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# Module 07

## Tax

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# Module 07: Tax

## Introduction

Online retailers are responsible for collecting sales tax on goods sold to customers in states where they have a physical *nexus* or have met the requirements of an *economic nexus*. A “nexus” means a “a connection to the state”. Additionally, the product you are selling must be taxable in that state.

If you need to collect sales tax, BigCommerce and Avalara have made it incredibly easy for you to set up. We also highly recommend contacting your local authority on tax to ensure you are calculating tax properly for your online store.

In this module, you will explore some basic sales tax concepts, explore the manual tax settings in BigCommerce, and explore the automatic tax integration provided by Avalara.

## Learning Objectives

After completing this module, you should be able to:

- Define “Nexus”
- Define impact of “South Dakota vs Wayfair” court ruling being overturned
- Define “Economic Nexus”
- Describe what “Amazon Laws” are and how they are affecting the idea of “Nexus”
- Describe the difference between Destination-Based and Origin-Based states
- Identify three questions to ask when configuring taxes in BigCommerce
- Address the “Where” tax question using tax settings and tax zones
- Address the “What” tax question using tax classes and rates
- Address the “Who” tax question by assigning tax zones to specific customer groups
- Access current listing of Economic Nexus guidelines
- Charge sales tax in specific states using Automatic Tax feature powered by Avalara Avatax
- Apply product tax codes to products to charge tax that varies by product using AvaTax
- Apply tax exempt categories to customers to exempt specific customers from paying tax using Avalara AvaTax

## Lessons

This module includes the following lessons:

Lessons
Lesson 1: Intro to Tax   Three Questions
Lesson 2: Manual Tax
Lesson 3: Automatic Tax

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# Tax Lesson 01:

## Introduction to Tax | Three Questions

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### ❏ Introduction

Collecting the right amount of sales tax is a complex task. Especially since the “South Dakota vs Wayfair” court ruling and the creation of economic nexus guidelines. You must know where your sales tax obligations are, what the correct rates for your products are, and whether customers are tax-exempt.

In this lesson, you will explore concepts like nexus, economic nexus, “Amazon Laws,” and destination versus origin-based state.

### ❏ Learning Objectives

After completing this lesson, you should be able to:

- Define “Nexus”
- Define impact of “South Dakota vs Wayfair” court ruling
- Define “Economic Nexus”
- Describe what “Amazon Laws” are and how they are affecting the idea of “Nexus”
- Describe the difference between Destination-Based and Origin-Based states
- Identify three questions to ask when configuring taxes in BigCommerce

### ❏ Content

This lesson includes the following content:

Content
Video: Taxes
Definition: Nexus
Video: Origin and destination sales tax collection
Article: Origin vs. Destination-Based Sales Tax
Definition: Economic Nexus
Article: South Dakota vs Wayfair court ruling and Economic Nexus Laws
Article: Just how complex is Sales Tax?
One Pager: Intro to Tax   Three Question

### ❏ Reference

This lesson may reference the following content

Reference
KB Article: Manual Tax Setup <a href="https://support.bigcommerce.com/articles/Public/Manual-Tax-Setup/">https://support.bigcommerce.com/articles/Public/Manual-Tax-Setup/</a>

Avalara Article: The End of Sales Tax Nexus - A Noir Whitepaper from Avalara

<https://www.avalara.com/learn/whitepapers/end-nexus/>

Avalara Article: South Dakota v. Wayfair, Inc. New sales tax rules for remote (online and offline) sellers

<https://www.avalara.com/us/en/learn/sales-tax/South-Dakota-Wayfair.html>

TaxJar Article: Sales Tax by State: Economic Nexus Laws

<https://blog.taxjar.com/economic-nexus-laws/>

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# Video: Taxes

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## Video

Watch the *Taxes* video on YouTube: <https://youtu.be/qTQeWaCF7g4>

## Notes

Use the area below for writing down any notes or key takeaways from the video:

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## Definition - Nexus

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**Nexus**, also called “sufficient physical presence,” is a legal term that refers to the requirement for companies doing business in a state to collect and pay tax on sales in that state. For example, if you sell goods or services in Los Angeles, you must file and pay California state taxes.

