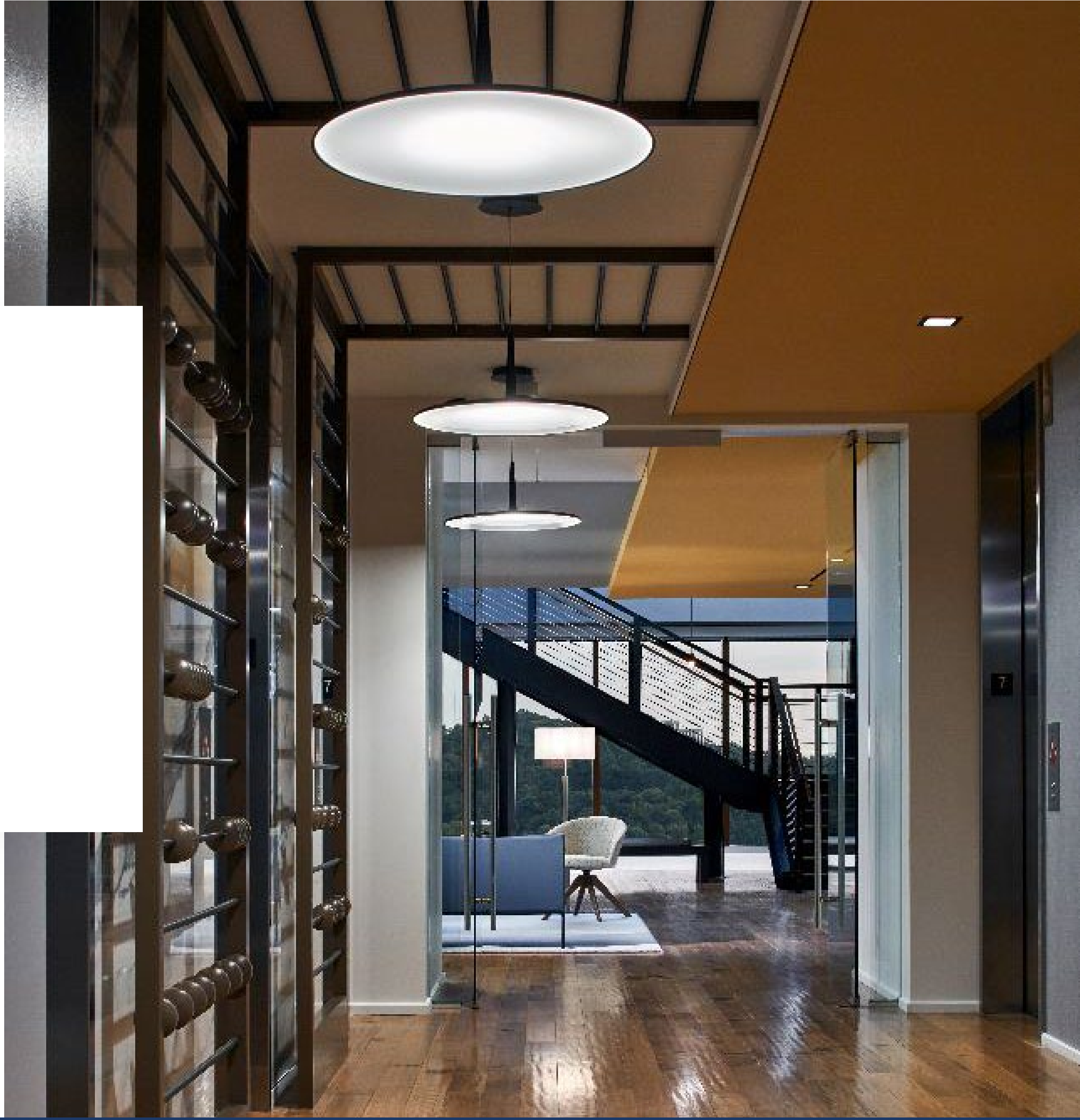
State Gross Receipts Taxes: A Refresher

January 23, 2025

MATTHEW LANEY, STATE INCOME TAX DIRECTOR



Matthew Laney

STATE INCOME TAX DIRECTOR

- Over fifteen years experience in public accounting, focusing on state and local tax (“SALT”) with an emphasis on income and franchise taxes.
- Prior to joining Bennett Thrasher, led the SALT income/franchise tax service line for a regional firm in Charlotte.
- Launched career in Atlanta with Deloitte by providing SALT income/franchise tax consulting and compliance services to multinational corporate clients.
- Certified Public Accountant, licensed to practice in the States of Georgia and North Carolina.
- Earned *Juris Doctor* at The University of Alabama School of Law.

