

head>

[Date]

[Client Name]

[Client Title]

[Company Name]

[Address Line 1]

[City, State, Zip Code]

## **Subject: Strategic Advisory Regarding Multi-State Sales Tax Nexus Exposures**

Dear [Client Name],

Following our recent review of your company's expanding multi-state operations, we are providing this advisory letter to outline potential sales tax nexus exposures. As your business scales, it is critical to address these regulatory obligations to mitigate financial risk and ensure compliance with the evolving "Wayfair" standards.

### **1. Executive Summary of Findings**

Based on our preliminary analysis of your revenue data and physical presence, we have identified high-risk exposure in the following jurisdictions: [List States]. Our review focused on two primary triggers: Physical Nexus and Economic Nexus.

### **2. Nexus Triggers and Thresholds**

- **Physical Nexus:** Presence of remote employees, inventory in third-party warehouses (e.g., FBA), or traveling sales representatives in [States].
- **Economic Nexus:** Exceeding state-specific revenue thresholds (typically \$100,000) or transaction counts (typically 200) following the South Dakota v. Wayfair ruling.

### **3. Identified Risks and Materiality**

Failure to register and collect sales tax in these jurisdictions presents the following risks:

- Retroactive tax liabilities and uncollected tax assessments.
- Compounded interest and significant late-filing penalties.
- Personal liability for corporate officers in certain jurisdictions.
- Complications during future audits or M&A due diligence.

### **4. Strategic Recommendations**

To address these exposures, we recommend the following immediate actions:

1. **Nexus Study:** A comprehensive state-by-state quantification of historical exposure.

2. **Voluntary Disclosure Agreements (VDA):** For states with significant back-tax liability, we may recommend VDAs to waive penalties and limit the look-back period.
3. **Automated Compliance:** Implementation of a tax engine (e.g., Avalara, TaxJar, or Vertex) to handle real-time calculations and filings.
4. **Registration:** Systematic registration in states where active nexus is confirmed.

## 5. Next Steps

We propose a meeting on [Date/Time] to discuss the cost-benefit analysis of pursuing Voluntary Disclosure vs. prospective registration. Please let us know if this time aligns with your schedule.

Sincerely,

[Your Name]

[Your Title]

[Firm Name]