*Source: [quickbooks.intuit.com/r/taxes/what-is-nexus-and-how-does-it-affect-your-small-business/](https://quickbooks.intuit.com/r/taxes/what-is-nexus-and-how-does-it-affect-your-small-business/)*

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# Video: Origin and Destination Sales Tax Collection

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## Video

Watch the *Origin and Destination Sales Tax Collection* video on YouTube:  
<https://youtu.be/gxBAmrLHDjU>

## Notes

Use the area below for writing down any notes or key takeaways from the video:

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# Article: Origin vs. Destination-Based Sales Tax

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AUG 19, 2015

Understanding when to charge customers sales tax, and how much to charge, takes more than simply knowing where your business has nexus. You also need to know if your home state (where your business is based) is origin-based or

destination-based. Then you need to determine the same thing for any other states [where your business has nexus](#).

This may sound confusing, but it's pretty simple once you get the hang of it. Here is everything you need to know about origin vs. destination-based sales tax.

Most states are destination-based. This means that the decision to charge sales tax, and how much sales tax you charge, is determined by the destination of your goods. In other words, the sales tax rate is determined by where the buyer is located, not the seller.

As an example, let's say your business is in Washington, a destination-based state. When you sell a product to a customer online, you will determine sales tax based on the state where your customer lives. So if your customer

lives in Texas, and you don't have nexus there, you don't need to charge sales tax. Washington is taken out of the equation because it's the destination that matters.

Some states, however, are origin-based. In these states, your sales tax is based on the origin of your product, not the destination. So if we stick with the same example, you will charge customers sales tax based on Washington's tax rate, since that's where your business is located, and the sale originated.

The following states are origin-based:

- Arizona
- California
- Illinois
- Mississippi
- Missouri
- New Mexico
- Ohio
- Pennsylvania
- Tennessee
- Texas
- Utah
- Virginia





All other states that have sales tax are destination-based. Delaware, Montana, Oregon, and New Hampshire don't have sales tax at all. Alaska does not have a statewide sales tax, but it is a [Home Rule state](#), which allows local jurisdictions to charge sales tax, which are all destination-based.

It's a smart move to check and make sure your business's home state is still a destination or origin-based tax state, as states do change from time to time. Most states have tended to be destination-based, but some are making the switch to origin-based as a way to retain more tax revenue as online businesses grow.

Destination-based sales tax tends to get a little more complicated than origin-based sales tax. This is because tax rates vary so dramatically from state to state, and vary even more within each state, since the county and local taxes are a factor. If you have nexus in several different states, these varying tax rates can be a headache to keep track of. It's worthwhile to get a handle on which tax rates to charge, to avoid fines and other possible penalties.

To summarize, states are either origin-based (you charge customers sales tax at the rate of the seller's location/origin of the product) or destination-based (you charge sales tax at the rate of the buyer's location/destination of the product).

Source: <https://taxify.co/2015/08/19/origin-vs-destination-based-sales-tax/>

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# Article: The trials and tribulations of sales tax in the United States (excerpt)

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## Just how complex is Sales Tax?

Depending on the state in which your customer is based, different items may be taxed at different rates. In some states, for example, food is not taxed, while in others the same item may be classified differently. So far so good. In New York, clothing and footwear costing less than \$110 per item/pair is exempt from state sales tax, yet it is still subject to local sales tax in some jurisdictions. Local jurisdictions can change their tax policy towards clothing once a year, however, “most fabric, thread, yarn, buttons, snaps, hooks, zippers and similar items that become a physical component of clothing” or are used to repair it are exempt. Even specific types of clothing can be taxed differently [see figure below].

