Our blog article explains what nexus is. This guide goes further into the mechanics of managing it once your business is actually selling across multiple states: how thresholds are typically structured, what registration and filing actually involve, and the mistakes that come up most often once a business is managing more than a couple of states at once.

Chapter 1: Physical Nexus vs Economic Nexus, Side by Side

Physical nexus is created by a tangible presence: an office, an employee, inventory in a warehouse. It has existed for decades and is the more intuitive of the two. Economic nexus, introduced broadly following a 2018 Supreme Court decision, is created purely by sales volume into a state, with no physical presence required at all.

A business can trigger economic nexus in a state it has never visited, simply by selling enough there. This is the version that catches growing ecommerce and service businesses off guard most often.

Chapter 2: How Economic Nexus Thresholds Are Typically Structured

Every state sets its own threshold, and these do change from time to time, so the specific figure for any state should always be verified directly rather than assumed from general guidance. That said, a common pattern many states have followed looks like this:

- A dollar threshold, commonly built around a figure like 100,000 dollars in sales within a twelve-month period
- Sometimes paired with a transaction count threshold, commonly around 200 separate transactions
- Measured on a rolling twelve-month basis in most states, rather than a fixed calendar year
- Triggered by either threshold being crossed, not requiring both, in states that use both measures

Chapter 3: What to Do Once You Cross a Threshold

Crossing a threshold does not create an obligation retroactively in most states, but it does create one going forward, usually starting the month after the threshold is crossed or the following transaction, depending on the state's specific rule.

- **Register for a sales tax permit in that state.** This should generally happen before you start collecting, not after.
- **Configure your checkout or invoicing system to apply the correct rate.** Rates can vary by city and county within a state, not just at the state level.

- **Confirm your assigned filing frequency.** States typically assign monthly, quarterly, or annual filing based on your sales volume in that state.
- **File and remit on schedule.** Treat collected sales tax as a liability held on the state's behalf from the moment it is collected, not as business revenue.

Chapter 4: Marketplace Facilitator Laws, What Changes When You Sell Through Amazon or Etsy

Most states now require marketplaces like Amazon, Etsy, and Walmart Marketplace to collect and remit sales tax on behalf of sellers for transactions made through that platform. This is genuinely helpful, but it does not automatically cover sales made through your own website or other channels, and it does not necessarily remove a registration requirement in states where your total activity, marketplace and direct combined, crosses a threshold.

The practical result is that a business selling through both its own site and a marketplace needs to reconcile marketplace-collected tax against its own obligations rather than assuming the marketplace has it fully covered.

Chapter 5: Common Multi-State Sales Tax Mistakes

The businesses that end up with the largest, most stressful clean-up projects are usually the ones that let one of the following continue unnoticed for a year or more.

- Not tracking sales by state as a routine part of monthly bookkeeping
- Registering in a state but not updating the checkout or billing system to actually collect the new tax
- Assuming marketplace-collected tax covers all obligations across every sales channel
- Missing filing deadlines in a state because no one owns tracking multiple states' schedules
- Waiting for a state notice rather than proactively reviewing exposure as sales grow

Sales tax nexus is one of the more manageable compliance risks once someone is actually watching it. Collar Assist tracks sales tax exposure as part of ongoing bookkeeping and handles registration, filing, and reconciliation across every state you sell into. A free assessment will show you where you currently stand.