

# What Every Bookkeeper Should Know About Sales Tax

Today, news spreads faster than ever via social networks. If your current clients are truly happy with the service you provide them, word will spread and future clients will find you. (Warning: the reverse is true, too).

Ah, but what does it take to make your clients truly happy and make you stand out from the competition? Simplifying sales tax management while increasing compliance is a sure way to win over clients.

Sales tax may not be sexy, but it is one of the most onerous areas of tax compliance, particularly for multistate filers. With that in mind, here are a few ways to expand your client base:

1. Know Nexus
2. Stay on top of sales tax
3. Maintain exemplary exemption certificates
4. Ease audit pain



## Know Nexus

Nexus, the connection between a tax jurisdiction and business that creates a tax obligation, is triggered by any number of changes at the state level, such as expiring exemptions and amended sales tax regulations. In addition, nexus may be created when a business has a remote sales force, attends new trade shows, or expands into new markets.

Federal and state income and franchise tax nexus rules differ from sales tax nexus rules. For federal and state income and franchise tax reporting purposes you may be familiar with nexus and its impact on income apportionment. You may also be familiar with significant rules like Public Law 86-272 and its 'safe harbor' provisions limiting nexus when companies restrict their activities to mere sales solicitation. However, often the same business activity can result in opposite nexus results between the tax schemes. For example, companies operating in a state through sales reps may not have nexus for state income and franchise tax purposes (if they qualify for the PL 86-722 protection) but they do have nexus for sales tax purposes through this same activity, requiring sales tax registration, collection and reporting.

Your ecommerce clients need to be particularly concerned about nexus as more states strive to capture sales tax revenue from remote retailers. For example, recent changes to Illinois law now require Amazon and other remote sellers to collect and remit Illinois sales tax. Michigan has passed an affiliate nexus law that will take effect in October 2015. Are your clients prepared to adapt to this changing landscape?

Approximately 54% of companies remit or file sales tax to [multiple states](#), and approximately 35% of accounting professionals don't know all the states where their business has nexus ([Wakefield Research Report on Sales Tax Management](#)).

Developing and maintaining an awareness of what sparks nexus in all sales tax states is well worth the time and trouble it takes. Know nexus inside and out and clients will take note.





## Stay on top of sales tax

State sales tax rules, regulations and exemptions change with as much frequency as the weather on a New England spring day; there are close to 12,000 tax jurisdictions in the United States and approximately 100,000 rules changes, annually. That's why 76% of accountants surveyed by Wakefield Research "agree that understanding sales and use tax is one of the most confusing aspects of the accounting team's job." It's why more than half of the 400 accounting professionals surveyed believe completing a marathon would be easier than understanding mercurial sales tax. They can't all be long-distance runners.

In spite of this, sales tax compliance is often far from top-of-mind. In fact, 96% of accounting professionals are confident that their company has the correct sales tax strategies in place. Yet one in three rely on existing knowledge to determine sales tax rates and rules, and one in three use zip codes to find sales tax rates. Both strategies are likely to lead to costly errors and negative audit results.

Stand apart from the crowd by advocating a different approach to sales tax. Encourage clients to move away from manual compliance in favor of automation. Having a sales tax Software-as-a-Service solution in place will ease the burden on them—and you—to ensure tax rates and rules are up-to-date and applied correctly.



## Maintain exemplary exemption certificates

Impress on your business clients that knowing which organizations, buyers and products qualify for sales tax exemptions is only the first step. Accurately managing sales tax exemption and reseller certificates is the part of the process that can leave your clients in the mire, eating up valuable time and resources while also opening them to audit risk.

The Wakefield survey found that 25% of accounting professionals do not track exemption certificates. That's troubling since every exempt transaction requires easily accessible validation. No wonder missing and incorrect exemption certificates are a common audit mistake.

Facilitate exemption management for your clients. For best results, advise them to manage certificates in the cloud.





## Ease audit pain

You can't prevent audits from happening. You can, however, ease the pain of an audit by advising clients on ways they can be better prepared and reduce the risk of penalties and fees.

The economic downturn has sparked more aggressive audits in all states, and negative audit findings can dramatically reduce the profits of small and midsize companies. The average audit now costs a company more than \$114,000. In spite of that, approximately 60% of businesses still rely on manual processes to manage sales tax.

Half the Wakefield survey respondents believe that a sales and use tax audit would produce costly errors. Be part of the other half by embracing sales tax automation. Recommend clients integrate a SaaS-based software solution into their financial or accounting system to ensure they are compliant in how they manage all their transactions. You'll lighten your workload while increasing efficiency and improving results for your clients.

The competitive edge you're seeking could be as simple as simplifying sales tax management.



## Get Started.

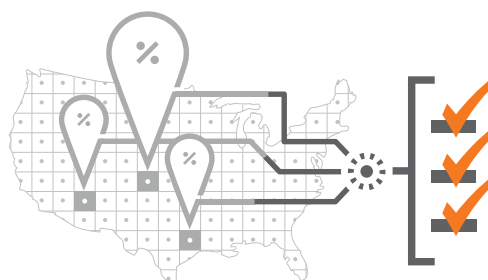
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### About Avalara

Avalara, Inc., is a leading provider of cloud-based tax automation for businesses of all sizes. We help businesses achieve transactional tax compliance for sales and use, excise, communications, VAT and other tax types. Avalara's comprehensive, cloud-based solutions are fast, accurate, and easy to use with more than 500 hundred pre-built connectors into leading accounting, ERP, ecommerce and other business applications. Our Compliance Cloud™ platform helps customers manage complicated and burdensome tax compliance obligations imposed by state, local, and other taxing authorities throughout the world. Each year, Avalara processes billions of indirect tax transactions for customers and users, files hundreds of thousands of tax compliance documents and tax returns, and manages millions of exemption certificates and other compliance related documents.