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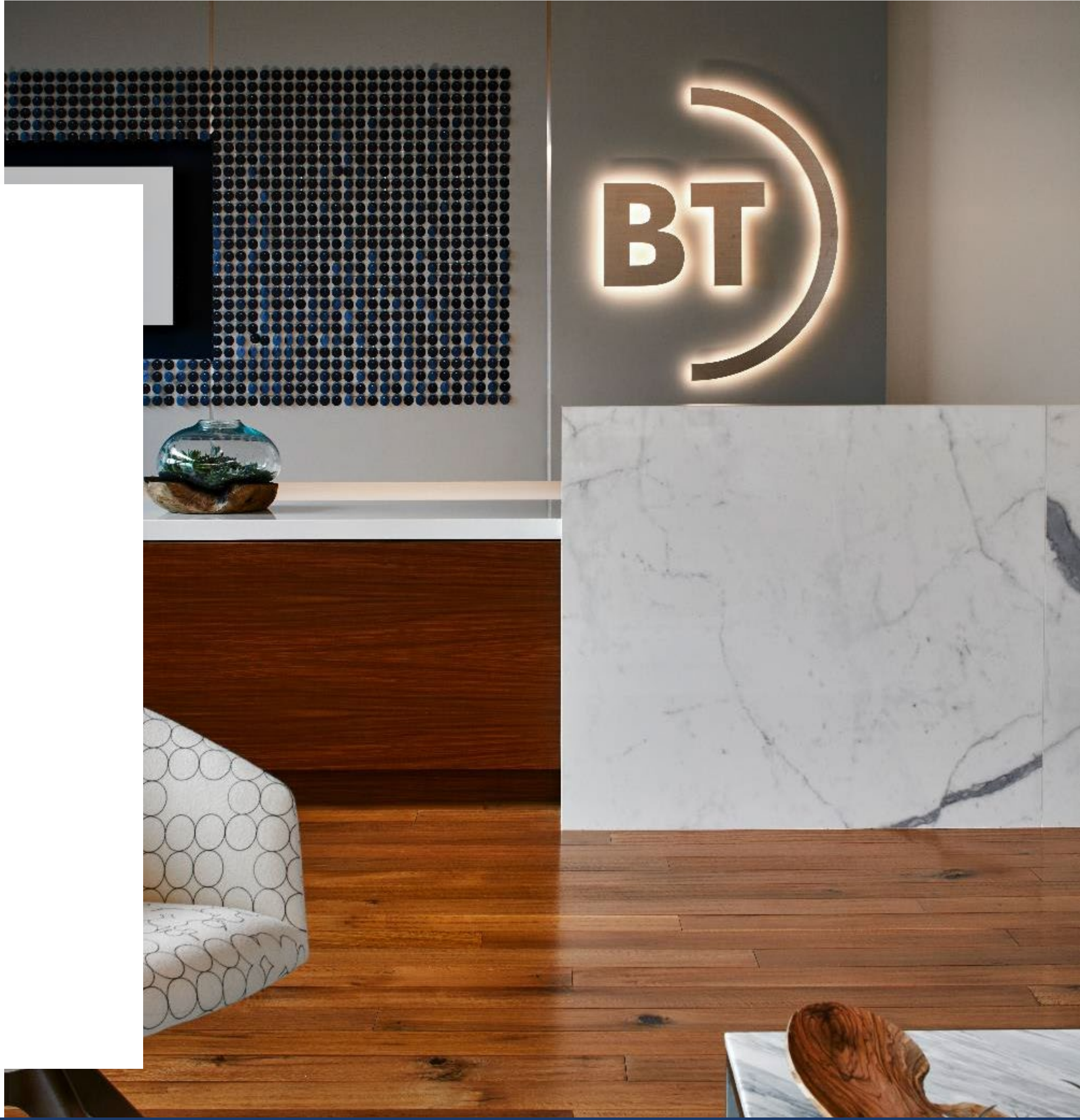
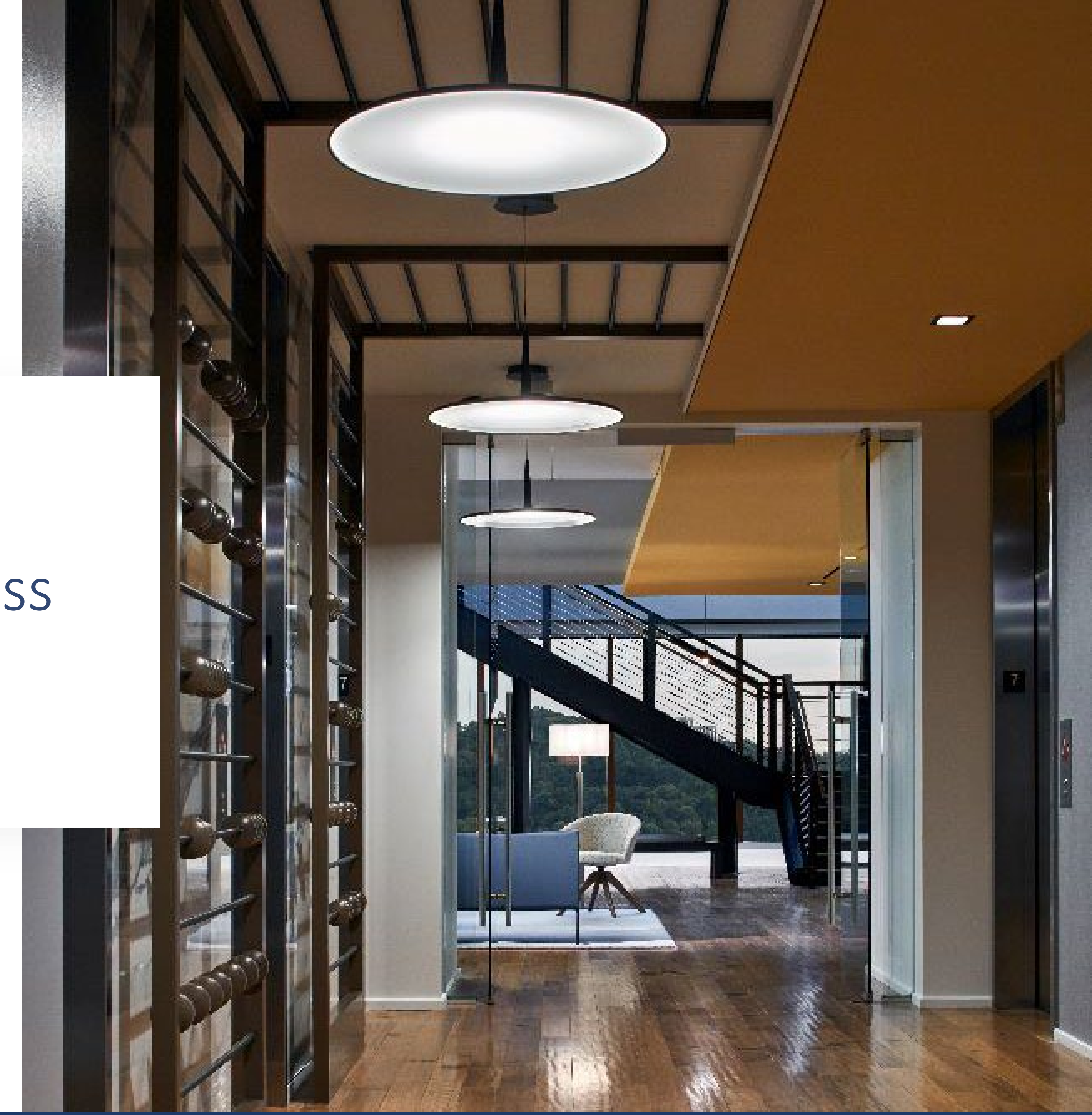
Today’s Agenda

- Overview of State Gross Receipts Taxes
- Frequently Encountered Gross Receipts Taxes
    - Ohio Commercial Activity Tax
    - Oregon Corporate Activity Tax
    - Tennessee Business Tax
    - Washington Business & Occupation Tax
- Less Common Gross Receipts Taxes
    - Delaware Gross Receipts Tax
    - Nevada Commerce Tax
- Limited Liability Company (“LLC”) Filing Fees
- Best Practices



