
A MILESTONE CPAs PLAYBOOK

The Multi-State Nexus Self- *Audit.*

Remote employees, SaaS, marketplace facilitators,
and out-of-state customers — where you owe in 2026
and how to clean up exposure cleanly.

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AN INTRODUCTION

Where you owe is no longer where you *are*.

Remote employees, SaaS customers, marketplace facilitators, and out-of-state contractors have changed where businesses owe taxes. The old "physical presence" rule is gone. In its place: a patchwork of economic-nexus thresholds that vary by state, by tax type, and by activity. This self-audit identifies your exposure across the most commonly triggered nexus situations.

Run through the questions. Each "yes" likely creates a filing obligation — and unfiled returns accrue penalties even after the underlying tax is paid.

AUDIT 1

Employee Nexus.

- Do you have any W-2 employees working in a state other than your headquarters state?
- Have any employees been "temporarily" remote in another state for more than 30 days in the past year?
- Do you have a sales rep or business development person physically present in another state?
- Do you reimburse home-office expenses for an employee in a state where you don't file?
- Are you paying state withholding for the wrong state (e.g., your HQ state instead of the employee's residence state)?

Any single "yes" likely creates: (a) state income tax registration and apportionment, (b) state unemployment insurance registration, (c) state withholding tax obligations, (d) workers compensation registration. Most states pursue back filings 3-7 years.

AUDIT 2

Sales Tax (SaaS, Digital, Physical).

- Do you sell SaaS, downloads, or digital products to customers in multiple states?
- Have you exceeded \$100K in sales OR 200 transactions in any single state in the past 12 months? (Wayfair thresholds vary by state.)
- Do you use Amazon FBA, Walmart Fulfillment, or other marketplace facilitators with inventory in multiple states?
- Do you ship physical products to customers in states where you have no other presence?
- Are you collecting sales tax in states where you should — and remitting it correctly?

The Wayfair decision (2018) lets states impose sales tax collection obligations on remote sellers based on economic activity alone. Thresholds range from \$100K (most) to \$500K (CA, TX, NY) of sales. SaaS is taxable in roughly half of states — the list changes annually.

AUDIT 3

Income Tax Apportionment.

- Does your business generate revenue (not just have customers) in multiple states?

- Do you use Public Law 86-272 protection — and only solicit sales (no service, training, or installation) in those states?
- Have you allocated income to the right states based on where the work is performed?
- Are you filing single-factor (sales-only) apportionment correctly for states that require it?
- Have you considered the difference between gross receipts taxes (WA, OH, TX, NV, OR) and traditional income taxes?

AUDIT 4

California-Specific.

- Are you registered with the CA Secretary of State if you do business in California?
- Are you paying the \$800 minimum franchise tax (LLC, S-corp, partnership)?
- Are you tracking the LLC fee tiers (\$900 to \$11,790 based on CA-source income)?
- Have you made the PTET election and the required Q1 prepayment (\$1,000 minimum or 50% of prior PTET)?
- Are you using market-based sourcing correctly for sales factor calculations?
- Have you considered the 13.3% top rate when planning entity income recognition?

IF YOU FOUND EXPOSURE

Voluntary disclosure *is usually the answer.*

If you discovered you should have been filing in a state — don't wait for them to find you. Most states offer Voluntary Disclosure Agreements (VDAs) that:

- Limit the lookback period (typically 3-4 years vs. open-ended)
- Waive late-filing and late-payment penalties (often substantial — 25-50% of tax)
- Allow you to register, file, and remit on a controlled timeline
- Are negotiated anonymously through counsel before identifying the taxpayer

The VDA window closes the moment a state contacts you with a notice. After that, the full lookback period and all penalties apply.

NEXT STEP

Let's see if this fits your situation.

A complimentary 30-minute review.

This playbook is general guidance. Your specific situation — entity structure, income mix, family circumstances, and state nexus — determines which moves actually apply and what they're worth. We offer a complimentary 30-minute review where we look at your situation specifically and tell you what we'd do.

Schedule online: milestonecpas.com/contact-cpa-firm-in-pleasanton/

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