies doing business with customers in the state, requiring sellers to register and collect sales tax in states where they don't have a physical presence as long as they meet certain economic thresholds. This development has muddled nexus determination, especially when applied to home rule jurisdictions, and companies are left struggling to determine the various sales taxes they are required to collect.

Home rule states have begun working to simplify their sales tax procedures to reduce burdens on remote businesses. Alabama has established a Simplified Sellers Use Tax program, allowing companies to collect a flat sales tax and avoid registering separately with individual localities. Colorado and Louisiana have also made efforts toward simplifying their sales taxes. These efforts are still in their early stages, and determining nexus and navigating home rule states remains a difficult task for many businesses with sales into these jurisdictions.

TAXATION OF CRYPTOCURRENCY, NFTS AND THE METAVERSE

Cryptocurrency and blockchain have become a point of attention in many fields, and sales tax is no different. The crypto market is constantly evolving, and the popularity of NFTs, Non-Fungible Tokens, is one of the most recent trends. NFTs use blockchain, a secure public ledger of transactions, to track and convey property rights for digital and physical assets.

As NFTs become more prevalent, it is important to understand how their transactions will be affected by sales taxes. There are various situations in which NFTs could be subject to sales tax and there are different factors that influence tax considerations. For instance, NFTs could be taxed at either the exchange or receipt of the token and the taxability could be influenced by what the NFT will be used for, where the purchaser is located, or other information gathered through Know-Your-Customer protocols.

Currently, most cryptocurrencies aren't subject to state sales taxes – rather, they are treated as an investment subject to capital gains taxes like stocks, and for a time NFTs were treated the same way. But times are changing. Earlier this year, Washington and Pennsylvania deemed NFTs to be subject to sales tax. Though these measures are still in their early stages, they could lead to new challenges for the NFT market. With the *Wayfair* decision and home rule in play, conditions that are still difficult for traditional online retailers, NFT sellers will need to understand which states they have nexus with and approach sales taxes appropriately, something complicated by the lack of clear guidance from the majority of states.

We have found that if states are to fully take advantage of revenue from NFT sales taxes, they need to determine if NFTs will be treated like cryptocurrencies or traditional digital sales in tax rulings and provide definite regulations surrounding these transactions.

TALENT BURNOUT IS REAL

Covid pushed people to reconsider their careers and, as a result, many are considering leaving their jobs. This fact has left companies in all industries struggling to find and retain talent while dealing with costly employee losses.

It's important to understand that talent retention starts with the hiring process. When people whose goals align with the organizations and who have the right skills are hired, they are more likely to feel satisfied and remain longer. We've seen tax's talent model shift. With the rise of digitization comes the need for data analytics skills. To support the changing environment, hybrid teams composed of both tax specialists and data experts are being formed. Hiring the right people is only the beginning, though. Benefits, work-life balance and continued training are crucial to maintaining employee well-being and satisfaction that, in turn, may prevent turnover. Another important factor of employee satisfaction is a feeling of belonging. Without proper communication and trust, employees will grow dissatisfied and run a higher risk of experiencing burnout.

Burnout is a major risk to employee retention, and we see the danger increase for tax professionals during tax season. But its influence can be mitigated with appropriate steps. Employers can learn how to identify risk factors and the various red flags of burnout to stop it before it spirals. Early signs can include decreased energy, lower productivity, attitude changes and even an increase in health problems. Overlooking these signs can lead to the problem escalating and, in some cases, the loss of an employee.

The solution to burnout is to decrease pressure, whether that be interpersonal or workload-related, through better support systems and work-life balance. If burnout can be managed and employee satisfaction maintained, talent retention will improve.

How A&M Taxand can help

Sales and use taxes are a major responsibility and an often overlooked cost for almost every company. In many cases, businesses are surprised by the amount of sales taxes they have paid – typically, with an impact of more than 8 percent on the bottom line. To recover taxes paid in error or address complex tax issues, you need the advice of experienced sales and use tax professionals. Whether your corporation is seeking to reduce its tax burden, requires assistance in managing its sales tax function or wants to reduce the burden of managing sales tax audits, Alvarez & Marsal (A&M) Taxand, the leading independent global professional services firm, can help you tackle your most difficult sales and use tax challenges.

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