

STATE & LOCAL TAXES (SALT)

SALT

A Comprehensive Overview for Tax & Finance Professionals

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A close-up photograph of a hand holding a notebook. The notebook page has the words 'State And Local Taxes' written in black cursive ink. The background shows a desk with papers, a yellow paperclip, and a blue paperclip.

INTRODUCTION

State & Local Taxes (SALT) constitute the taxation framework imposed by sub-federal jurisdictions to generate revenue required for funding public programs, regulatory initiatives, and infrastructure development.

Because tax policy is decentralized, SALT systems vary significantly across jurisdictions, contributing to complex compliance considerations for individuals and corporations.

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MEET OUR MENTORS



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PURPOSE OF SALT IN PUBLIC FINANCE

SALT systems are designed to:

- Provide stable revenue sources for essential services
- Address regional economic priorities
- Support public infrastructure projects
- Maintain law enforcement and judiciary systems
- Ensure equitable resource distribution



PRIMARY TAXING AUTHORITIES

State and local tax governance typically involves

- State Departments of Revenue (DOR)
- County Tax Assessors & Treasurers
- Municipal Finance Offices
- Special District Authorities (e.g., school, transit, sanitation districts)



These departments administer, enforce, collect, audit, and litigate SALT compliance

MAJOR COMPONENTS OF STATE & LOCAL TAXATION

A. State Income Tax

Assessed on taxable income derived within state jurisdiction. Structures include:

- Progressive rates
- Flat rates
- No state income tax (e.g., FL, TX, NV)

Factors influencing liability:

- Residency status
- Source of income
- Reciprocity agreements

C. Property Tax

Applied to real property (land & buildings) and in some jurisdictions, personal property (machinery, equipment, inventory).

Revenue supports:

- Public schools
- Fire & police departments
- Local infrastructure
- Community development programs



B. Sales & Use Tax

Sales tax applies to retail transactions.

Use tax applies when taxable goods/services are consumed without sales tax collection (e.g., online purchases).

Key features:

- Vendor collection obligations
- Variable local add-on rates
- Exemptions for necessities in many states

D. Corporate Income & Franchise Taxes

Corporate taxation is based on:

- Net taxable income apportioned across states
- Gross receipts (franchise tax in some states)



STATE & LOCAL TAXES (SALT)

Specialty Taxes

Certain jurisdictions impose niche taxes, including:

- Excise Taxes: fuel, tobacco, alcohol, gaming
- Severance Taxes: extraction of natural resources
- Hotel Occupancy Taxes: tourism revenue drivers
- Utility & Telecommunications Taxes

Nexus & Economic Presence Rules

A business must establish “nexus” before a state can impose tax liability. Common nexus triggers:

- Physical presence (employees, offices, warehouses)
- Economic thresholds (Wayfair decision impact)
- Affiliate relationships
- Marketplace facilitator rules (Amazon-type platforms)

Apportionment Methodologies

To prevent double taxation, multi-state businesses must apportion income using statutory formulas based on:

- Sales factor
- Property factor
- Payroll factor
- Single sales factor (common in many states)

Example Formula:

$(\text{Sales} + \text{Payroll} + \text{Property}) \div 3 = \text{Apportionment Percentage}$

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Sourcing Rules

Two primary sourcing concepts:

- Market-based sourcing: based on the location of the customer
- Cost-of-performance sourcing: based on the location of activity

Software, digital services, and SaaS industries face growing complexity here.

SALT Credits, Exemptions & Incentives

- States offer tax advantages to stimulate:
 - Economic development
 - Job creation
 - R&D investment
 - Renewable energy deployment
 - Manufacturing expansion
- Incentives include:
 - Investment tax credits
 - Training credits
 - Enterprise zone exemptions
 - Technology incubator programs

SALT Deduction on Federal Returns

Taxpayers may claim SALT paid as itemised deductions on U.S. Federal income tax returns.

