

LINDSEY

CERTIFIED PUBLIC ACCOUNTANTS

"You see the numbers, we look for the opportunities."



SPECIAL POINTS OF INTEREST:

- Referrals
- Call-in times
- and much more...

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Dedicated to helping our clients keep the money that belongs to them through a focus on tax.

VOLUME 10, ISSUE 10

OCTOBER 2018

Wayfair Decision Impacts Your Business

On June 21, 2018, the Supreme Court of the United States handed down a historic decision in the sales and use tax nexus case *South Dakota v. Wayfair, Inc.* The 5-4 ruling overturns physical presence standards upheld in previous cases, such as *Quill Corp. v. North Dakota* (1992) and *National Bellas Hess Inc. v. Department of Revenue of Illinois* (1967), where a business had to have a physical presence in the state for the state to impose sales and use tax collection obligations on the business.

Nexus

Nexus describes the amount and degree of a taxpayer's connection with a state before the taxpayer becomes subject to the state's taxing jurisdiction. If a taxpayer has established sales and use tax nexus, the state will require the taxpayer to register, collect and remit sales and use taxes on sales made to purchasers in that state.

States exercise their power to tax through statutes, case law, regulation or policy. Generally, state statutes are broadly written and include phrases such as "doing business in" or "deriving income from" to describe activity that will trigger nexus and thus a filing obligation. Statutes tend to vary from state to state.

In recent years, many states have become more aggressive in enacting various statutes that require out-of-state sellers to collect and remit sales tax. Over half of the states that impose a general state-wide sales taxes now have addressed a form of "economic" nexus, where nexus is generally established based on a certain threshold of economic activity in a state rather than just a physical presence.

Significance of the *Wayfair* case

In 2016, South Dakota passed an economic presence statute that required out-of-state sellers to collect and remit sales tax as if the seller had a specified level of activity in the state. This new standard applied if the business delivered more than \$100,000 of goods or services in South Dakota or engaged in 200 or more separate transactions in South Dakota in the current calendar year or the prior calendar year. *(continued on next page)*

PROTECT YOURSELF FROM THE STRESS OF IRS AUDITS

This doesn't have to be as hard as some people (or other tax professionals) make it to be.

First, retain a paper copy or receipt of any tax-relevant transaction. Scan these documents and archive them electronically, or acquire them in an electronic format. If the purchase has a manual or warranty, store all the documents in the same electronic and physical location.

Sadly, the IRS has ruled bank or credit card records to be insufficient documentation. As a result, just keep your statements long enough to reconcile your account.

If the purchase was a business or tax-deductible expense, record the expense and why it justifies the deduction. Store this information with you on the receipts. *(Continued on page 3)*

Wayfair Decision Impacts Your Business... ~continued from page 1

The case was ultimately heard by the U.S. Supreme Court, which concluded that the physical presence rule of *Quill* is “unsound and incorrect.” By overturning *Quill*, the Court opened the possibility for states to impose sales tax collection obligations (and perhaps other taxes) based on economic presence.

Taxpayer considerations

The U.S. Supreme Court’s decision in *Wayfair* will affect companies that have economic presence in a state that meets that state’s nexus standard within the Court’s new ruling. It especially impacts online businesses where, in the past, the lack of a physical presence prohibited a state from imposing sales and use tax collection requirements on those businesses. Most immediately, out-of-state sellers that deliver goods or provide services into a so-called “economic presence” state will need to determine if the business exceeds the state’s specific economic sales or activity thresholds, generally in the prior calendar year or previous 12 months. Currently, at least 25 states have enacted economic nexus models with varying enforcement dates. Other states are issuing nexus guidance suggesting economic nexus policies may be enacted. Sellers may need to conduct an analysis on each state that has adopted, or plans to adopt, economic nexus threshold requirements for sales and use tax collection to ensure they are in compliance with all jurisdictions (state and local) in which they have customers. It is also reasonable to expect that states may use this ruling to determine economic nexus thresholds for state income tax purposes as well.

Now is the time to review your sales and use tax compliance requirements.

The landscape of sales and use tax compliance has been significantly altered with the recent *Wayfair* decision, especially for online sellers. It’s important to understand where your business has nexus and how the recent ruling may impact your taxes and reporting requirements.*

What I’m Reading...

NOW

What Lies Hidden by C. G. Cooper
Start with Why by Simon Sinek

RECENTLY

The Fallen by David Baldacci
Five Stars: The Communication Secrets to Get from Good to Great by Carmine Gallo

The IRS Trick or Treater

The doorbell rings and a man answers.

Here stands this plain but well-dressed kid, saying “Trick or Treat!”

The man asks the kid what he’s dressed up like for Halloween.

The kid says, “I’m an IRS agent.” Then he takes 28% of the man’s candy, leaves, and doesn’t say thank you.

Paula’s Rules for a Safe and Happy Halloween!

- ◇ If you find a town which looks deserted, there’s probably a good reason for it. Don’t stop and look around.
- ◇ Don’t fool with recombinant DNA technology unless you’re sure you know what you’re doing.
- ◇ If you’re running from the monster, expect to trip or fall down at least twice. Also note that, even though you are running, and the monster is merely shambling along, it is still moving fast enough to catch up with you.
- ◇ If your companions suddenly began to exhibit uncharacteristic behavior such as hissing, fascination for blood, glowing eyes, increasing hairiness, and so on, kill them immediately.
- ◇ Stay away from certain geographical locations, some of which are listed here: Amityville, Elm St., Transylvania, Nilbog (you’re in trouble if you recognize this one), the Bermuda Triangle, or any small town in Maine.