Taxable		Non -Taxable
Shower Caps		Swimming Caps
Bicycle gloves		Gardening, ski, tennis, hockey, and baseball gloves
Shoulder pads for ladie’s clothing	?	Shoulder pads in sports gear
Walking boots		Hiking boots
Sweat bands		Headbands not designed to absorb sweat

To be compliant, a retailer needs to know the correct classification of an item in each state to ensure it collects and remits the correct level of tax. Collecting too much in one state will make it uncompetitive, while not collecting enough increases its exposure to potential fines. Adding to the complexity, in some states the rates can vary by city, county, or even street. Two adjacent properties can have different tax rates.

While manually calculating tax rates is commonplace in Europe, more and more businesses in the U.S. automate the process to save time, money and reduce their risk of fines.

Source: <https://www.avalara.com/learn/whitepapers/the-trials-and-tribulations-of-sales-tax-in-the-united-states/>

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## Definition - Economic Nexus

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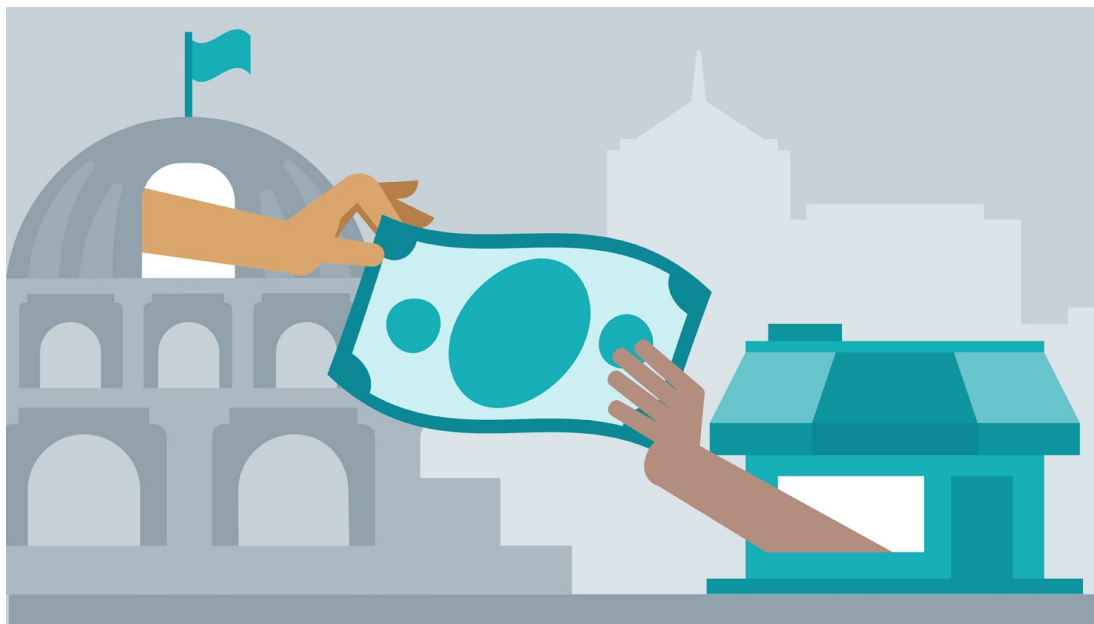
“If an online seller, **even though they don’t have a presence in our state**, makes more than \$X in sales in our state, or conducts more than X number of transactions in our state, then they are required to collect sales tax from buyers in our state.”

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# Article: Sales Tax by State: Economic Nexus Laws (excerpt)

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Jul 9, 2018



Most online sellers are by now familiar with the term “sales tax nexus” as defined in the *Quill v. North Dakota* Supreme Court case. Long story short: retailers must have some kind of presence in a state before that state can require that retailer to collect sales tax from buyers in that state.