Current limitation:

\$10,000 per year SALT cap

Introduced under the Tax Cuts and Jobs Act (TCJA), it has significantly impacted high-tax states.

STATE & LOCAL TAXES (SALT)

COMPLIANCE & FILING OBLIGATIONS

Taxpayers must comply with:

- Annual or quarterly filings
- Estimated tax payments
- Recordkeeping retention standards
- State audit procedures

Corporations may require:

- Combined reporting
- Consolidated returns
- Separate entity filings



PENALTIES & ENFORCEMENT

Failure to comply may lead to:

- Accrued interest
- Civil penalties
- Criminal investigation for fraud
- Liens, levies & property seizure
- Business license suspension



EMERGING TRENDS IN SALT

- ◆ Remote & Hybrid Employment

Multi-state workforce creates withholding complexities.

- ◆ Digital Economy Taxation

Streaming, cloud computing, and digital goods increasingly taxed.

- ◆ Marketplace Facilitator Laws

E-commerce platforms collect tax on behalf of sellers.

- ◆ Cannabis, Carbon, & Luxury Taxes

Reflecting new regulatory markets.





TECHNOLOGY IN SALT

Modern compliance uses:

- ERP integrations
- Audit analytics
- Automated nexus tracking
- Sales tax engines (e.g., Avalara, Vertex)
- AI-assisted reconciliation

CHALLENGES IN SALT

- Legal ambiguity between states
- Constant statutory revisions
- Retroactive assessment risks
- Overlapping jurisdictional claims
- Complex audit examinations





SALT CAREER LANDSCAPE

Typical job roles:

- State tax consultant
- Indirect tax specialist
- Property tax analyst
- Sales & use tax manager
- Audit defense strategist

Industries employing SALT professionals:

- Big-4 & mid-tier firms
- Multinational corporations
- Government agencies
- SaaS & e-commerce companies



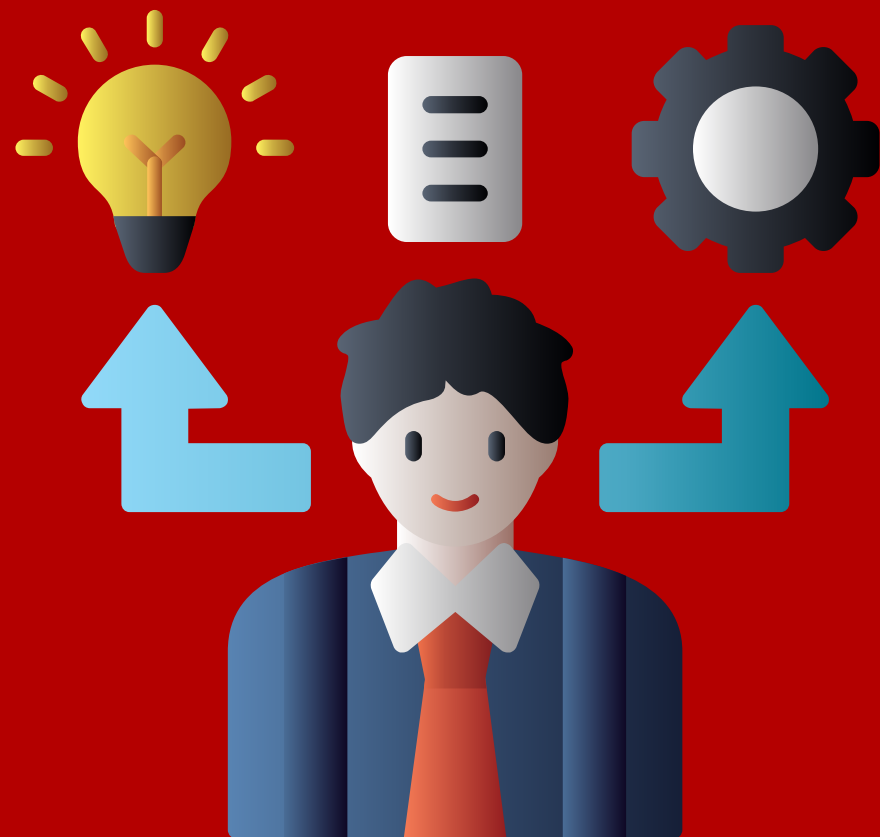
SKILLS & COMPETENCIES REQUIRED

Professionals must demonstrate expertise in:

