

KEEP TEXAS BUSINESS FRIENDLY KEEP SALES TAX ADMINISTRATION SIMPLE

For more than 65 years, origin sourcing has been right for Texas.

LESS TIME CONSUMING | LESS EXPENSIVE | LESS COMPLEX

COMPARISON OF LOCAL TAX SOURCING METHODS

Issue	Origination Sourcing	Destination Sourcing
Permit Change?	No	No
Tax Return Change?	No for 90% of all businesses	Yes for 90% of all businesses
Invoicing Complexity	Simple	Complex <i>(more than 1,770 possible tax decisions necessary per invoice)</i>
Cost of Compliance	Minimal	More Expensive

TEXAS SALES & USE TAX: WHAT YOU NEED TO KNOW IF TEXAS MAKES A SWITCH TO DESTINATION SOURCING FOR SALES TAX COMPLIANCE

Do you deliver or mail products to your customers?

Do you provide taxable services at your customers' homes or business locations?

Here's what you need to know to get ready for the State's potential change to requiring destination sourcing sales tax compliance:

The Texas Legislature is evaluating a shift to destination sourcing for local sales and use tax purposes. This change would require local sales taxes to be collected and reported based on an item or service's delivery location as opposed to the current system.

If you only have one place of business in Texas, you currently report all sales tax to that location. Under the proposed destination plan, Texas businesses must begin tracking and reporting sales tax to each of the 1,700+ different jurisdictions within the state where a product was delivered, or a service provided.



HOW MIGHT THE POTENTIAL CHANGE COST YOU?

You can contact the Texas Comptroller of Public Accounts to learn more about this proposed change. Additionally, you can contact your local Chamber of Commerce, industry trade association, accountant, or organizations like the National Federation of Independent Businesses (NFIB) for help!

The Texas House Ways & Means Committee will take testimony from the Comptroller and others on Thursday, April 21, 2022, at 10 a.m. in Austin. You can listen in, appear in person, or submit a comment. Learn more at capitol.texas.gov.

← LEARN HOW TO COMPLY WITH THE POTENTIAL CHANGE →

THERE ARE MULTIPLE COSTLY OPTIONS FOR BUSINESSES TO COMPLY WITH THE POTENTIAL CHANGE TO DESTINATION SOURCING:

1: SINGLE TRANSACTION OR CUSTOMER SEARCH

The Texas Comptroller has a free online tool where a seller can look up the delivery address of each customer/shipping location and calculate the appropriate sales tax rate and jurisdiction codes for the sale. The seller would then track and file his/her sales tax report to the Comptroller with a listing of each jurisdiction and the amount collected and reported to those jurisdictions each month. *Find the locator at mycpa.cpa.state.tx.us/atj/*

MORE TIME | MORE EXPENSIVE

2: DOWNLOAD THE COMPTROLLER'S DATABASE

A seller may download the Comptroller's rate and boundary database free of charge. Sellers would then integrate the database into an existing point of sale or tax compliance system. The Comptroller will provide updates on a quarterly basis as those destination boundaries and tax rates change. The cost to integrate the free database into a seller's system and maintain quarterly updates is the responsibility of the business/seller. Remittance preparation and filing also remains the seller's responsibility. *Download the database at mycpa.cpa.state.tx.us/atj/*

MORE TIME | MORE EXPENSIVE

3: INTEGRATE A THIRD-PARTY SOLUTION

There are multiple vendors that can help your business process and file your sales tax returns. These providers maintain the Comptroller's database and help a seller determine the correct jurisdiction and sales tax to charge on each transaction. These providers have different cost structures but often involve a set up charge, annual maintenance fee, and a per transaction fee. These fees cover sales tax return preparation and monthly filing, and the costs associated with this are the responsibility of the business/seller. *Sample Tax Compliance Software Companies: taxjar.com, vertexinc.com, avalara.com, taxcloud.com*

MORE TIME | MORE EXPENSIVE

4: MIGRATE YOUR DELIVERY BUSINESS TO A SALES PLATFORM

Many smaller companies that do not have the financial resources to implement options two or three above can migrate their delivery sales to a marketplace platform. Companies like Amazon, Etsy, DoorDash, and GrubHub, will absorb and take over your tax liability. These firms generally charge a commission and fees for selling on their platforms. A Texas seller utilizing this option will need to consider how these fees and commissions will impact their profit margins.

MORE TIME | MORE EXPENSIVE

5: IGNORE THE CHANGE

Some small businesses may ignore the required change and hope they don't get audited or sued. Historically, the Texas Comptroller audits fewer than 5% of sales tax permit holders. There may be a penalty and interest liability from the Comptroller for those sellers who are not implementing the change. A separate risk exists from plaintiff lawyers that may file suit on behalf of customers that were charged the incorrect sales tax amount.

KEEP IT SIMPLE KEEP ORIGIN SALES TAX SOURCING IN TEXAS