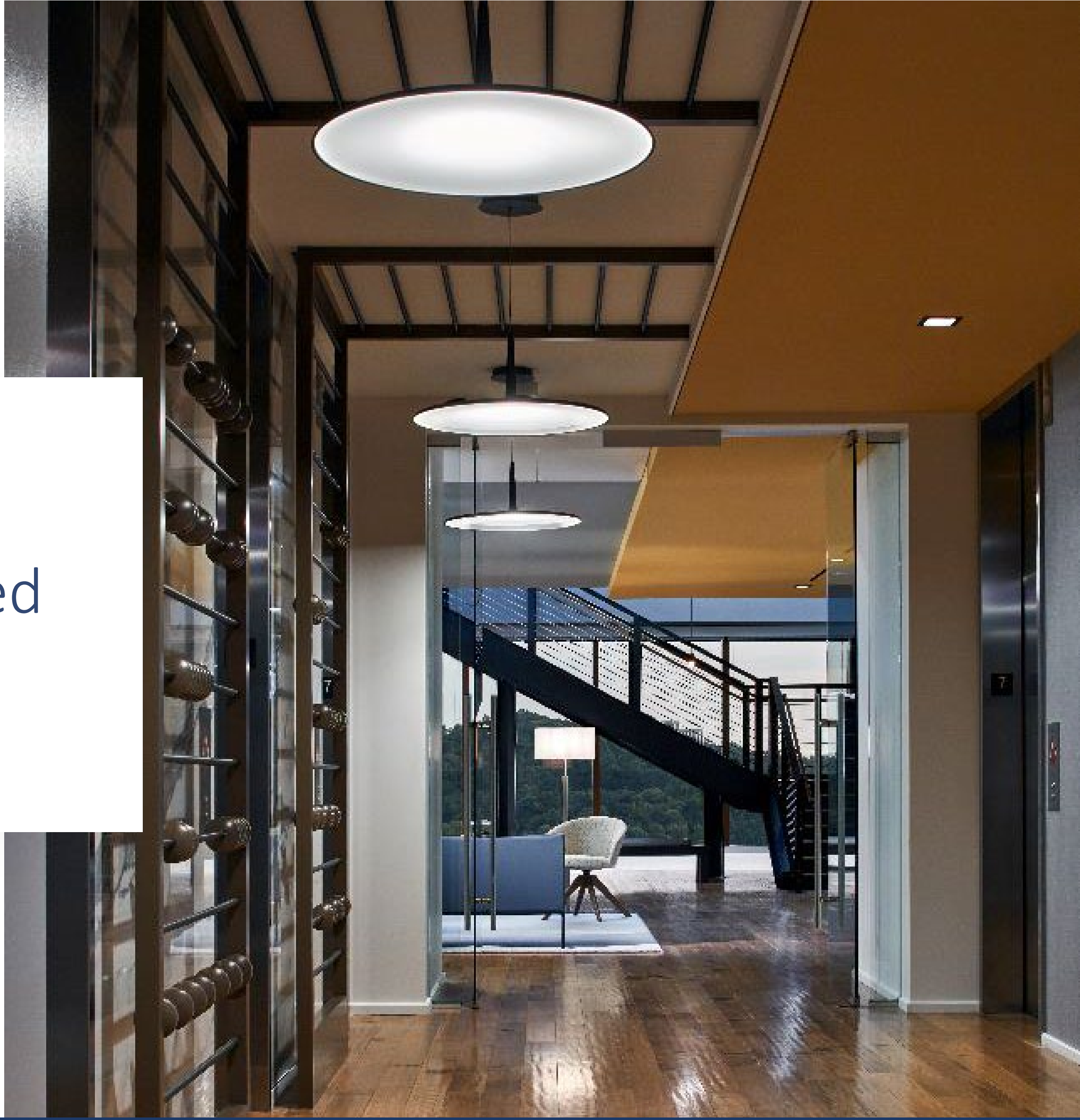
Overview of State Gross Receipts Taxes



Overview of State Gross Receipts Taxes

- Six states currently levy a gross receipts tax: Delaware, Nevada, Ohio, Oregon, Tennessee, and Washington.
- These taxes generally are imposed on a taxpayer's gross receipts derived from in-state sales of tangible property or services.
- Gross receipts taxes are imposed at comparatively lower rates than sales and use taxes and corporate income/franchise taxes.
- Gross receipts taxes are imposed on nearly all entity types, regardless of classification for federal tax purposes.
- Factor-based nexus rules based on in-state amount of property, payroll, or sales apply for most state gross receipts taxes.
- Gross receipts taxes differ from traditional sales and use taxes because the tax is imposed directly on the seller, with limited options for passing the tax on to customers.
- Limited exclusions and deductions for business expenses are permitted to offset the gross receipts tax base.

Frequently Encountered Gross Receipts Taxes



Frequently Encountered Gross Receipts Taxes

- **Ohio Commercial Activity Tax (“Ohio CAT”)**
  - The Ohio CAT is imposed on a business entity’s Ohio-sourced gross receipts.
  - Taxpayers: C Corporations, S Corporations, partnerships, and limited liability companies.
  - Filing Method and Frequency: Two or more commonly controlled corporations are required to compute the Ohio CAT either on a combined basis or by making an election to file a consolidated return. Filings used to be annual or quarterly and are now quarterly.
    - Consolidated filing election is beneficial because gross receipts between members of the group are eliminated.
  - Factor-Based Nexus Standard*
    - Property in the state is at least $50,000, or
    - Payroll in the state is at least $50,000, or
    - Taxable gross receipts sourced to Ohio are at least $500,000, or
    - At least 25% of total property or total payroll or total gross receipts are within Ohio.

    *Out-of-state taxpayers who meet one of these tests must also have at least $150,000 of Ohio gross receipts to be subject to the tax. Businesses domiciled within Ohio with at least $150,000 of annual gross receipts are subject to the tax.

Frequently Encountered Gross Receipts Taxes

- **Ohio CAT (continued)**
  - Tax Base: Items treated as gross receipts for federal income tax purposes are treated as gross receipts for purposes of the Ohio CAT.
    - Receipts sourced to Ohio:
      - Sales of inventory received in Ohio by the purchaser;
      - Rents and royalties received from property located or used in Ohio;
      - Fees received in the proportion that the **purchaser's benefit in Ohio** bears to the benefit everywhere.

Frequently Encountered Gross Receipts Taxes

- **Ohio CAT (continued)**
  - Tax Rate
    - Prior to 2024: First $1,000,000 in Ohio gross receipts excluded from the tax base.
      - Ohio gross receipts over $1,000,000 were taxed at a 0.26% rate with a minimum tax of $150 on taxpayers with more than $150,000 but less than $1,000,000 in Ohio gross receipts.
      - Ohio gross receipts in excess of $1,000,000 were taxed at a higher graduated minimum tax up to a maximum of $2,600 for taxpayers with Ohio gross receipts over $4,000,000.
    - The Department of Taxation adopted rule changes reflecting the 2023 legislation that made substantial changes to the Ohio CAT.

Frequently Encountered Gross Receipts Taxes

- **Ohio CAT (continued)**
    - Recent Legislation
        - For tax periods beginning in 2024, the exclusion amount is increased to $3,000,000, and the minimum tax is eliminated.
        - For tax periods beginning in 2025, the exclusion increases to $6,000,000.
        - Taxpayers with Ohio receipts that fall below these thresholds will not be required to file an Ohio CAT return.
        - Annual filings are also eliminated after the 2023 annual return is filed. Only quarterly returns may be filed for future tax periods.

Frequently Encountered Gross Receipts Taxes

- **Oregon Corporate Activity Tax (“Oregon CAT”)**
  - The Oregon CAT is imposed on each person with taxable commercial activity for the privilege of doing business in Oregon.
  - Taxpayers
    - The term “corporate” is a misnomer. “Person” is broadly defined and includes, but is not limited to, individuals, partnerships, limited liability companies, C Corporations, S Corporations, and entities that are disregarded for federal income tax purposes.
    - Taxpayers who are members of a unitary business group must file a combined report.
  - Filing Method and Frequency: The tax is imposed annually (due April 15th) with combined reporting potentially required. Quarterly estimated payments may be required.

