

HOW PEISNER JOHNSON SAVED E-COMMERCE CLIENT 1.5 MILLION DOLLARS IN TAX LIABILITY

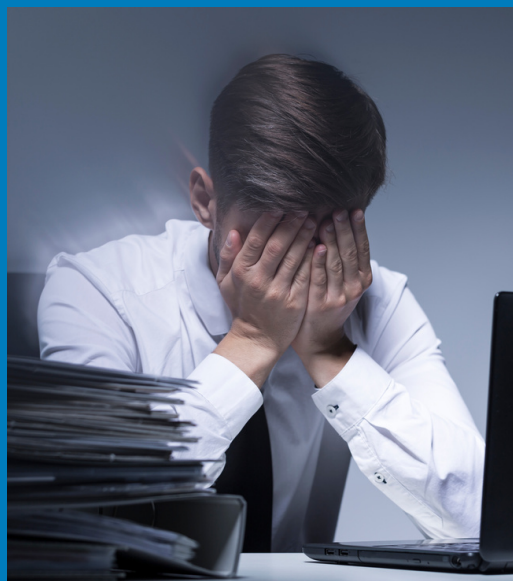
WHEN A STARTUP COMPANY RECEIVED BAD SALES TAX ADVICE IT ALMOST LEAD TO
BANKRUPTCY.

UNTIL THEY CHOSE TO TURN TO PEISNER JOHNSON FOR HELP.

CLIENT OVERVIEW

This eCommerce seller found success and extreme growth over the past three years. Business had sky-rocketed after the COVID pandemic, due to it's exclusively functioning online website and the types of exercise and massage products sold.

They manufactured everything in the U.S with employees who worked remotely. They owned warehouses in the U.S and also maintained an office in California and Florida.



CHALLENGE

The company found themselves in hot water when they realized they had followed some erroneous sales tax advice as they started their business. They were told to collect sales tax wherever they were making sales. So they began collecting sales tax immediately everywhere. However, there were 2 problems:

- They were not registered in most of the states they had been collecting sales tax.
- The tax that had been collected was not being remitted to the states. This step had been omitted by the companies accountant.

UNKOWINGLY, THEY HAD COMMITED FRAUD.

By the time they had realized their mistake, they had identified that they collected over half a million dollars in tax that went un-remitted. In addition, they should have collected and remitted close to \$2M in taxes on other sales made through their website.

To further complicate things, not only did they not remit the tax collected, but they had used those funds for investment and marketing purposes to help the companies growth. They recognized that this had the potential to bankrupt their company and undo everything they had built. The seller was in a race against time. When it comes to sales tax audits, it's not a matter of if, but when.

FORTUNATELY, THIS E-COMMERCE SELLER CHOSE NOT TO IGNORE THEIR MISTAKE.

THEY NEEDED HELP AND THEY KNEW IT.

THEY REACHED OUT TO PEISNER JOHNSON FOR A FREE CONSULTATION.



SOLUTION

During the call, the eCommerce seller was made aware of their options and agreed on some steps they could take with Peisner Johnson to navigate this tricky situation and get them compliant.

Peisner Johnson was able to assist them by completing a risk analysis to identify when and where nexus had been established.

With a risk analysis Peisner Johnson provides education by doing a complete nexus review (both physical and economic).

Next, a thorough analysis of historical sales was conducted along with an in-depth calculation of potential sales tax responsibilities. The foundation for remediation was set in place by establishing the answers to these three questions state-by-state:

1-DOES THIS COMPANY HAVE NEXUS?

To understand your responsibility, you have to start with nexus. Peisner Johnson conducted a nexus review by looking at every state where the business made sales to see if they met nexus criteria. They studied out a report of sales made over the last 3 years to where and when economic and physical nexus was established so they could calculate the actual tax liability. After the nexus review, the eCommerce seller knew exactly what their nexus footprint was and in which states they had a responsibility to collect tax. With a clear assessment of their tax responsibility, Peisner Johnson then worked on identifying their actual exposure.

2-IS WHAT THEY SELL TAXABLE?

After conducting a nexus review, Peisner Johnson looked at the products the business was selling and evaluated if any of the items were taxable. They explored the option of their sales being purchased wholesale, which could make a lot of transactions tax-free with the right certificates in place. By looking for exemptions and non-taxable items, Peisner Johnson would be able to reduce the eCommerce seller's total exposure.

3-WHO'S RESPONSIBLE FOR COLLECTING THE TAXES?

After a taxability review Peisner Johnson then looked for transactions where the business wasn't actually responsible for collecting the tax. Peisner Johnson looked through the company's sales and identified every marketplace transaction that occurred in states with marketplace facilitator laws. In this particular case, this business had been utilizing their own platform.

RESULT

After following these steps, Peisner Johnson was able to reduce the eCommerce seller's exposure along with educating them on the state's sales tax laws and aiding them in course-correcting. This business elected to register, start collecting tax, and remitting it going forward.



This had a dramatic impact on the business. They were able to continue operating without having to take out a loan or close the business. And with Peisner Johnson helping them they were able to establish compliance without cutting into their bottom line.

Outsourcing to Peisner Johnson saved the seller countless hours of due diligence work, allowing them to focus on managing their online store. Best of all, they had peace of mind knowing they were protected moving forward. All of this was possible because this eCommerce seller decided to talk to a specialist and attack the problem head on before it was too late.

"As our business took off Peisner Johnson helped me navigate the mine field that is sales tax compliance. "

For any business looking to get compliant, the best path forward is always to confront your potential tax exposure as soon as possible.

While this may appear daunting, it's actually as simple as setting up one phone call for a free consultation. Peace of mind is a phone call away. There is confidence in collaboration.

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