



The Challenges of the Sales Tax Compliance Process

Presented by Avalara

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Host for Today's Webinar



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What We Will Discuss Today



- ◆ Defining Sales Tax Compliance Automation
- ◆ Sales Tax Compliance Challenges
- ◆ Manual Compliance Cost
- ◆ 2010 Sales Tax Landscape
- ◆ The Solution: Sage Sales Tax
- ◆ Tax Exempt Certificate Management

Q: What is Sales Tax Compliance Automation?



A: Technology that ensures the most accurate calculation and timely reporting of sales and use so that you are compliant and reduce administration cost.

Challenges of Sales Tax Compliance



Sales Tax is a statutory requirement

- Audit  Penalty & Loss



100% non-revenue generating activity



Manual sales tax management:

- Labor-intensive
- Leads to inaccurate results
- Costs \$1,000s



Complexity

- Compliance process – calculate, report, return, remit
- 14,710 taxing jurisdictions
- Thousands of changes to tax laws, including
 - Jurisdictional rate changes
 - Tax holidays

Manual Compliance Costs

➤➤ 70% of businesses surveyed have been audited in the past 3 years

- Average penalties: **\$35,000** per audit

➤➤ Managing sales tax manually is costly

- Under \$1M revenue: **13.5%** of sales tax dollars collected
- \$1M to \$10M in revenue: **5.2%** of sales tax dollar collected

➤➤ Preparing Returns is costly too

- 33% say preparing and remitting sales/use tax forms takes 24 full accounting days per year

*All facts and figures from an independent study of 551 accounting and financial professionals in small to mid sized businesses

Sales Tax Pain

Most organizations have one of three sales tax challenges



1. Research and Maintenance of Sales Tax Rates

- Manual research and maintenance of tax rates for each state error prone
- Tax based on street address, no longer just zip code
- Tax exemption management

2. Product Taxability Rules

- If an item or service is taxable in each state or taxable at a percent
- Based on product, industry and delivery method
- Over 100,000 tax rules in the US

3. Tax Return Preparation, Remittance and Payment

- Reconciling, preparing and getting in on time
- Too many form changes to keep up on
- Fees for late tax filings

Companies that Need to Automate



Files sales tax in multiple states



High risk industries:

- Medical supplies
- Healthcare
- High volume clients
- Food & beverage
- Software/hardware
- Network marketing
- Service/installation companies



Recently audited or going through an audit



New system, shopping cart, system updates



Switching accounting packages



Wants or needs audit protection



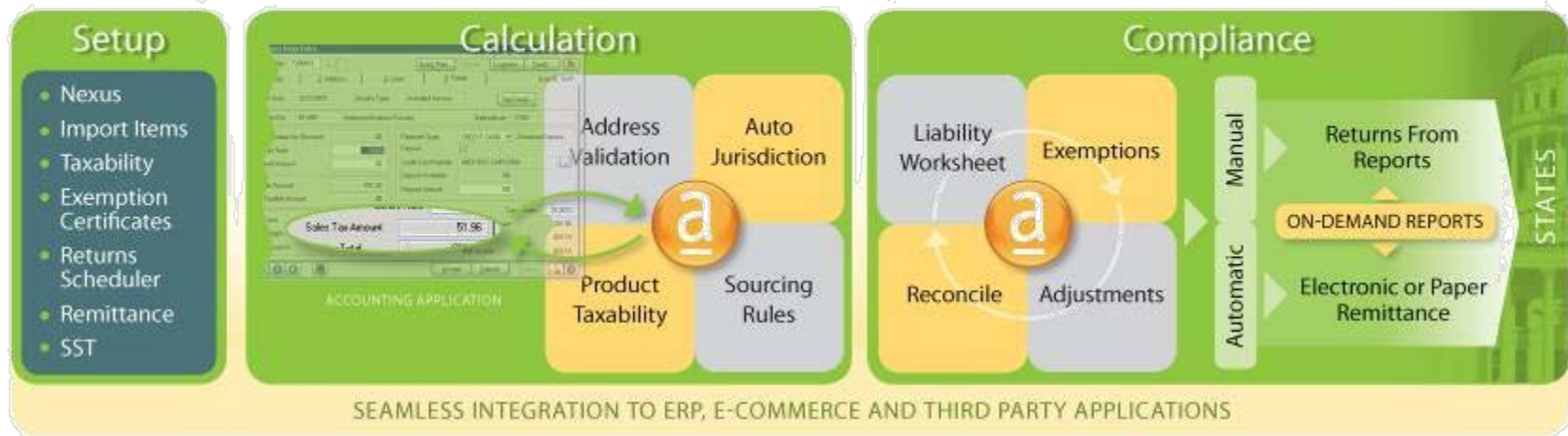
2010 Sales Tax Landscape



- Nearly **15,000** taxing jurisdictions
- Over **4,500** tax rate and rule changes
- Over **564** sales tax changes
- Over **23** sales tax holidays
- The average sales tax audit costs **\$35,000 for each occurrence**
- **Many more changes as we come into 2011**