- State tax codes & regulations
- Multi-jurisdictional return preparation
- Nexus analysis
- Apportionment methodologies
- Audit representation
- Research & interpretive tax law writing

Technical tools:

- Microsoft Excel (advanced)
- Tableau/PowerBI analytics
- ERP systems (SAP/Oracle)
- Tax compliance software



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CHALLENGES IN SALT

LEGAL AMBIGUITY BETWEEN STATES
CONSTANT STATUTORY REVISIONS
RETROACTIVE ASSESSMENT RISKS
OVERLAPPING JURISDICTIONAL CLAIMS
COMPLEX AUDIT EXAMINATIONS

INTERPLAY WITH FEDERAL TAXATION

FEDERAL TAX LAW INFLUENCES SALT THROUGH:

- DEDUCTIONS
- CREDITS
- INCOME SOURCING DEFINITIONS
- TREATMENT OF PASS-THROUGH ENTITIES

STATE & LOCAL TAXES (SALT)

ETHICAL STANDARDS

PROFESSIONALS MUST UPHOLD:

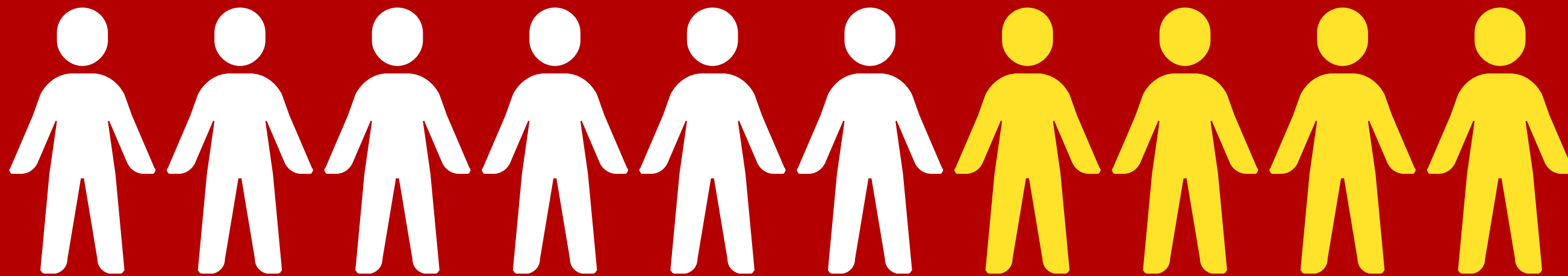
- CONFIDENTIALITY OF TAXPAYER DATA
- PROFESSIONAL SKEPTICISM
- STRICT DOCUMENTATION CONTROL
- ANTI-FRAUD COMPLIANCE STANDARDS

CONCLUSION

STATE & LOCAL TAXES REMAIN ONE OF THE MOST DYNAMIC, EVOLVING AREAS OF THE TAX PROFESSION. STRATEGIC COMPLIANCE, PROACTIVE PLANNING, AND CONTINUOUS MONITORING ENABLE TAXPAYERS AND ENTERPRISES TO MITIGATE RISK WHILE OPTIMISING TAX EFFICIENCY.

OUR ADVANTAGE

Presentations are communication tools that can be used as demonstrations, lectures, speeches, reports, and more. Mostly presented before an audience, it serves a variety of purposes, making presentations powerful tools for convincing and teaching.



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