

5 Sales Tax Miscalculations Companies Commonly Make On Digital Products, SaaS & Subscriptions That Lead To Overpayments

Unfamiliarity and/or confusion regarding the many new laws can make even the most sophisticated companies unwittingly overpay sales taxes.

PHILADELPHIA, PA, UNITED STATES, March 8, 2026 /EINPresswire.com/ -- In 2026, as Federal subsidies and grant funding continue to decline for state and local governments, many are turning to sales taxes on business services as a key method for raising revenue.



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William Flick, Managing Director, EisnerAmper Advisory Group

At one time, sales taxes were derived only from sales of physical products bought and sold within a state. However, since the Supreme Court's Wayfair decision of 2018, definitions of both what constitutes a product, as well as what establishes a company's connection or nexus to a state have evolved. Most recently, the definitions of taxable products have significantly broadened to include the intangible; items such as software as a service (SaaS), digital products and online subscriptions. The advent of

new laws to capitalize on this revenue resource has been fast and furious, over the last couple of years, with no end in sight. Unfamiliarity and/or confusion regarding the many new laws can make even the most sophisticated companies, especially those doing business in multiple states, unwittingly overpay sales taxes.

For example, there are currently 25 states that impose taxes on software as a service (SaaS). Yet, many vendors that sell software as a service automatically bill state sales tax on every invoice whether the customer is in an exempt state or not. Often because sales tax is not a priority, many companies routinely pay the sales tax part of an invoice with little or no examination, assuming the amount billed is correct. However, it is not always correct, according to William Flick, a thought leader in sales tax policy and process, and a Managing Director at EisnerAmper Advisory Services.

"If a company or office is located in a SaaS sales tax exempt state, not only are sales taxes not

owed, but the customer company is likely to be entitled to a sales tax refund of those taxes already paid, going back up to three years,” said Flick. He referenced a recent case study featuring a popular financial advisory subscription service, headquartered in New York State. Flick observed that that company automatically bills all customers sales tax on its services, whether they are located in a tax-exempt state or not. For example, if that company’s customer is located in New Jersey, which is a SaaS tax exempt state, the sales taxes billed are simply not owed. Looking back over three years, the New Jersey customer could be eligible for a sales tax refund of their overpayment, amounting to as much as six or seven figures.



William Flick - Managing Director EisnerAmper

Flick has identified five of the most typical miscalculations companies make that cause them to overpay sales taxes. They include:

1) Assuming that sales tax bills from vendors are correct.

As discussed above, sales taxes billed on invoices are often in error. Each invoice should be reviewed and challenged when necessary.

2) There is a lack of definition of where the digital product is purchased.

Just because a company uses SaaS in several states may not mean that sales taxes are due in every state. A company’s headquarters location could be responsible for purchases and only that location liable for sales taxes.

3) There is a lack of definition of where the product is used.

Conversely, some states count where a product is used as the factor that triggers nexus and sales tax payment responsibility. Just because the payment comes from headquarters doesn’t mean there is sales tax liability in that state.

4) The company depends on financial software that is slow to be updated.

For companies doing business in multiple states, sales tax changes are happening so rapidly that financial software is not updated quickly enough. It is best to double-check the sales tax recommendations.

5) The company assumes that sales tax audit findings by jurisdictions are correct. Audit findings should always be reviewed and challenged, if necessary. Forensic accounting can often reveal significant refunds due from prior years, even after an audit.

Although this article doesn't propose to be a complete list of situations, it does illustrate a number of instances where large companies can unwittingly overpay sales taxes.

Said Flick, "Gone are the days when paying sales tax is a perfunctory action. Today, having sales tax experts on the team who use forensic accounting techniques to review sales tax payments can provide significant value. When one considers the average EBITDA of most companies is in the 6-10% range, savings on unwarranted sales taxes, can be a consequential contributor to profitability."

ABOUT: William Flick and the EisnerAmper Advisory Group

William Flick is recognized nationally as a thought leader on the subject of business sales tax nexus and compliance. He is in the sales tax leadership at EisnerAmper, one of the largest business consulting groups in the world, comprised of EisnerAmper LLP, a licensed independent CPA firm that provides client attest services; and EisnerAmper Advisory Group LLC, an alternative practice structure that provides business advisory and non-attest services in accordance with all applicable laws, regulations, standards and codes of conduct. Prior to merging with Eisner Amper, Flick owned FM Cost Containment one of the leading forensic tax recovery firms in the United States, specializing in tax confirmation and recovery of overpayments of sales and use taxes, as well as tax audit defense, utilizing proprietary research and knowledge of little-known technicalities in the tax laws of each of the 50 states, including over 13,000 tax entities throughout the United States.

For more information, please contact:

William Flick

EisnerAmper Advisory Group LLC

40 Lloyd Ave.

Suite 308

Malvern, PA 19355

Phone: 484-580-8907

Email: william.flick@eisneramper.com

Website: <https://www.eisneramper.com/about-us/professional-directory/bill-flick/>

LinkedIn: <https://www.linkedin.com/in/williamflick>

Twitter: <https://www.x.com/BillFlickJr>

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Leo Levinson

GroupLevinson Public Relations

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