However, with the Supreme Court ruling in the *South Dakota v. Wayfair* case, the precedent set by *Quill* has now been overturned. Now, not only does physical presence (such as a location, employee or inventory), but “economic” presence in a state creates sales tax nexus.

In other words, due to the *Wayfair* ruling, even if you do not have a physical presence in a state, if you pass a state’s economic threshold for total revenue or number of transactions in that state, you’re legally obligated to collect and remit sales tax to that state.

What are economic nexus laws?

To combat what they see as an unfair precedent set by *Quill*, some states prematurely passed laws that read something like, “If an online seller, even though they don’t have a presence in our state, makes more than \$X in sales in our state, or conducts more than X number of transactions in our state, then they are required to collect sales tax from buyers in our state.”

These laws were knowingly contrary to Supreme Court precedent. But after the Supreme Court ruling in *South Dakota v. Wayfair*, states are now free to enforce these laws on businesses.

State laws on economic nexus vary. The sales thresholds vary from \$10,000 to \$500,000 in sales, and some states don’t have a transaction threshold at all.

Source: <https://blog.taxjar.com/economic-nexus-laws/>

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# Article: Sales Tax by State: Economic Nexus Laws (excerpt)

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## Article

Review the current list of states issuing Economic Nexus guidelines

<https://www.avalara.com/us/en/learn/sales-tax/South-Dakota-Wayfair.html>

## Notes

Use the area below for writing down any notes or key takeaways from the video:

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# Intro to Tax | Three Questions

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❑ Where must sales tax be collected?

The answer to this questions is the same as where a business has Nexus, physical or economic.

❑ What tax rate must be charged?

The applicable tax rate is determined by a few factors:

- Destination vs Origin-based states
- Tax Jurisdiction
- Type of product being sold

❑ Which customers must be charged?

Most customers purchasing from a state where a business has Nexus should be charged sales tax. However, keep in mind that some individuals and organizations, like non-profit organizations, schools, or diplomats, may be tax exempt.

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# Tax Lesson 02:

## Manual Tax

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### ❏ Introduction

Tax classes allow you to set different tax rates for items such as shipping, gift wrapping, and custom product classes. They can be used if you have certain products that are taxed at a different rate, or not at all.

Tax zones are the geographical areas which tax rates are applied to. They can be defined by country, state/province or zip/postal codes. There is no limit to the number of tax zones you can set up.

Tax rates are the percentages at which products or services are taxed. Each zone can have as many tax rates as necessary. This is necessary for products and services that need to be taxed at different rates for different jurisdictions (federal, state and/or municipal).

In this lesson you will use tax classes, rates, and zones to address the “where,” “what,” and “which customers” tax questions.

### ❏ Learning Objectives

After completing this lesson, you should be able to:

- Address the “where” tax question using tax settings and tax zones
- Address the “what” tax question using tax classes and rates
- Address the “which customers” tax question by assigning tax zones to specific customer groups
  - Note: Later in this course you will learn how to create customer groups and assign customers to them. Here, you will learn how to assign a tax rate to customer groups.

### ❏ Content

This lesson includes the following content:

Content
Lab Activity: Set Up Manual Tax

### ❏ Reference

This lesson may reference the following content

Reference
KB Article: Manual Tax Settings > Tax Zones <a href="https://support.bigcommerce.com/articles/Public/Manual-Tax-Setup/#tax-zone">https://support.bigcommerce.com/articles/Public/Manual-Tax-Setup/#tax-zone</a>
KB Article: Tax Classes, Zones, and Rates <a href="https://support.bigcommerce.com/articles/Public/Manual-Tax-Setup/#tax-class">https://support.bigcommerce.com/articles/Public/Manual-Tax-Setup/#tax-class</a>
KB Article: Creating a Tax Exempt Customer Group <a href="https://support.bigcommerce.com/articles/Public/How-do-I-have-customers-with-a-tax-exempt-status/">https://support.bigcommerce.com/articles/Public/How-do-I-have-customers-with-a-tax-exempt-status/</a>