Elements of End-to-End Compliance

Completely automated, end-to-end compliance



Elements of End-to-End

sage
software
Authorized Partner

Address
Validation

Auto
Jurisdiction



Product
Taxability

Sourcing
Rules

Completely automated, end-to-end

Nexus

Exemptions

Setup

- Nexus
- Import Items
- Taxability
- Exemption Certificates
- Returns Scheduler
- Remittance
- SST

Calculation

ACCOUNTING APPLICATION

Address Validation

Auto Jurisdiction

Product Taxability

Sourcing Rules

Compliance

Liability Worksheet

Exemptions

Reconcile

Adjustments

Manual

Automatic

Returns From Reports

ON-DEMAND REPORTS

Electronic or Paper Remittance

STATES

SEAMLESS INTEGRATION TO ERP, E-COMMERCE AND THIRD PARTY APPLICATIONS

Elements of End-to-End

sage
software
Authorized Partner

Liability Worksheet Exemptions



Reconcile Adjustments

Returns Preparation

Remittance

Completely automated, end-to-end

Setup

- Nexus
- Import Items
- Taxability
- Exemption Certificates
- Returns Scheduler
- Remittance
- SST

Calculation

Address Validation Auto Jurisdiction
Product Taxability Sourcing Rules

Liability Worksheet Exemptions
Reconcile Adjustments

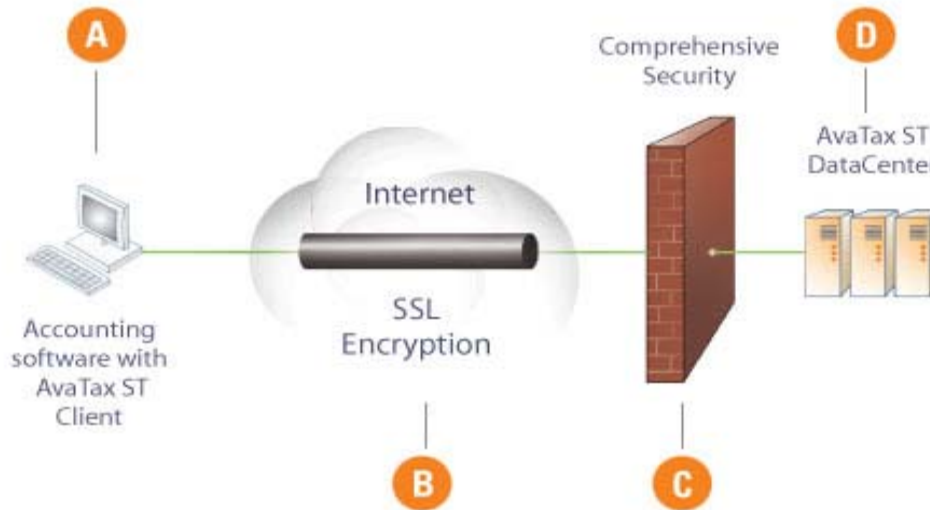
Manual Automatic

Returns From Reports
ON-DEMAND REPORTS
Electronic or Paper Remittance

STATES

SEAMLESS INTEGRATION TO ERP, E-COMMERCE AND THIRD PARTY APPLICATIONS

Hosted Service



- Simple Installation - Simple training
- No maintenance - Always up-to-date

The Solution: Sage Sales Tax



Seamless Integration into Sage Solutions

- Built into current Tasks, no user training needed!
- Full Sales Tax Compliance - Address Validation, Rates, Rules, Exemptions and Filing



Achieve sales tax compliance automatically

- 14,000+ unique tax Jurisdictions
- 100,000+ Taxability Rules



Audit protection



- Average Sales Tax Audit = \$35,000

0 Negative Audits with over 11,000 customers

- Saves time and money

Why Sage Sales Tax?



