

STATE & LOCAL TAX **Checklist**

A SALT opportunity may exist if one or more boxes are checked.



GENERAL

- Online retailer or uses an online marketplace to sell products
- Filing in 5 or more states
- Affiliated member of a group of companies
- Significant sales for resale, to exempt parties, manufacturers, or other tax exempt sales
- Sells services or products that are not tangible personal property
- Recently or almost fully utilized state net operating losses
- Nexus study – analysis of filing obligations
- Under state exam or have received an assessment
- Unclaimed property (e.g., uncashed payroll, commission or payable/ vendor checks/credits; gift certificates/gift cards; layaways; deposits; refunds or rebates.) Reduce penalties through voluntary disclosures.
- \$100,000+ paid in franchise, capital or gross receipts taxes for overall state tax review
- Has revenue from states where company does not file tax returns
- Filing all applicable business licenses
- Filing use-tax returns on purchases for which sales tax was due but not collected
- Use of contractors to perform services on behalf of taxpayer
- Mobile workforce (employees traveling to or working in various states)
- Sales solicitation outside resident state
- Selling company – due diligence

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CONSTRUCTION INDUSTRY

Sales and Use Tax

- Items withdrawn from inventory for fulfillment of contracts
- Sales/use tax paid on items consumed by taxpayer
- Direct pay permits
- Purchasing agency agreements

Business Licenses

- Business license or other special state/local licensing considerations

Income Tax

- Specific accounting methods required for some states (e.g., direct accounting)
- Sourcing of sales of services (e.g., market-based sourcing and cost of performance)

Sales and Use/Income/Ad Valorem

- Mobile equipment - movement/use between states

MANUFACTURING INDUSTRY

Sales and Use Tax

- Sales tax generally not required on component (input) parts
- Special reduced manufacturing machinery sales tax rate (varies by state)
- Special manufacturing utility tax reduced rate or exemption (varies by state)
- Proper assessing of sales tax (sale to retailer vs. end consumer)

Ad Valorem Taxes

- Inclusion/exclusion of inventory for ad valorem reporting purposes (varies by state)

Business Licenses

- Business license requirements (e.g., manufacturing, retail and delivery)

Income Tax

- Sales apportionment factor - throw-back/throw-out rules

Other

- Other state-specific manufacturing incentives – credits, exemptions, DPAD and R&D tax credit

RETAIL INDUSTRY

Sales and Use Tax

- Dual status taxpayer – retailer/contractor (furnish and install contracts)
- Sales tax returns
- E-Commerce/internet sales
- Invoicing – sales taxability of labor, freight and shipping and handling

Ad Valorem Taxes

- Inclusion/exclusion of inventory for ad valorem reporting purposes (varies by state)

Business Licenses

- Business license requirements (e.g., retail, delivery)

Income Tax

- Sales apportionment factor – Sourcing of tangible property sales

Unclaimed Property

- Gift cards

PROFESSIONAL SERVICES

Sales and Use Tax

- Services being performed that are NOT exempt from sales tax (varies by state)

Business Licenses

- Business license or other special professional state/local licensing considerations

Income Tax

- Sourcing of sales of services (e.g., market-based sourcing and cost of performance)

Sales and Use/Income/Ad Valorem

- Mobile equipment – movement/use between states

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NONPROFIT INDUSTRY

Sales and Use Tax

- Alabama sales/use tax on purchases
- Alabama nonprofit statutorily exempt entities must obtain a certificate of exemption annually
- Alabama reporting requirements: every four years with the Alabama Department of Revenue
 - Detail tax-exempt purchases by tax type (general sales tax rate, automobile and manufacturing machinery/farming machinery)

Business Licenses

- Non-exempt purpose activities requirement

Income Tax

- AL Form 20C for UBIT

Other

- Specific Alabama exemptions to consider:
 - Credit unions – ad valorem taxes, business licenses and sales/use tax
 - Churches – religious magazines and publications – sales/use tax

FILM PRODUCTION INDUSTRY

Sales and Use Tax

- Specific sales/use tax exemptions

Business Licenses

- Business license or other special state/local licensing considerations

Income Tax

- State credits, rebates (production and payroll) and incentives

Sales and Use/Income/Ad Valorem

- Mobile equipment – movement/use between states