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# Build-A-Store: Set Up Manual Tax

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**Duration:** 15 minutes

## In this lab you will...

- Enable Manual tax
- Create a custom tax class
- Create a tax zone for Texas
- Create a tax rate for Texas
- Download rates table for South Carolina from [taxrates.com](http://taxrates.com)
- Create tax zones for South Carolina
- Create tax rates in each zone
- Locate the “tax zone applies to” option
- Assign the custom tax class to a product
- Calculate tax on the storefront

## Prerequisites

1. *Lab Activity: Adding Products part 1*

## Background

This lab demonstrates how to configure sales tax for a US based business with nexus in Texas and South Carolina. You will create a tax zone to charge the Austin sales tax rate in all of Texas which is an origin-based state and several tax zones to charge the local sales tax rates in South Carolina which is a destination-based state. For more information on destination and origin-based state sales tax, check out a resource like the *Origin-based and Destination-based Sales Tax Collection 101* post on [taxjar.com](http://blog.taxjar.com/charging-sales-tax-rates/)’s blog (<http://blog.taxjar.com/charging-sales-tax-rates/>).

Later, you will look at how to use the integration with Avalara to automatically look up tax rates.

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## Complete These Steps

### 1. **Enable** Manual tax

- a. **Navigate** to *Store Setup > Tax*
- b. **Click** the *I'll do it myself* button in the *Manual tax setup* section
- c. **Change** the Tax label to Sales Tax
- d. **Configure** Default Tax Address at the bottom of the page
  - i. **Choose** *United States* from the Country dropdown menu
  - ii. **Choose** *Texas* from the State dropdown menu
  - iii. **Click** the Save button

*I'll do it myself*



The default tax address is used to calculate tax on your store before the customer enters their own address at checkout. While the Default Tax Address is not required, it is useful if the majority of your customers are from a specific location and you wish to show prices inclusive of tax.

### 2. **Create** a custom tax class







Tax classes are used to assign different tax rates to different products. If a subset of products in a store have a different tax rate from other products in the store, you will need to create a tax class for those products while using manual tax.



- Select** the *Tax Classes* tab
- Click** the *plus sign (+)* next to one of the existing tax classes
- In the blank field, **type** the tax label Custom Tax Class
- Click** the Save button

#### Create or Modify Tax Classes

Tax Label	
Default Tax Class	
Non-Taxable Products	
Shipping	
Gift Wrapping	

### 3. Create a tax zone for Texas

- Select** the *Tax Rates and Zones* tab
- Click** the *Add a Tax Zone...* button
- In the Tax Zone Name field, **type** Texas
- For Tax Zone Type, **select** *This tax zone is based on one or more states*
- Select** *United States* from the Countries list
- Select** *Texas* from the States list
- Click** the Save button

### 4. Create a tax rate for Texas

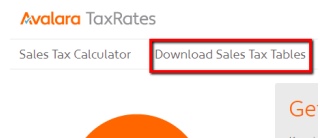


Texas is an origin-based state meaning the customer will be charged tax based on the location of the business, not the location of the customer. This means customers from the entire state can be charged the same tax rate using a single tax zone.

- Click** the *Tax Rates* tab
- Click** the *Add a Tax Rate...* button
- Type** Texas Sales Tax in the Tax Rate Name field.
- Enter** Tax Class Rates:
  - Enter** 8.25 for the Default Tax Class
  - Enter** 6.5 for the Custom Tax Class you created in Step 1
  - Enter** 0 for all other tax classes.
- Click** the Save button

### 5. Download rates table for South Carolina from taxrates.com

- Go** to taxrates.com
- Click** *Download Sales Tax Tables*
- Click** the *South Carolina* button
  - Click the *Continue* button
- Enter** a name, email address, company name, and phone number
  - Click** the *Get Started* button
- Click** *Download Rate Files*. A zip file containing your tax rates will download
  - Extract** the contents of the zip file into a folder on your desktop
  - Navigate** to the new folder and **open** the tax rates CSV file in Excel or another spreadsheet program



