

January 2020

### **USE TAX - DO IT!**

Many of our clients have indicated to us that they are not aware of the USE TAX regulations. Ignorance of the USE TAX reporting requirements can be extremely costly if you are audited and have not been filing.

#### WHAT IS USE TAX?

USE TAX applies to taxable purchases you make when no sales tax was paid by you at the time of payment. Each state has mandated their own description of taxable purchases and has different filing requirements.

#### WHY FILE AND PAY USE TAX?

As we all know states are aggressively enforcing laws on the books in an attempt to generate much needed additional revenue. I'll use Virginia as an example of why I believe it is in your company's best interest to come into compliance with USE TAX regulations if you are not already doing so. Virginia is actively auditing medical and dental offices, as well as other businesses. If the business has been filing USE TAX reports the audit period is three years. If the business has never filed then they will audit SIX YEARS! Also, an auditor I was working with recently told me that if they see a business is currently filing USE TAX they will not be audited because there are lots of other businesses where they can audit the full six years and collect more taxes, penalties and interest. WOW, that's enough to make me want to file. While I do not know the inner workings of the other states it seems reasonable to assume that should you be chosen for audit you will be held in better stead if you have been filing.

#### HOW MUCH IS USE TAX?

Since it is akin to sales tax it is generally the same as your state sales tax.

#### WHEN MUST USE TAX BE FILED AND PAID?

Each state has its own filing requirements.

Our advice is to:

1. Consult your state's website to determine the requirements for filing and paying USE TAX.
2. Begin filing USE TAX returns when required.

Sincerely,

The d.a.g.i. Team