

State and Local Tax



Do you know what constitutes 'minimal presence' for all 50 states?

Are you confident in your reporting of nexus presence in other states?

Do you know the tax impact of recent growth or planned business expansion?

Are you aware of how cloud-based resources affect nexus?

State Tax Analysis and Resolution (Nexus)

Take control of your multistate tax liabilities

Multistate operations require a deep understanding of the taxes in each location, including sales, use, income, franchise, gross receipts and property tax. As businesses expand product offerings or geography, there are tax implications to consider. The very activities that generate profits and build market share can often increase exposure to state and local taxes.

Due to the varied state tax law structures, business activities that pose no problems in one state can be nexus triggers in another state. Further complicating matters, the physical presence nexus threshold for sales and use tax reporting is usually much lower than that for income and franchise taxes. In addition, there are numerous industry and location-specific tax laws that have changed in recent years. Staying on top of these variations can be challenging and time-consuming.

McGladrey has state and local tax professionals who can efficiently assist you with your state and local tax compliance concerns and allow you to focus on the business of doing business.

Establishing nexus

Companies are at the greatest risk when they are unaware of their liability for specific taxes in a specific location. If your business has undergone recent change, or you are not confident that your tax processes are compliant with current regulations, it is time to examine your nexus responsibility.

McGladrey offers evaluation services to determine where your company has established nexus – the minimal presence within a state that allows the state to impose tax laws on out-of-state businesses. We consider all facets of your business, including the activities of sales representatives, independent contractors and employees making sales calls, providing customer training or handling deliveries to identify nexus-generating activities, and return the results to you in a consolidated report.

This State Tax Analysis and Resolution (STAR) Report allows you to understand how your multistate activities affect your bottom line. You will receive a snapshot view that helps you evaluate the tax implications of strategic business decisions and proactively address any compliance gaps caused by recent change. Your STAR report will include:

- Nexus review for all jurisdictions within the United States
- Map views of your nexus and compliance risk
- Estimated income, franchise and sales tax liabilities
- Recommendations for remediation where necessary

Limit your potential tax liabilities

If a state discovers that your company is not meeting its tax obligations, the normal statute of limitations does not apply. Understanding your nexus responsibility now, and maintaining awareness year after year, gives you the best opportunity to resolve existing concerns and plan strategically for the future of your business.

If our analysis reveals prior year non-compliance, our state and local tax professionals will work with state agencies to negotiate, on an anonymous basis, a limited lookback period through a voluntary disclosure agreement.

This activity results in contractual agreements between your company and the applicable state agencies defining the terms under which you will come forward to register and voluntarily disclose prior period liabilities.

A thorough nexus evaluation and favorable agreement can provide a range of benefits, including:

- Minimization of overall tax liabilities paid
- Limited lookback period for which returns must be filed
- Authorization to perform a self-audit for all taxes
- A waiver of penalties and potential reduction of interest
- Closure of prior periods for audit
- Greater accuracy for financial statement reporting (e.g., realistic accrued tax liabilities)
- Reduction in multi-jurisdiction information sharing
- Clarification regarding future reporting methods
- Established registration in all nexus states

Gain confidence in your compliance

Nexus issues are a growing concern for businesses, yet most do not have the internal resources to effectively and efficiently manage them. At McGladrey, our dedicated, client-focused state and local tax professionals spend 100 percent of their time on issues related to state and local tax—working with state agencies, staying abreast of changing regulations, and helping clients understand how a wide range of tax laws impact their business on an individual basis.

We take the time to truly understand your business, ask the questions that can uncover opportunities, manage the process to minimize liabilities, and help you gain confidence in your multistate tax compliance.

That's the power of McGladrey. The power of being understood.SM

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