### 6. Create tax zones for South Carolina

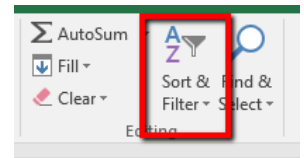


South Carolina is a destination-based state meaning the customer will be charged tax based on the customer's location, not the location of the business. This means there must be a tax zone for each tax rate in the state.

- Select** the *Tax Rates and Zones* tab
- Click** the *Add a Tax Zone...* button
  - Type** South Carolina 6% in the Tax Zone Name field
  - For Tax Zone Type, **select** *This tax zone is based on one or more postal or ZIP codes*
  - Select** *United States* from the Country dropdown menu

iv. **Get** the ZIP codes that charge a 6% tax rate:

1. **Open** the Excel spreadsheet of tax rates you downloaded in Step 5
2. **Click** the top of Column E (EstimatedCombinedRate) to select the entire column
3. **Click** the *Sort and Filter* button and **select** *Filter* from the menu
4. **Click** the arrow button at the top of column E



	E	
ate	EstimatedCombinedRate	Filter
0.06	0.08	
0.06	0.08	
0.06	0.08	
0.06	0.07	
0.06	0.07	
0.06	0.08	

5. **Uncheck** all of the boxes except for 0.06 and **click** the OK button
6. **Select** the ZIP codes in column B
7. **Copy** the column of ZIP codes
- v. **Navigate** back to the Tax Zone page in your Bigcommerce store. **Paste** (Ctrl + V) the zip codes into the ZIP/Postal Codes field
- vi. **Click** the Save button
- c. **Navigate** to the main tax page and click the *Tax Rates and Zones* tab
- d. **Click** the *Add a Tax Zone...* button
  - i. **Type** South Carolina 7% in the Tax Zone Name field
  - ii. For Tax Zone Type, **select** *This tax zone is based on one or more postal or ZIP codes*
  - iii. **Select** *United States* from the Country dropdown menu
  - iv. **Get** the zip codes that charge a 7% tax rate:
    1. **Navigate** back to the Excel spreadsheet of South Carolina tax rates
    2. **Click** the filter arrow at the top of column E
    3. **Uncheck** 0.06 and **check** 0.07. **Click** the OK button
    4. **Copy** the ZIP codes in column B
  - v. **Navigate** back to the Tax Zone page in your Bigcommerce store. **Paste** the ZIP codes into the ZIP/Postal Codes text box.
  - vi. **Click** the Save button
- e. **Repeat** steps d.i. - d.vi. to **create** tax zones for the 8% and 8.5% zones



We see from this exercise how many steps are involved when creating tax zones for destination-based states with multiple tax rates. Imagine doing this for a destination-based state like Oklahoma with 70+ tax rates!

## 7. Create tax rates in each zone

- a. **Navigate** back to the main tax page
- b. **Click** the *Tax Rates and Zones* tab
- c. For the South Carolina 6% zone, **click** the three blue dots under Action and **select** *Edit Rates* from the menu
  - i. **Click** the *Tax Rates* tab
  - ii. **Click** the *Add a Tax Rate...* button
  - iii. In the Tax Rate Name box, **type** Sales Tax
  - iv. **Create** tax rates:
    1. **Enter** a tax class rate of 6 for the Default Tax Class
    2. **Enter** a tax class rate of 9.5 for the Custom Tax Class
    3. **Enter** a tax class of 0 for all other tax classes
  - v. **Click** the Save button
- d. **Navigate** back to the main tax page
- e. **Click** the *Tax Rates and Zones* tab
- f. For the South Carolina 7% zone, **click** the three blue dots under Action and **select** *Edit Rates* from the menu

- i. **Follow** steps c.i. - c.v. to set tax rates for the South Carolina 7%, 8%, and 8.5% zones. Be sure to set a tax rate for the Custom Tax Class that is higher or lower than the rates for the other classes.