Frequently Encountered Gross Receipts Taxes

- **Oregon CAT (continued)**

  - Factor-Based Nexus Standard
    - Property in the state is at least $50,000, or
    - Payroll in the state is at least $50,000, or
    - Commercial activity in the state is at least $750,000, or
    - At least 25% of the person's total property, total payroll or total commercial activity is in the state, or
    - The person is a resident of Oregon or is domiciled in Oregon for corporate, commercial, or other business purposes.

  - Registration Requirement
    - Taxpayer or unitary group with commercial activity in excess of $750,000 in the tax year must register for the Oregon CAT with the Oregon Department of Revenue.
    - Taxpayers must register within 30 days after the date when commercial activity exceeds $750,000.
    - Failure to register can result in a fine of up to $100 per month or a total of $1,000 per year.
    - Notwithstanding the nexus standards, a person or unitary group with less than $750,000 of Oregon commercial activity is excluded from all Oregon CAT registration and filing requirements.

Frequently Encountered Gross Receipts Taxes

- **Oregon CAT (continued)**

  - Tax Base: The Oregon CAT tax base includes all of the commercial activity of a taxpayer in the regular course of a taxpayer’s trade or business that meets the “transactional” test for apportionable business activity.

  - Exclusions from Tax Base: The Oregon CAT offers more exclusions from the tax base than most other state gross receipts taxes. The following items may be excluded:
    - Returns and allowances;
    - Most interest income;
    - Receipts from the sale of assets under sections 1221 or 1231 of the Internal Revenue Code;
    - Dividends received;
    - Distributive income from a pass-through entity;
    - Receipts from transactions among members of a unitary group; and
    - Greater of the amount of cost inputs or labor costs up to 35% with the subtraction not exceeding 95% of the taxpayer’s commercial activity in Oregon (subtraction must be apportioned)

  - Tax Rate: Taxpayers with Oregon commercial activity of $1,000,000 or more must file a return. The tax imposed is a flat $250 plus a 0.57% tax rate imposed on Oregon Commercial Activity over $1,000,000.

Frequently Encountered Gross Receipts Taxes

- **Tennessee Business Tax**

  - The Tennessee Business Tax is a privilege tax, measured by Tennessee gross receipts, imposed on a person for the privilege of doing business within Tennessee and its local jurisdictions.
    - The tax is comprised of two separate but complementary taxes: a state-level tax and a municipal-level tax.
    - Out-of-state taxpayers are subject to the state-level tax, but a taxpayer may only be subject to the municipal-level tax if it has a business location in a municipality that has enacted the tax.

  - Taxpayers: The term “person” is broadly defined and includes an individual, firm, partnership, joint venture, association, corporation, estate, trust, business trust, receiver, syndicate, or other group or combination acting as a unit.

  - Filing Method and Frequency: Tax returns are filed on a separate basis annually (due April 15th) with a minimum tax ranging from $22 to $1,500, depending on the taxpayer’s classification. Estimated tax payments are not required.

Frequently Encountered Gross Receipts Taxes

- **Tennessee Business Tax (continued)**

  - Factor-Based Nexus Standard*
    - Property in the state is at least $50,000 or 25% of the average value of all the business's total real and tangible personal property, or
    - Payroll in the state is at least $50,000 or 25% of the business's total compensation paid by the business, or
    - Taxable gross receipts sourced to Ohio are at least $500,000 or 25% of the business's total receipts everywhere during the tax period.

    *Businesses formed and operating in Tennessee will always have substantial nexus with the state. Even if the factor-based standards are not met, substantial nexus may be established if the business has "any connection with the state that requires it to remit tax under the United States Constitution."

  - Registration Requirement: Taxpayers must register with the Tennessee Department of Revenue.

Frequently Encountered Gross Receipts Taxes

- **Tennessee Business Tax (continued)**

  - Business License Requirement
    - Persons subject to the tax may be required to obtain a business license from the local county clerk or city official, and the license must be displayed at each business location.
    - Local bright-line test for business receipts for the requirement to obtain a license is $100,000 which is less than the state's $500,000 threshold. A minimal activity license applies if receipts are more than $3,000 but less than $100,000, with no license required if below the $3,000 threshold.
    - Out-of-state businesses -> typically not required to obtain a license.

  - Tax Base
    - The tax base includes Tennessee gross taxable sales with certain limited deductions.
    - "Taxable sales" normally do not include sales of intangibles.
    - Legal, accounting, and various other professional service business sales are exempt.
    - Certain exclusions are permitted including cash discounts, subcontractor payments, bad debts related to Tennessee sales, and miscellaneous federal and state excise taxes.

Frequently Encountered Gross Receipts Taxes

- **Tennessee Business Tax (continued)**

  - Tax Rate
    - The tax rate for a business is based on its business classification as provided by under state law, and classification is by the dominant business activity per location.
    - There are five different classifications and the Standard industrial Classification code should be used to determine the proper classification.
    - Tax rates range from 0.025% to 0.1875% and each classification has separate rates for wholesalers and retailers.
    - The minimum tax ranges from $22 to $1,500 depending on the taxpayer’s classification.

Frequently Encountered Gross Receipts Taxes

- **Washington Business & Occupation Tax ("Washington B&O Tax")**

  - The Washington B&O Tax is imposed on a taxpayer's gross receipts derived from business activities conducted in Washington. Many cities also impose a local B&O Tax which is not administered by the Washington Department of Revenue.

  - Taxpayers: Taxpayers may include sole proprietorships, partnerships, C Corporations, and S Corporations.

  - Filing Method and Frequency: Tax returns are filed on a separate basis either monthly, quarterly, or annually. The filing frequency is determined by the annual estimated tax liability as follows:
    - Over $4,800 -> monthly
    - Between $1,050 and $4,800 -> quarterly
    - Less than $1,050 -> annually

Frequently Encountered Gross Receipts Taxes

- **Washington Business & Occupation Tax (“Washington B&O Tax”)**

  - Factor-Based Nexus Standard
    - Effective January 1, 2020, a business is subject to the tax and must register with the state if it meets any of the following thresholds in the current or prior year:
      - Has a physical presence in Washington, or
      - Has more than $100,000 in combined gross receipts sourced or attributed to Washington, or
      - Is organized or commercially domiciled in Washington.

      *The nexus criteria have changed over the years, and as a result, taxpayers may be subject to different nexus standards for periods prior to January 1, 2020.

  - Business License Requirement: Taxpayers must obtain a business license with the state even if they do not have a location within the state.

