

IGNORING THE HYPE

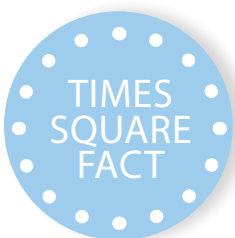
HOW TO FIND THE RIGHT SALES AND USE
TAX SOLUTION FOR YOUR BUSINESS

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The market for sales and use tax solutions is harder to navigate than Times Square on New Year's Eve. With all of the flashing lights, glitzy billboards, and noisy street vendors, it's almost impossible to separate fact from fiction. On one side of the street you find shop after shop of desktop solution providers, and on the other, you find cloud application vendors. And it doesn't stop there. On the next corner, you have to choose between single purpose tax providers and large conglomerates promising solutions for every imaginable business problem. Should you stick with established brands or boutique shops? And what about doing it yourself? Is that still a viable option? It's enough to make you dizzy.

Finding the right sales tax solution doesn't have to make your head spin. In this guided tour, we'll help you eliminate the hype and separate fact from fiction so you can tell the difference between a real solution and a cheap knockoff. With proper information, you can be sure you won't drop the ball on this important area of tax.



In 1917, the first large electric display billboard was installed. Eleven years later, the first running electric sign was lit for the first time in order to announce Herbert Hoover's victory in the Presidential elections.

Hype: Sales tax is no big deal.

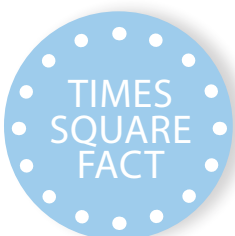
It is true that sales tax rates are generally lower than income tax rates. Amounts charged on individual sales transactions are not by themselves significant; however, across all sales, the dollars can quickly add up. When you consider the additional cost of penalties, interest and audit adjustments, there is an even greater cost for businesses that fail to properly collect, report, or remit sales tax. At a time when states are seeking to increase their revenues to cover budget shortfalls and businesses are seeking to hold on to their profits, wise business leaders can no longer afford to ignore sales tax management. States are beefing up their sales and use tax enforcement efforts when businesses can least afford an unexpected, and potentially negative, audit adjustment.



Fact: Sales taxes are complicated.

In order to properly assess, collect, and remit sales taxes, businesses need help answering the following questions for each state in which they sell:

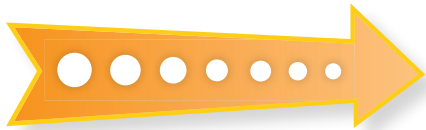
1. **Nexus** – What activities are you performing in a given state and are they sufficient to establish a taxable connection?
2. **Rules** – Are the items or services you sell taxable in a given state? Is the buyer subject to sales tax? Are goods being purchased for resale?
3. **Rate** – What rate of tax applies to a taxable sale? Have you considered all local taxing jurisdictions and recent updates?
4. **Jurisdiction** – Which jurisdiction has the right to tax a particular sale?
5. **Taxability** – Which items are taxable in a given jurisdiction and at what rate?
6. **Sourcing** – Does a given state use a destination or origination basis for determining taxability in-state? Or does it use a combination of the two? Are you tracking well enough to ensure sales taxes are remitted to the right jurisdiction?



Over 30 million people visit Times Square annually.

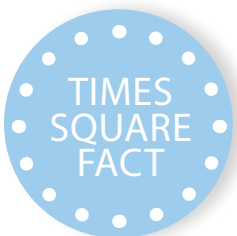
Hype: It's all about the rate.

Many solutions provide automated sales and use tax rate updates on CD or via download from the web. While having the correct rate is important, this is just one aspect of sales tax management. Without help in determining nexus, applying rules and identifying taxable jurisdictions, businesses are in danger of assessing, collecting, and remitting the wrong amount of tax. Few businesses can afford to increase their audit risk or make costly mistakes on customer billing.



Fact: There is only one opportunity to collect the right amount of sales tax.

If you don't collect the proper amount of tax at the time of sale, you cannot go back to your customer and request payment without endangering your relationship. Any adjustments to that initial charge (whether by audit or amendment) become business expenses that reduce your profits. Few businesses can afford to convert a pass-through tax to a business expense. It is imperative that sales tax is accurately applied when you create an invoice – whether you are selling at retail, wholesale or via projects. You have enough to do managing the other aspects of your business. Why not rely on an automated solution to validate addresses on individual orders, as well as rules, rates, jurisdictions and taxability at the point of sale? Ideally, your solution should track and monitor non-taxed transactions and exemption certificates as well.