## 8. **Locate** the “tax zone applies to” option

- a. **Select** the *Tax Rates & Zones* tab
- b. For the South Carolina 6% zone, **click** the three blue dots under Action and **select** *Edit Settings* from the menu
- c. Under *Tax Zone Applies to* select the *Only customers in these groups:* option
  - i. **Check** the box next to a customer group. If you do not have any customer groups enabled, you will see a link prompting you to create a customer group

*What are some ways that merchants might leverage the ability to assign a tax rate to a specific customer group?*

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## 9. **Assign** the custom tax class to a product

- a. **Navigate** to *Products>View*
- b. **Click** on a product name to go to the Edit a Product page
  - i. **Select** *Custom Tax Class* from the Tax Class dropdown menu
  - ii. **Click** the Save button

## 10. **Calculate** tax on the storefront

- a. On the storefront, **add** an item to the cart
- b. **Navigate** to the cart page (/cart.php)
- c. **Click** *Estimate Shipping & Tax*
  - i. **Select** United States, Texas, and 78726.

*How much tax is calculated?*

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- ii. **Change** the State to South Carolina and the ZIP code to 29031.

*Did the tax rate change?*

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- iii. **Remove** the product from you cart and **add** the product you assigned the custom tax class.

*How does the rate change depending on the state and ZIP code you use to estimate tax?*

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# Tax Lesson 03:

## Automatic Tax

### Introduction

BigCommerce natively integrates with Avalara Avatax, an automated tax software solution. It gives you U.S. state sales tax calculation and will determine sales tax rates during checkout for each state where your business has nexus. If a merchant has a nexus within Canada, the same steps can be taken to initiate automatic tax calculation for Canada.

If you sell products that have special tax rules, you can use Avalara product tax codes to ensure you are collecting the correct sales tax. You can also use tax exempt categories to designate specific customers as exempt from specific taxes.

In this lesson you will enable automatic tax, apply product tax codes to products, apply tax exempt category codes to customers, and explore document submission and address validation features offered by Avalara.

### Learning Objectives

After completing this lesson, you should be able to:

- Charge sales tax in specific states using Automatic Tax feature powered by Avalara Avatax
- Apply product tax codes to products to charge tax that varies by product using AvaTax
- Apply tax exempt categories to customers to exempt specific customers from paying tax using Avalara AvaTax

### Content

This lesson includes the following content:

Content
Lab Activity: Set Up Automatic Tax

### Reference

This lesson may reference the following content

Reference
KB Article: Automatic Tax Calculation with Avalara AvaTax
<a href="https://support.bigcommerce.com/articles/Public/Avalara-Avatax-Sales-Tax-Calculation/">https://support.bigcommerce.com/articles/Public/Avalara-Avatax-Sales-Tax-Calculation/</a>

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# Build-A-Store: Set Up Automatic Tax

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**Duration:** 15 minutes

## In this lab you will...

- Ensure store country is US
- Ensure the Shipping Origin address is a US address
- Connect to Avalara
- Collect tax for a second state
- Apply a tax code to a product
- Locate the tax exempt category field on the Create a Customer page
- Calculate Tax on the storefront

## Prerequisites

1. *Lab Activity: Adding Products part 1*
2. *Lab Activity: Shipping Methods*

## Background

This activity demonstrates how to configure Avalara automatic sales tax for a US-based business with nexus in Texas and South Carolina. You will enable automatic tax calculation in Texas and South Carolina using the free Avalara integration. Even though we are walking through US based automatic tax setup, it is important to remember that similar steps could be taken to setup automatic taxes for a merchant with nexus in Canada. Next, you'll apply a tax code to a product, a feature that allows AvaTax users to accurately collect taxes on products with varying tax rates. Finally, you'll assign an Avalara tax exempt category code to a new customer.