Frequently Encountered Gross Receipts Taxes

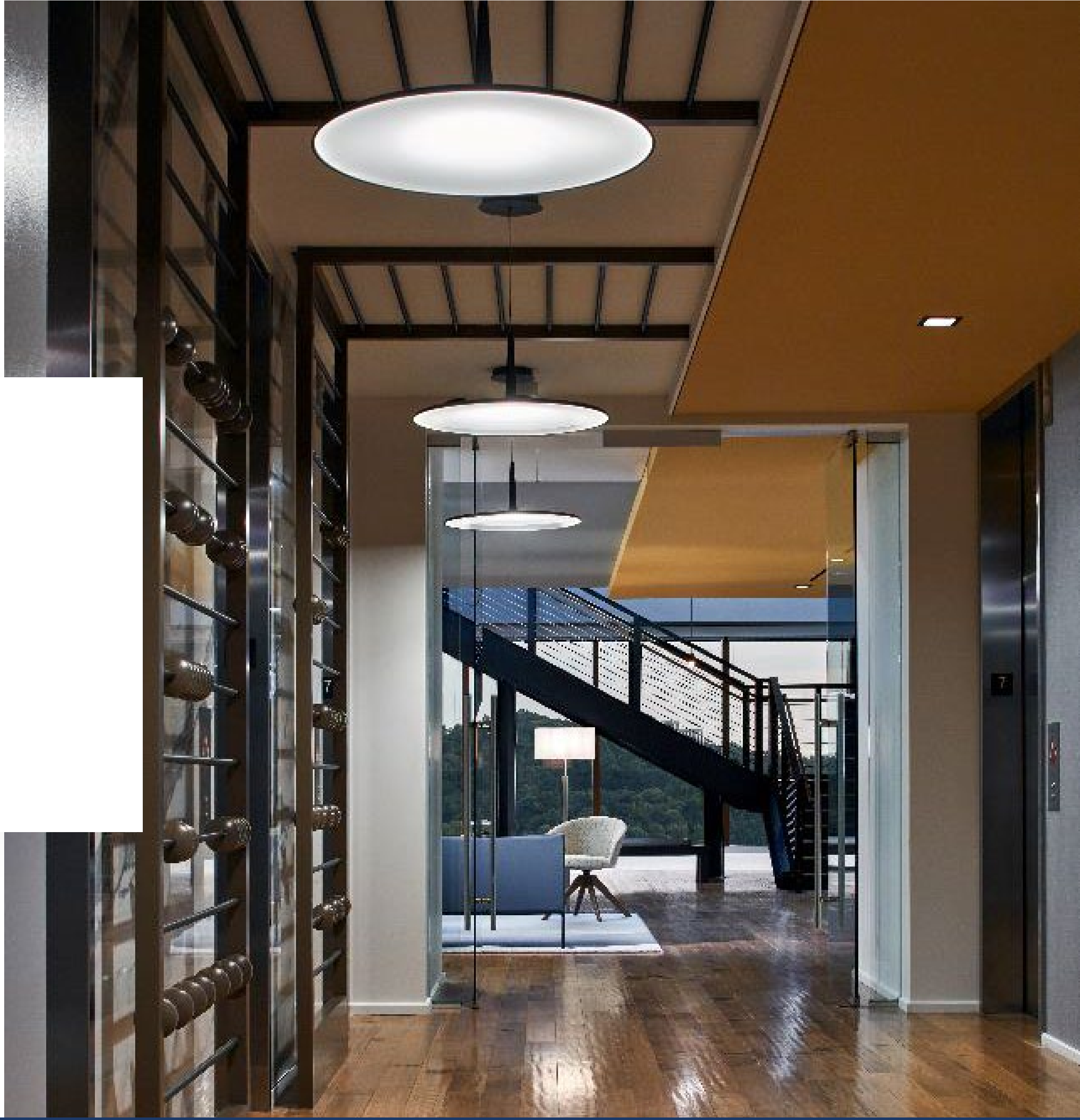
- **Washington Business & Occupation Tax ("Washington B&O Tax")**

  - Tax Base
    - The tax base includes taxable gross receipts derived from business in Washington.
    - Deductions are generally not permitted for the cost of goods sold, salaries, or other costs of doing business.
    - Certain limited exemptions are provided, including exemptions for bad debts and sales returns, allowances, and discounts.

  - Tax Rate
    - The tax rates vary depending on the business activity of a taxpayer.
    - The four primary business activity classifications are retailing (0.471%), wholesaling (0.484%), manufacturing (0.484%), and service and other activities (1.5%).
    - There are also several specialized categories with their own tax rates, including categories for travel agents and manufacturers of commercial aircraft.

  - Important Reminder: The Washington B&O Tax is reported on the combined excise tax return, which is also used to report sales and use tax and other taxes. Both the B&O tax and sales tax apply the $100,000 economic nexus standard, so in most instances, taxpayers subject to one tax will also be subject to the other.

Less Common Gross Receipts Taxes



Less Common Gross Receipts Taxes

- **Delaware Gross Receipts Tax**

  - Delaware imposes a gross receipts tax on every person who is required to obtain an occupational license, which is typically for every business with a "place of business" in the state.

  - Taxpayers: The term "person" includes an individual, partnership, firm, cooperative, corporation, or any association of persons acting individually or as a unit.

  - Filing Method and Frequency: The tax is imposed on a separate basis with returns and payment due either monthly or quarterly, depending on the person's lookback period.
    - The "lookback period" is the twelve-month period between July 1 and June 30 immediately preceding the taxable year for which a taxpayer is determining the filing frequency.
      - $1,500,000 or less of gross receipts -> file quarterly (return due on the last day of the month after the close of the quarter)
      - All other taxpayers -> file monthly (return due on or before the 20th day of each month to report gross receipts for the prior month)

Less Common Gross Receipts Taxes

- **Delaware Gross Receipts Tax (continued)**

  - Nexus Standard
    - Physical presence as the tax imposed on persons with a "place of business" in the state.

  - Business License Requirement
    - Annual license fees are typically required to be paid for each place of business.

  - Tax Base
    - Gross receipts are determined based on the "tax type" or industry to which a taxpayer belongs.
    - Limited Deductions: Not permitted for the cost of property sold, the cost of materials used, labor costs, interest, discounts paid, and delivery costs.
    - Statutory Exclusion: Exclusions from the gross receipts tax base are permitted for most persons and vary depending on the tax type classification and range from $100,000 to $1,250,000 per month.

  - Tax Rate
    - Rates range from 0.0945% to 1.9914%, depending on the taxpayer's industry classification.

Less Common Gross Receipts Taxes

- **Nevada Commerce Tax**

  - Nevada imposes a commerce tax on business entities, which is based on the amount of gross revenue attributed to the state.

  - Taxpayers: The term “business entity” is broadly defined to include corporations, S Corporations, partnerships, limited liability companies, and individuals who are self-employed.

  - Filing Method and Frequency
    - Returns filed on an annual basis and due within 45 days of the end of the state’s fiscal year, which runs from July 1st through June 30th. For most tax years, the return will be due no later than August 14th.
    - Estimated payments are not required.

  - Nexus Standard
    - Business entities that are engaged in business in Nevada with gross revenue that exceeds $4,000,000 in the fiscal year are subject to the tax.