56% of Americans watch the Times Square New Year's Eve celebration on television or the internet.

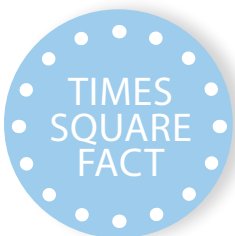
Hype: Just show good form.

Many states and several vendors offer online sales and use tax forms. Do you have time to go from state to state, keeping track of deadlines, logins and other unique requirements? It is virtually impossible to keep up on your own. Even if you can manage to do so, by the time you get around to filing the form, it is too late to correct any errors made in your billings or at the point of sale. As a result, you are in danger of remitting the wrong amount of tax and increasing your audit exposure.



Fact: Assessing and collecting the proper amount of tax begins with the transaction.

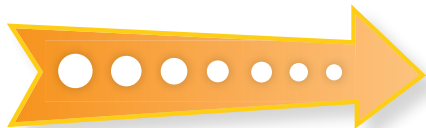
Proper assessment and collection is a prerequisite to accurate form filing and remittance. In order to report the correct amount of tax, you must first assess and collect the correct amount of sales tax from your customer. With an integrated sales and use tax solution, you can be sure that amounts are properly assessed and collected the moment you make a sale. Once you have collected the proper amount of tax, these solutions can help you with reporting and remittance.



There are more than 35 Broadway theaters and 300 restaurants in the immediate vicinity.

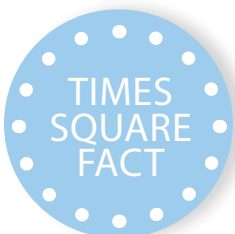
Hype: One stop shopping covers all the bases.

There are vendors who offer everything from sales tax to fixed assets, to time and billing software, and there are others who specialize in sales tax. You must decide which type of vendor can best meet your sales tax needs.



Fact: Sales and use tax requires special expertise and focus.

45 states and more than 11,000 jurisdictions are authorized to collect sales and use tax. If rule and rate changes were not enough to keep any solution provider hopping, there are also accounting software integration issues, regular jurisdictional changes, and annual changes in remittance and form filing rules. It pays to work with a software vendor who specializes in solving your sales and use tax challenges so you can focus on your business. Look for a vendor that offers a broad range of sales and use tax solutions and has the depth to integrate with hundreds of financial applications, shopping cart solutions and point of sale systems.



The first Ball Lowering celebration atop One Times Square was held on December 31, 1907, and is now a worldwide symbol of the turn of the New Year, seen via satellite by more than one billion people each year.

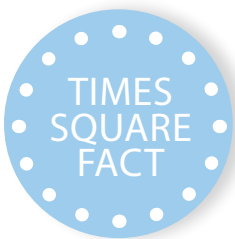
Hype: It's close enough.

Some sales tax solutions determine the appropriate rate of tax using a zip code lookup. Zip codes are simply not granular enough for most states, as many taxable jurisdictions can share the same zip code. While these rate tables may be sufficient for retail sales made from a single location, they can lead to unnecessary errors and costly audit adjustments for anyone shipping goods to multiple locations.



Fact: When it comes to sales tax, precision counts.

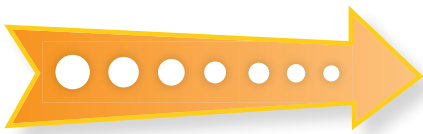
Tax jurisdictions can vary from house to house on the same street and within a single zip code. In order to determine the correct amount of tax, you need a solution that can determine tax jurisdictions to the rooftop level. Look for a solution that uses state of the art technology, such as geo-locating and address validation, to determine the appropriate rate of tax.



The first rooftop celebration atop One Times Square, complete with a fireworks display, took place in 1904. The New York Times produced this event to inaugurate its new headquarters in Times Square and to celebrate the renaming of Longacre Square to Times Square.

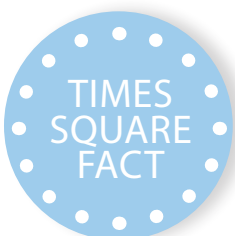
Hype: You can do it yourself.