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## Complete These Steps

### 1. **Ensure** store country is US

- a. **Navigate** to *Store Setup > Store Profile*
- b. **Ensure** *United States* is selected from the Store Country dropdown menu

### 2. **Ensure** the Shipping Origin address is a US address



Avalara uses the Shipping Origin address to determine where the business has nexus. Later, you will add a second state with nexus.

- a. **Navigate** to *Store Setup > Shipping*
- b. **Ensure** the Shipping Origin address is a US address

### 3. **Connect** to Avalara

- a. **Navigate** to *Store Setup > Tax*
- b. **Click** the *Automate my tax* button
- c. **Complete** the form to create a free Avalara account
  - i. If you already have an Avalara account you would like to use, click the *log in here* link to log into it.
- d. **Click** the *Connect to Avalara* button

Automate my tax

#### 4. Collect tax for a second state

- Click the *Log in* link under the Avalara Account # and Company fields
- Log in using the email address and password used to create the Avalara account in the previous steps
- Click *Settings* in the upper right
- Click *Manage where you collect and remit tax*
- Click the + *Add region* link
- Select *South Carolina* from the list of state
- Click the *Add these collection authorities* button

Avalara AvaTax **ACTIVE**

Your sales tax is calculated automatically through Avalara AvaTax.

Account #: 1234567890 Company: 999999999 [Update connection](#)

[Log in](#) to Avalara AvaTax to manage your tax settings.



#### 5. Apply a tax code to a product

- Navigate to *Products > View* in the BigCommerce control panel
- Click on a product name to open the *Edit a Product* page
- Click the link in the Summary to *See all tax codes*.
  - A new browser window/tab should open to <https://taxcode.avatax.avalara.com/>
- Search for the type of product you are selling
- Copy the tax code from the search results

comic books     Avalara good and service type list (.xlsx)

17 good and service types

<input type="text" value="PB100817"/>	PB100817
Comic books	
Comic Books	
<input type="text" value="DB020000"/>	DB020000
Digital books	
Books (Digital Only -- No Physical Media)	
<input type="text" value="PB100000"/>	PB100000
Books and manuals	
Books/Manuals	
<input type="text" value="PB100818"/>	PB100818
Puzzle books	
Puzzle Books	
<input type="text" value="PB100200"/>	PB100200
Books and manuals	
Books/Manuals - other	
<input type="text" value="PB100819"/>	PB100819
Entertainment books	
Entertainment Books	
<input type="text" value="PB100300"/>	PB100300
Books and manuals - religious	
Books/Manuals - religious	

- Navigate back to the *Edit a Product* page
- Paste (Ctrl + V) the tax code into the *Avalara Product Tax Code* field
- Click the *Save* button

What is the appropriate tax code for selling bandanas to retail customers?

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#### 6. Locate the tax exempt category field on the Create a Customer page

- Navigate to *Customers > Add*
- Click the link to view the *List of Standard Tax Exempt Codes*. The Avalara Sales Tax Calculation KB article will open in a new tab.
- Copy the tax exempt category code for Foreign Diplomat
- Paste the tax exempt category code into the *Tax Exempt Category* field on the *Add Customer* page

## 7. Calculate tax on the storefront

- a. On the storefront, **add** an item to your cart
- b. **Click** *View or edit your cart*
- c. **Click** *Estimate Shipping & Tax*



Depending on your store's theme, the location and text for this link may vary. For example, the Cornerstone theme has an *Add Info* link as the Shipping line item on the cart page.

- i. **Select** United States, Texas, and 78726
- ii. **Estimate** shipping & tax

*How much tax is calculated?*

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- iii. **Change** the State to South Carolina and the ZIP code to 29031

*Did the tax rate change?*

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