Less Common Gross Receipts Taxes

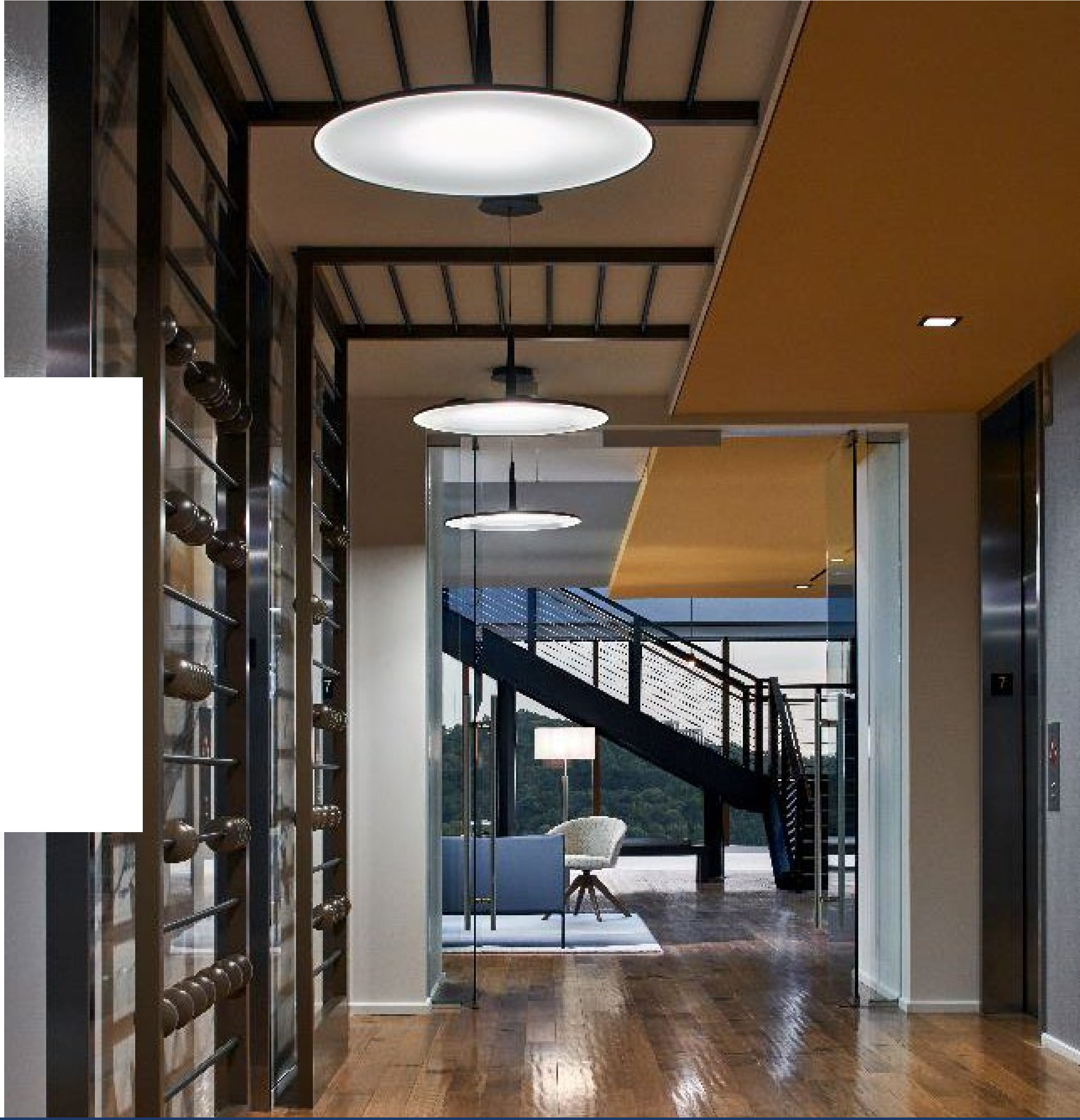
- **Nevada Commerce Tax (continued)**

  - Registration Requirement
    - Taxpayers subject to the tax must register with the Nevada Department of Taxation and complete a nexus questionnaire.

  - Tax Base
    - “Gross revenue” comprises the total amount realized from engaging in business in Nevada before any deductions and the tax is imposed on gross revenue in excess of $4,000,000.
    - Gross revenue from the sale of services is included in the tax base to the extent that the purchaser’s benefit is in Nevada.
    - Limited deductions are allowed, including deductions for distributive shares of income from pass-through entities, certain dividends received, certain types of interest income, and receipts from the sale of assets under sections 1221 or 1231 of the Internal Revenue Code.

  - Tax Rate
    - Rates range from 0.051% to 0.331% depending on the industry in which the business is primarily engaged with different rates for manufacturers and retailers/wholesalers.

LLC Filing Fees



LLC Filing Fees

- **California Filing Requirements for LLCs**
  - LLCs Taxable as Partnerships for Federal Income Tax Purposes
    - LLCs taxable as partnerships must file California Form 568-*Limited Liability Company Return of Income* and should not file Form 565-*Partnership Return of Income*. On Form 568, the LLC will pay the $800 minimum franchise tax, calculate and pay the LLC fee, and attach and distribute California Schedules K-1 to its members.

      - Every nonresident member of the LLC must sign California Form 3832-*Limited Liability Company Nonresident Member's Consent*, and the LLC must include the signed forms with Form 568 when filed.
        - The completion of California Form 3832 does not satisfy the nonresident member's California filing requirement.
        - The form only needs to be submitted once, not annually, for each nonresident member.

      - If a nonresident member fails to sign Form 3832, the LLC is required to pay the Nonconsenting Nonresident Members' Tax ("NCNR Tax") for that member. The NCNR tax is imposed on a member's distributive share of California-sourced income at that member's highest marginal tax rate.

LLC Filing Fees

- **California Filing Requirements for LLCs (continued)**
  - LLCs Taxable as Partnerships for Federal Income Tax Purposes
    - NCNR Tax currently is imposed at the following rates depending on the type of nonresident member:
      - Individuals: 12.3%
      - Trusts and Estates: 12.3%
      - C Corporations: 8.84%
      - S Corporations: 1.5%
      - Partnerships/LLCs: 12.3%

    - Nonresident withholding tax is calculated and reported on various forms and LLCs with domestic nonresident members will typically file California Form 592-PTE-*Pass-Through Entity Annual Withholding Return* to satisfy the annual filing requirement. Estimated payments are required.
      - An election may be made to file a composite tax return on behalf of certain nonresident members; however, a nonresident withholding waiver request must be made on California Form 588 with the waiver request reason code "E – Other" marked and a copy of Schedule 1067A-*Nonresident Group Return Schedule* from the group return attached.

LLC Filing Fees

- **California Filing Requirements for LLCs (continued)**
  - LLCs Taxable as Partnerships for Federal Income Tax Purposes
    - **The NCNR Tax may be reduced by the amount of nonresident withholding tax paid for each member, but payment of the NCNR does not relieve the LLC from its nonresident withholding requirement.**
      - The nonresident withholding tax rate is currently 7% for all domestic nonresident member types.
      - Taxpayers should consider whether to request a waiver from withholding which can be done by submitting California Form 588 to the Franchise Tax Board.

    - Penalties for Non-Filers: Be aware that penalties for non-filers are imposed on a per-partner or member basis at $18 per partner/member, per month up to twelve months.

