

How to Use This Checklist

This checklist is designed to help identify potential sales tax risk areas by focusing on changes in business activity, operations, and processes. It is not intended to determine taxability or confirm compliance.

How to apply it effectively:

- **Use it as a conversation guide.**
Ask these questions during onboarding, annual planning, or when a client experiences growth or operational change.
- **Focus on business activity, not tax conclusions.**
A “yes” answer does not mean there is a problem—it simply flags an area that may warrant further review.
- **Look for patterns, not isolated answers.**
Multiple “yes” responses within a category often signal increased risk and may justify a focused sales tax or SALT review.
- **Document observations and follow-up discussions.**
Record identified risk indicators, questions raised, and any recommendations or referrals made.
- **Revisit regularly.**
Sales tax exposure evolves as businesses add products, hire in new states, change selling channels, or adopt new technology. State laws change through legislation and litigation. Reassess periodically to stay ahead of hidden risk.

Used consistently, this checklist helps advisors spot issues earlier, frame proactive discussions, and support clients in addressing sales tax risk before it becomes costly.

Nexus Risk Assessment

☐ Business Footprint & Operations

- ☐ Have economic thresholds been reviewed in the last 12 months?
- ☐ Does the client have employees, contractors, or sales reps in other states?
- ☐ Have any employees been hired in new states recently?
- ☐ Do employees work remotely or onsite at customer locations?
- ☐ Do sales, engineering, or implementation teams travel frequently across state lines?
- ☐ Does the company participate in trade shows, pop-ups, or temporary selling locations?
- ☐ Has the company had any recent M&A activity or restructuring?

☐ Property & Inventory

- ☐ Does the company own or lease property, offices, or retail locations in any state?
- ☐ Where is inventory stored or fulfilled (including third-party warehouses or fulfillment centers)?
- ☐ Is there consigned inventory located at customer sites?
- ☐ Does the company sell through Amazon FBA or similar fulfillment programs?

☐ Revenue & Economic Nexus

- ☐ In which states does the company generate revenue or customer sales?
- ☐ Are there states with consistently growing revenue or transaction counts?
- ☐ Is the business selling through marketplaces?
- ☐ Is revenue tracked by state and by customer location?
- ☐ Are there states nearing common economic nexus thresholds?
- ☐ Has recent growth caused a sudden increase in out-of-state sales?

Tax Calculation & Taxability Assessment

☐ **Products, Services & Offerings**

- ☐ What does the company sell today?
 - ☐ Tangible products
 - ☐ Intangible products, such as downloadable software or other digital goods
 - ☐ Services
 - ☐ Bundled offerings
 - ☐ Subscriptions or add-ons
- ☐ Have any new products or services been added since last year?
- ☐ Are products/services classified for taxability?
- ☐ Are services delivered virtually, in-person, or both?
- ☐ Are installation, setup, training, or configuration services part of the offering?
- ☐ Are delivery, shipping, or white-glove services included or separately stated?

☐ **Billing & Invoicing**

- ☐ Do invoices clearly break out products vs. services vs. delivery charges?
- ☐ Are different offerings processed through the same billing system?
- ☐ Are multiple revenue streams visible in the books?
- ☐ Are there unfamiliar charges such as platform fees, hosting fees, or commissions?
- ☐ Have bundling rules been evaluated?
- ☐ Has taxability been reviewed in all applicable states?

Tax Calculation & Taxability Assessment (Cont.)

☐ Selling Channels & Technology

- ☐ How many selling channels are currently active?
 - ☐ Company website
 - ☐ Marketplaces
 - ☐ Social media platforms
 - ☐ Retail locations
 - ☐ Temporary or in-person sales
- ☐ Which channels collect and remit sales tax on the company's behalf?
- ☐ Are products classified correctly for taxability in each system?
- ☐ Does the company's shopping cart or POS have tax calculation functionality?
- ☐ Are all sales channels treated consistently from a tax perspective?
- ☐ Who owns responsibility for tax setup and integration accuracy?

Compliance Red Flags

☐ Exemption Certificates

- ☐ Are customers claiming exemptions (e.g., resale, manufacturing, nonprofit)?
- ☐ How are exemption certificates collected and stored?
- ☐ Are any certificates missing, expired, or invalid?
- ☐ Is there a defined owner of the exemption certificate process?
- ☐ Are prior certificates retained for audit support?
- ☐ Are drop shipments part of the transaction and supply chain model?

☐ Registration, Filing & Systems

- ☐ Is the client properly registered in all nexus states?
- ☐ Is the client properly registered for the right taxes within a state (sales, use, payroll, unemployment, entity income, secretary of state, business licenses)?
- ☐ Are new states appearing in payroll, expense, or travel data?
- ☐ Are returns filed timely?
- ☐ Are sales and tax data feeds automated or manual?
- ☐ Are sales reports reviewed by state and by channel?
- ☐ Are bank deposits tied to multiple or unfamiliar processors?
- ☐ Have there been changes to invoicing or billing practices?

Compliance Red Flags (Cont.)

☐ Governance & Awareness

- ☐ Who within the organization is responsible for:
 - ☐ Sales tax setup
 - ☐ Ongoing compliance
 - ☐ Monitoring changes in the business
- ☐ Are sales tax risks documented and communicated when identified?
- ☐ Are sales tax considerations discussed during annual planning meetings?
- ☐ Has the company ever completed a SALT or sales tax review?
- ☐ Is there a recurring review process?
- ☐ Is responsibility clearly assigned?
- ☐ Are tax impacts evaluated during business changes?

☐ Audit Exposure & Historic Liability

- ☐ Has the client been audited for sales tax by any state or locality recently?
- ☐ Is there uncollected tax on taxable sales?
- ☐ Are VDAs or amnesty programs needed?

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