

[Date]

[Recipient Name]

[Title]

[Company Name]

[Address Line 1]

[Address Line 2]

## **RE: Management Letter on Sales Tax Nexus and Economic Nexus Compliance**

Dear [Recipient Name],

We have performed a preliminary review of [Company Name]'s business activities and revenue distribution to evaluate potential sales tax registration and collection obligations under current "Nexus" standards.

### **Background**

Since the U.S. Supreme Court ruling in *South Dakota v. Wayfair, Inc.*, most states have established "Economic Nexus" laws. These laws require companies to collect sales tax once they exceed specific thresholds of revenue or transaction volume in a state, even without a physical presence.

### **Current Findings**

Based on our analysis of your sales data for the period ending [Date], we have identified the following:

- **Physical Nexus:** The company maintains a physical presence (offices, employees, or inventory) in [List States], requiring active compliance.
- **Economic Nexus:** The company has exceeded or is nearing the statutory thresholds (typically \$100,000 in sales or 200 transactions) in the following states: [List States].
- **Pending Exposure:** There is a risk of retroactive tax liability, interest, and penalties in jurisdictions where the company reached nexus thresholds in prior periods but did not register.

### **Recommendations**

To mitigate financial and regulatory risk, we recommend the following actions:

1. Register for Sales and Use Tax permits in the identified jurisdictions.
2. Implement an automated tax calculation software to manage varying state and local rates.
3. Collect and maintain valid exemption certificates for all non-taxable B2B sales.
4. Perform a Voluntary Disclosure Agreement (VDA) evaluation for states with significant prior-period exposure.

### **Conclusion**

Sales tax compliance is an ongoing obligation. As the company expands its geographic footprint

or increases sales volume, new nexus triggers will occur. We recommend a formal nexus study be conducted annually.

Please contact us to discuss the implementation of these recommendations.

Sincerely,

[Your Name/Firm Name]

[Your Title]