- Over 5 years integrated into MAS, ACCPAC & PFW
 - Sage Sales Tax solution of choice
 - Built into code for MAS 500 7.3
 - Sage X3 coming soon
- Street Address Validation – Not Zip Code
 - Validation tool for existing customers
- Full Sales Tax Compliance – Rates, Rules and Filing
- Audit Protection – will pay fines and fees if receive a negative audit, Free Support and Training

Avalara Can Solve the Challenge



We are changing the world of sales tax automation.

- Start saving time and money
- Reduce your risks of miscalculation and penalties by simplifying your work environment and outsourcing non-revenue generating functions.



Avalara is recognized as the leading web-based sales tax solution in the market.

- Chosen by 11,000 **businesses**
- Trusted provider for **100 million sales tax calculations** annually
- Processing more than **30,000 returns per month**
- Remitting more than **\$10 billion in sale tax filings** annually
- Recommended by more than **2,000 software application resellers, CPA's, and business consultants**
- **Over 340 Active Sage Business Partners**



Albert Lee Appliance Testimonial

ALBERT LEE™
Major Appliances Since 1939

“Our auditor mentioned that Avalara is the gold standard in sales tax automation. It made me feel even more confident that we selected the right product.”

*Steve Cane
Controller
Albert Lee Appliances*

Solutions

- Sage Sales Tax Powered by AvaTax
- Sage MAS 200

Nature's Earth Testimonial

sage
software
Authorized Partner



“The integration of AvaTax was seamless and incredibly simple, requiring minimal maintenance and downtime.”

*Fred Burckbuchler
VP Finance*

Nature's Earth Products

Solutions

- Sage Sales Tax
Powered by AvaTax
- Sage MAS 90

Exemption Certificates: What, Why Bother?

◆ What?

- Document proving transaction is legitimately exempt from sales tax
- Hundreds of always changing documents across thousands of jurisdictions

◆ Why Bother?

- Statutory:
 - Cannot exempt sales without a certificate
- Financial:
 - Sales tax audits and accelerates revenue
- Customer Service:
 - No/poor process provides poor customer experience
- Internal Efficiency:
 - Good process alleviates burden of collecting and managing certs



Even a Single Error Can Lead to a Large Audit Assessment

Texas Decision of the Comptroller of Public Accounts, Hearing No. 44,751:

“When performing a dollar stratified sample, a single error can be projected if the transaction is not extraordinary and frequency of occurrence can be proven.”

Exempt Sales Today

◆ Repeated, Poor Customer Experience:

- Sales/Credit cannot locate certificates
- Customers spend time filling out paperwork...*offline and using paper*
- Customers do not know what certificates to provide
- Customers wait for refund checks or spend time w/customer service
- Orders are put on hold



◆ Sub-Optimal Exempt Sales Process:

- Sales and Credit do not know which certificates to collect
- Certificates not electronically stored; paperwork gets lost
- Customers get “manager” discounts
- Sales are lost and P&L is hurt

**Repeated Poor Customer Experience Will Result In
Lost Sales And Growth Of Company Detractors**

The Better Exempt Purchase Experience

AvaCert – EASY AS 1-2-3!

1. Send Emailed Cert Request From ERP



2. Customer Electronically Submits Valid Cert

» AvaCert's online wizard helps to ensure cert validity



3. AvaTax Automatically Transfers Cert Data

» Relevant transactions automatically exempted



AvaCert Benefits



- ◆ **Automates Cert Collection**
 - Send certificate request from ERP with mouse click
 - Tracks cert expirations and request status
- ◆ **Eliminates Lost Certs**
 - Certs signed electronically with mouse and instantly imaged
 - Cert images easily supplied to auditors
- ◆ **Nearly Eliminates Audit Exposure For Non-Taxed Transactions**
 - Built-in best practice workflows and rules supply sales tax expertise
 - Rule-based wizard ensures customers submit correct certs
 - Tax Dept reviews instantly reflected across system
- ◆ **Enhances Customer Service**
 - Exempt transactions are processed quickly
- ◆ **Integrates w/AvaTax And Popular ERPs “Out-Of-The-Box”**
 - “Plug and play”, no need for IT involvement
- ◆ **Fits Any Sized Business**
 - Powerful and affordable for any sized business



What Is a Better Business Intelligence Solution?



- ◆ Comparing Biznet to Sage MAS Intelligence
- ◆ Day: November 16, 2010
- ◆ Register by: November 15, 2010
- ◆ Register at:

www.bkdtechnologies.com/events

Contact



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Sage Sales Tax



Thank you for your time today!