

Why do MLM Companies have to Pay Sales Tax?

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This is a long complicated story and not without ongoing legal dispute. Unlike mail order firms which are immune from sales and use tax, direct selling companies are viewed by state officials as having “nexus” (sufficient contacts in a state for sales tax purposes). Their reasoning is based on the fact that distributors of direct selling companies actually promote the product and opportunity and conduct opportunity meetings and training meetings in the states in which they live.

Consequently, their sales are not considered to be in the same category as mail order sales. Distributors must either obtain resale tax licenses or take care of the taxes themselves; or, the company will collect and remit sales and use taxes.

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On Assignment

On any given day you can catch [Jeffrey Babener](#) lecturing on Network Marketing at the University of Texas or the University of Illinois, addressing thousands of distributors in Los Angeles, Bangkok, Tokyo and Russia, or writing a new book on Network Marketing, an article for Entrepreneur Magazine or a chapter for a University textbook. Over two decades he has served as marketing and legal advisor to some of the world's largest direct selling companies, the likes of Avon, Nikken, Melaleuca, Discovery Toys, NuSkin, and he has provided counsel to the most successful telecom network marketing companies...Excel, ACN, World Connect, ITI, AOL Select and Network 2000. An active spokesperson for the industry, he has assisted in new legislation and served on the Lawyer's Council, Government Relations Committee and Internet Task Force of the Direct Selling Association (DSA) as well as serving as General Counsel for the Multilevel Marketing International Association. He is an MLM attorney supplier member of the DSA and has served as legal counsel and MLM consultant on MLM law issues for many DSA companies.

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