  - Disregarded Single-Member Limited Liability Companies (“SMLLCs”)
    - SMLLCs must file California Form 568-*Limited Liability Company Return of Income.* On Form 568, the taxpayer will pay the $800 minimum franchise tax and calculate and pay the LLC Fee but is not required to pay nonresident withholding tax.
      - Form 3832 does not need to be completed and signed because the owner consents to be taxed under California’s jurisdiction by signing the Single Member LLC Information and Consent on Side 3 of Form 568. If for some reason the consent is not signed, the NCNR Tax will apply.

LLC Filing Fees

- **California LLC Fee**
  - An LLC taxable as a partnership for federal income tax purposes or an SMLLC is required to pay the LLC Fee based on receipts derived from or attributable to California sources. The LLC Fee is calculated and reported on California Form 568-*Limited Liability Company Return of Income.*

  - An LLC does not have to include California receipts from a lower-tier LLC if the receipts reported by the lower-tier LLC were subject to the California LLC fee.

  - The LLC Fee is imposed on a graduated basis. If the receipts derived from or attributable to California sources for the tax year are:
    - More than $250,000 but not over $500,000 -> $900 fee
    - More than $500,000 but not over $1,000,000 -> $2,500 fee
    - More than $1,000,000 but not over $5,000,000 -> $6,000 fee
    - Over $5,000,000 -> $11,790 fee

  - Estimated payments of the LLC Fee are reported on California Form 3536-*Estimated Fee for LLCs* which is due by the 15th day of the 6th month of the current tax year.

LLC Filing Fees

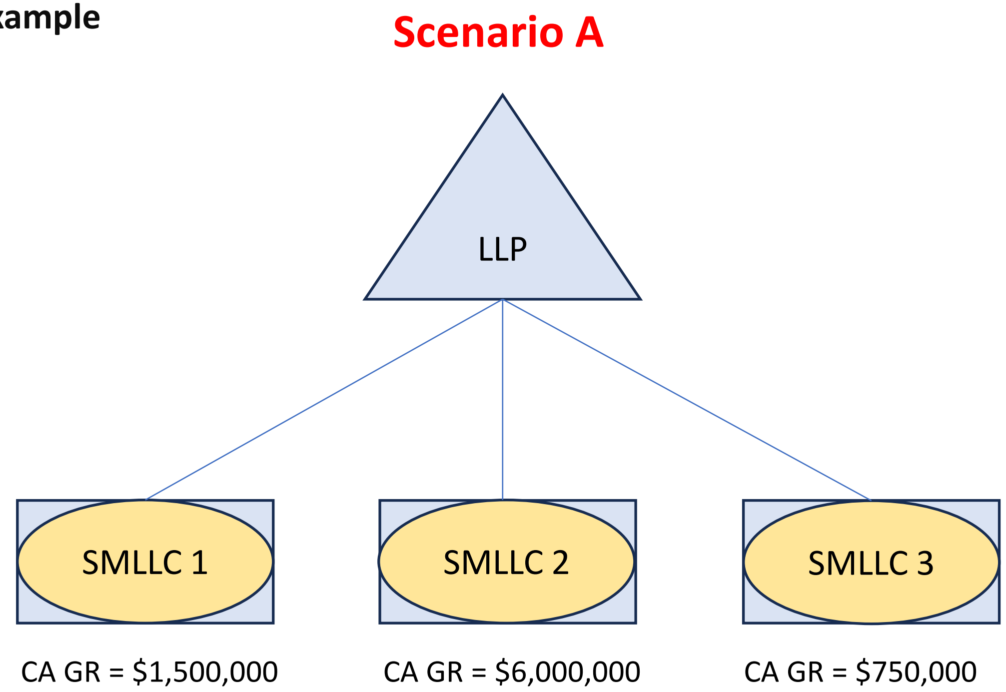
- **California LLC Fee**
  - The LLC Fee is imposed on an entity-by-entity basis with an exclusion for California receipts that were subject to the LLC Fee and pass through to an owner that is subject to the LLC Fee. Depending on organizational structure, some businesses may pay more in total California LLC Fees than others even if the organization has the same amount of California receipts overall.

  - Let's look at two scenarios to see how organizational structure can impact the amount of California LLC Fees due to the state.
    - Scenario A
      - An LLP holding company (no business activity) owns three SMLLCs doing business in California with the following amount of California receipts subject to the LLC Fee:
        - SMLLC 1: $1,500,000
        - SMLLC 2: $6,000,000
        - SMLLC 3: $750,000

    - Scenario B
      - An LLP holding company (no business activity) owns an SMLLC doing business in California with $8,250,000 of California receipts.

LLC Filing Fees

- **California LLC Fee Example**

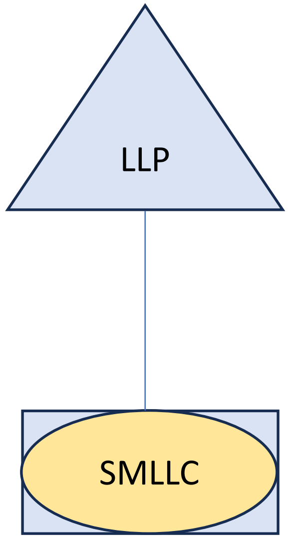


	CA LLC Fee
SMLLC 1	$6,000
SMLLC 2	$11,790
SMLLC 3	$2,500
Total	**$20,290**

LLC Filing Fees

- **California LLC Fee Example (continued)**

Scenario B



CA GR = $8,250,000

	CA LLC Fee
SMLLC	**<u>$11,790</u>**

LLC Filing Fees

- **California LLC Fee Example (continued)**
  - In the example, the structure under Scenario A, with multiple SMLLCs, results in total LLC Fees of $20,290. In contrast, despite generating the same overall California receipts, the structure in Scenario B results in total LLC Fees of $11,790 for a savings of 8,500.

  - Taxpayers should be aware of the risk of overpaying the California LLC Fee when setting up their structure. There are planning opportunities to reduce the LLC Fee, including:
    - Reviewing the sales factor sourcing methodology for the business because the sourcing rules for determining the California apportionment factor are also used to determine California receipts for purposes of the LLC Fee.
      - California uses market-based sourcing rules for sourcing sales other than sales of tangible personal property. The rules are broadly written, and services are sourced to the location where the “benefit of the service is received.”
      - Current guidance indicates that the state will allow “look-through” sourcing which allows taxpayers to source sales to the location of the “customer’s customer.”

    - Liquidating the SMLLCs into the parent company or restructuring operations so that business is done in California through fewer LLCs.

LLC Filing Fees

- **New York Filing Requirements for LLCs**
  - LLCs Taxable as Partnerships for Federal Income Tax Purposes
    - LLCs taxable as partnerships must file New York Form IT-204-*Partnership Return*. On Form IT-204, the LLC will attach and distribute New York Schedules K-1 to its members.
      - Corporate Partners -> New York Form IT-204-CP-*Corporate Partner's Schedule K-1*
      - Non-Corporate Partners -> New York Form IT-204-IP-*Partner's Schedule K-1*

    - LLCs are also required to pay nonresident withholding tax on behalf of individual (10.9% rate) and C Corporation members (6.5% rate), including estimated tax payments, and report the nonresident withholding on variations of New York Form 2658 depending on the member type.
      - An election may be made to file a composite tax return on behalf of certain nonresident members, which will relieve the LLC from paying nonresident withholding tax for those members.