This month’s special Member-Only call-in times for Lindsey’s Insider’s

Circle will be 10/22/18 from 2:00 to 4:00 pm.

To schedule your appointment, contact us at (251) 633-4070.

Not a member yet?

Find out how to become one

PROTECT YOURSELF FROM THE STRESS OF IRS AUDITS ... ~ *continued from page 1*

Second, keep brokerage statements indefinitely for taxable accounts. You are responsible for reporting the cost basis of any security you sell to calculate the capital gains tax. For a mutual fund with 30 years of reinvested dividends each dividend payment is part of the cost basis. As a result, cost basis can sometimes be computed only if you have the complete transaction history.

Without knowing the cost basis, the IRS could argue that the entire value of the investment be treated as gain.

If you have lost a record of how much you originally paid for an investment, instead of selling and paying 15% or more of the value in taxes, you can use that investment as part of your charitable giving. Gifting appreciated stock avoids the tax owed and still qualifies for a full deduction. Oddly enough, the IRS still asks for the original purchase date and price for gifted securities, but leaving these blank has no effect on your tax owed.

Many custodians keep several years of electronic copies of brokerage statements available. They are now required to send any known cost basis electronically when you transfer securities to a new custodian. If your current custodian has the correct cost basis of your securities, you probably no longer need to keep brokerage statements. However, an approach of "better safe than sorry" is always advisable with the IRS.

Third, keep IRA non-deductible contribution records forever. You may need those records every year that you withdraw money in retirement to show that a portion of the withdrawal is not tax deductible.

Or to avoid the hassle, clear out nondeductible IRA contributions by converting all of your IRA accounts to Roth accounts.

Fourth, keep partnership documents, contracts, commission or royalty structures forever. This includes property records, deeds and titles, especially those relating to intellectual property. It also includes any transfers of value for estate planning purposes.

Finally, save all of your tax returns. After you file, save the paper and or electronic copies with the rest of that year's financial documents.

Tax returns and all the supporting documentation must be kept at least seven years. The IRS can audit your return for up to three years from your filing date. However, the three-year limit only applies to good-faith errors.

If the IRS suspects you underreported your gross income by 25% or more, they have up to six years to challenge your return. And because you may file for an extension at the October 15 deadline, you must keep your records for at least seven years.

Taxpayers collectively spent 6 billion hours, or 8,758 lifetimes, annually trying to comply with the tax code. Fortunately, you don't have to be the one doing all the heavy lifting. We are on your side.*



Looking for Someone You Can Rely On?



We really believe in the process of referrals, so part of the service we provide is to be sure to refer our clients and associates to other qualified businesspeople in the community.

Below, you'll find a list of areas in which we know very credible, ethical, and outstanding professionals. If you're looking for a professional in a specific area we've listed, please feel free to contact us. We will be glad to put you in touch with the people we know who provide these services.

Business Opportunity Coach
Carpet and Floor Cleaning
Mortgage Broker
Attorney
Payroll Processing
Pet Day Care

Advertising Specialties
Welding Supplies
Printer
Home Inspector
Identity Theft Protection
Realtor

Banker
A/C and Heating Repair
Painter
QuickBooks Advisor
Auto and Home Insurance
Customer Monogramming & Embroidery



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October 24th is National Bologna Day



To be removed from our mailing list, call/email us:
 (251) 633-4070 or info@CPAMobileAL.com.

Add ‘Grandma’ to Everything You Say

This secret is courtesy of Jeffrey Gitomer and his book, *Customer Satisfaction Is Worthless, Customer Loyalty Is Priceless*. If you’re serious about creating world-class customer service you need to read Jeffrey’s book.

Here’s a sure fire way to determine how ‘what you say’ will sound to the Customer before you say it, a way to ‘test your talk’, so to speak.

PUT GRANDMA AT THE END OF EVERYTHING YOU SAY.

What?

Every time you speak to a Customer, end it in your mind, with ‘Grandma’ - if it sounds like something you would say to your grandmother or your grandmother would want to hear, then say it. If not, don’t.

How would this sound?

Sorry, we’re closed, Grandma.

Next! Grandma.

What is this in reference to, Grandma?

It’s our policy, Grandma.

This is the best real-world self-test I’ve ever found. If you wouldn’t say it to your Grandma, why would you say it to your Customer? Many phrases you use every day irritate Customers, and you have no clue until you insert Grandma at the end.

Take five phrases you say all the time and add ‘Grandma’ to the end. How do they sound? Now call your grandmother and run a few by her.

You can get Jeffrey Gitomer’s book, *Customer Satisfaction Is Worthless, Customer Loyalty Is Priceless* at www.Americanretailsupply.com - click on retail sources in the left navigation bar.

Excerpt from *Out-Nordstrom Nordstrom: Creating the World’s Best Customer Service* by Keith Lee. Reprinted with permission. In the early 1980s in an effort to answer the question, “Why should someone do business with me versus anyone I compete with?” Keith determined the answer should be, “Because we have the best customer service.” That’s what everyone says, right? But Keith really delivers, and in fact has made it his professional crusade to educate and provide strategies to keep independent business people ahead of the competition. If you would like to learn more about how to train your Team to provide World Class, Exceptional, Out-Nordstrom Nordstrom Customer Service, check out www.KeithLee.com.