Some businesses rely on manual updates to their sales and use tax tables. Typically, these updates are managed by the information technology team, who rarely have the tax knowledge to test and review the accuracy of the data. Without constant monitoring of sales and use tax rule and rate changes, you are exposing your business to audit risk.



Fact: It takes a team of experts to stay on top of sales and use tax changes.

With a cloud-based, or Software-as-a-Service (SaaS) solution, you have a team of experts keeping you up to date with the latest changes. There is no system maintenance and no wait-time. Updates occur regularly and are instantly available to all users of the system. Look for a cloud solution that integrates with transactions when they originate. With the right integrated system, transactions are always accurate and managers can monitor sales and use tax compliance from a single administrative console.



Times Square is the only zone in New York City where tenants are required to display bright signs.

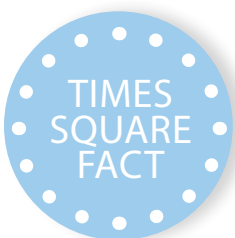
Hype: It will cost a fortune.

You might think it costs a fortune to take control of your sales and use tax process, but SaaS applications deployed on the web have revolutionized not only the way sales tax solutions are delivered, but also the way fees are charged. Unlike desktop solutions that involve an upfront fee and annual maintenance, most web solutions charge either a pay-as-you-go per transaction fee or offer a subscription model.



Fact: Web-based solutions offer payment plans that match the way you do business.

With the right solution, your fees are right-sized for your business. You can choose basic or premium services and pay a single lifetime implementation and support fee when you start. Ongoing fees are charged based on transaction volume. You might start out using just a tax decision engine. Later, you might want to add tax return filing and remittance, then exemption certificate management to your toolkit. You pay for the services you use based on volume.



An estimated 158,000 people work in Times Square each day.

No more hype. It's time you consider AvaTax for your sales and use tax needs.

There are numerous ways to address your sales and use tax needs. You can hire a team of internal resources to stay on top of the constant changes and jurisdictional oddities of multi-state filing. You can automate individual pieces of the process – from rate table updates to online filing. You can take your chances doing it yourself. Or, you can make it easy on yourself and automate with AvaTax. AvaTax offers comprehensive tools, direct integration with accounting systems, shopping carts and point-of-sale systems, and a team of experts who are focused on managing all aspects of sales tax compliance – from computation and collection to filing and remittance.

Comprehensive

AvaTax is a comprehensive cloud-based sales tax solution that includes AvaTax Calc, AvaTax Certs, and AvaTax Returns . Together, these solutions make it easy to calculate rates, manage exemption certificates, file forms, and remit payments. Since the application is online, its centralized, secure Admin Console is available anytime, anywhere.

Integrated

AvaTax integrates with hundreds of accounting software solutions, so you will always have up-to-date rates and rules that are applied to transactions as they originate. On every sale, AvaTax will validate transaction addresses and then apply the proper rules related to:

1. Jurisdictions
2. Sourcing
3. Taxability

Painless

Once the proper amount of tax is assessed and collected, AvaTax Returns ensures timely sales tax return filing, payment and remittance. You can even simplify Treasury management with a single ACH payment arrangement. AvaTax removes both the risk and the hassle of sales and use tax compliance.

Structured

AvaTax Certs exemption certificate management solution manages all aspects of certificate management using a comprehensive, built-in workflow process. The process helps you stay on top of renewals, collect digital signatures and match transactions with certificates.

Focused

Since 2004, Avalara has been focused on automating sales tax compliance for businesses of every size. As a full service sales tax company, Avalara not only provides automated solutions, it also offers tax and professional consulting services for help with all aspects of your sales tax compliance needs. Avalara's team of experts is available to assist with tax registration, nexus studies and analysis, audit management and other professional services.

Proven

As a certified provider for Streamlined Sales Tax, Avalara has been vetted by state tax authorities. Avalara's tools, calculations, and approach have been reviewed by state taxing authorities and offer reduced risk of audit adjustments in those states. This positive relationship enables Avalara to be your advocate for sales tax management strategies and solutions that work.

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Named one of *Accounting Today's* Top 100 People in 2010 and 2011 and one of *CPA Practice Advisor's* Top 25 Thought Leaders in 2011, Geni's articles have appeared on *ProgressiveAccountant.com* and *AccountantsWorld.com*, and in *Accounting Today* magazine. She is the author of *How to Make a Boring Subject Interesting: 52 ways even a nerd can be heard*.



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