    - Penalties for Non-Filers: Be aware that penalties for non-filers are imposed on a per-partner or member basis at $50 per partner/member, per month up to five months but the penalty only applies for partners/members that are individuals, estates, or trusts.

LLC Filing Fees

- **New York Filing Requirements for LLCs**
    - LLCs Taxable as Partnerships for Federal Income Tax Purposes
        - LLCs are also required to file New York Form IT-204-LL-*Partnership, Limited Liability Company, and Limited Liability Partnership Filing Fee Payment Form* to report and pay the annual filing fee. The filing fee is imposed on LLCs that derive any income, gain, loss, or deduction from New York sources and the amount of the fee is determined based on the New York-sourced income for the previous tax year.
            - Example: The 2023 Form IT-204-LL uses the 2022 New York-sourced income for purposes of calculating the 2023 filing fee that was due March 15, 2024.

            - If New York-sourced income for the previous tax year is:
                - not more than $100,000, the fee is $25
                - more than $100,000 but not over $250,000, the fee is $50
                - more than $250,000 but not over $500,000, the fee is $175
                - more than $500,000 but not over $1,000,000, the fee is $500
                - more than $1,000,000 but not over $5,000,000, the fee is $1,500
                - more than $5,000,000 but not over $25,000,00, the fee is $3,000
                - over $25,000,000, the fee is $4,500

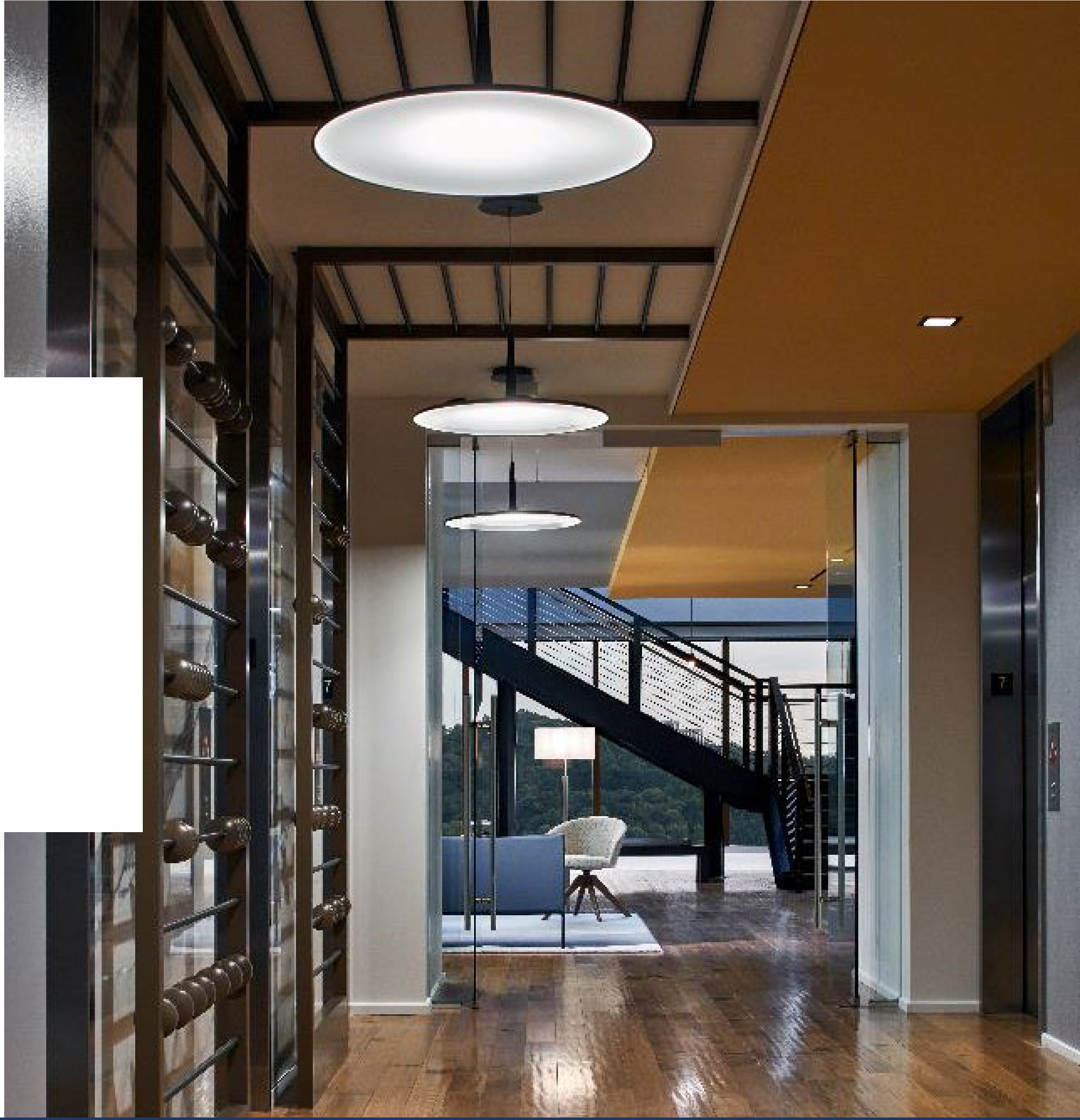
LLC Filing Fees

- **New York Filing Requirements for LLCs**
  - LLCs Taxable as Partnerships for Federal Income Tax Purposes
    - An LLC or LLP that did not have any New York-sourced income for the previous tax year is required to pay a filing fee of $25.

    - Regular partnerships (i.e., other than limited liability partnerships and limited liability companies) with less than $1,000,000 dollars in New York source gross income for the previous tax year are exempt from the filing fee.

  - SMLLCs
    - SMLLCs are disregarded for New York income tax purposes; however, an SMLLC that derives any income, gain, loss, or deduction from New York sources is required to pay a filing fee and file Form IT-204-LL.
    - The filing fee for SMLLCs is $25 without regard to the amount of New York-sourced income.

Best Practices



Best Practices

- State gross receipts tax filing and payment requirements are often missed because they are not as widely known as income/franchise taxes.
- Practitioners should be aware of these taxes to identify tax filing requirements for clients and coordinate filing responsibility between practitioners and clients.
- Clients often file the Ohio, Tennessee, and Washington gross receipts taxes while practitioners usually file the Oregon CAT.
- Make sure your nexus studies include an analysis of state gross receipts taxes.
- If prior year exposures are identified, quantify them and discuss remediation options with clients including VDAs, back filed returns, or prospective filing.
- Include state gross receipts taxes in the engagement letter and document who is responsible for paying them.
- Make sure to track the activity of disregarded entities as they may be the entity responsible for the tax.
- Make sure apportionment detail includes localities as some localities, including Philadelphia, impose gross receipts taxes.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