TIME TO SOLVE SALES & USE TAX

YOUR GUIDE TO ENDING UNPLEASANT SURPRISES AND GETTING SALES TAX MANAGEMENT BACK ON TRACK

SOVOS

SOLVE TAX FOR GOOD®

Outdated forms.
Confusing rate information.
Inaccurate calculations.
Customer service that's
suddenly missing in action.

Too often, sales and use tax is full of unpleasant surprises.

You need a sales and use tax solution that does what you need when you need it — and doesn't create unexpected problems. Do you ever find yourself thinking…

- Why do I spend so much time manually entering data when I have a sales tax solution?

- Where is that new and improved reporting solution we were promised months ago?

- Why is customer support so unreliable now that I've signed a contract?

- I didn't know the price would skyrocket after a year!

- Our account reps don't seem to care whether we can find the correct forms.

- Why are my numbers not lining up?

- If I'm experiencing these problems now, how can this solution support us as we grow?

We won't blame you for thinking sales tax is just so complicated that the solution you're using might be as good as it gets.

Think again. We're Sovos, the sales and use tax experts. We created this guide to help you review the state of your current sales and use tax solution and start you on a path to better tax management without all the surprises.

When sales and use tax is easier, life is better. Read on to learn how to get there.

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Growth is great — but is your approach to sales tax keeping up?

When business is booming, the last thing you want to do is focus on tax liability.

But as you expand, so does complexity. Moving into new geographic areas or creating new products and services will likely affect your business' sales tax obligations, so it's vital to keep up with new requirements as you grow.

After all, tax authorities will be watching. Many are implementing **new tax regulations** and examining compliance under a microscope. Make sure these regulators don't find anything amiss with your sales and use tax filings as you manage the mounting complexity of adhering to thousands of ever-changing regulations.

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Changes to your business mean changes to your taxes

Keeping up with changes in sales and use tax obligations due to business expansion complicates the already-difficult job of making sure your tax remittances comply with the moving target of state nexus laws.

As you may know all too well, the U.S. has **more than 12,000 tax jurisdictions,** each with its own sales and use tax rules and rates. The types of activities that can trigger nexus expanded in 2018 with the South Dakota v. Wayfair decision, opening the door to economic nexus. The number of states with economic nexus rules on the books has ballooned since then, with the threshold varying among states.

As you expand, you'll be responsible for sales tax in new places and will have to track the tax laws for any new products you introduce. If you're selling to other businesses, you'll need to track which are **exempt from paying sales tax and maintain documentation to prove it,** a task that becomes more complicated as you do more business in more places.

This is next-to-impossible to keep on top of on your own, and many digital tools have proven that they aren't up to the task either. Your inefficient or unreliable system for handling sales and use tax will eventually reach a tipping point where managing it is more trouble than it's worth.

Instead, you need an efficient, reliable, always-up-to-date solution to ensure you can keep up with the wild world of U.S. sales and use tax laws as your business evolves.

Growing? More states have their eyes on you

Sales taxes are the **second-largest source of revenue** in most states after property taxes. Since South Dakota v. Wayfair enabled states to collect more sales and use tax, they're subjecting sales tax collections to ever-greater levels of scrutiny.

As you grow and expand into new territories, that scrutiny will be even more intense from states you haven't worked in before.

In the days before nexus laws were expanded, larger enterprise businesses predicted an audit in each jurisdiction every three years. Now, small and medium businesses should expect to be audited, too, especially as new taxpayers in jurisdictions you haven't paid taxes in before.

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For tax, growth and automation go hand-in-hand

With your tax obligations multiplying as your company expands, you're likely to find it difficult — if not impossible — to **prepare error-free sales and use tax tax filings** without an automated solution that can keep up with the complex, constantly changing tax landscape.

Compliance problems are almost inevitable during periods of high business growth. If you can somehow manage to reconcile your sales and use tax by hand, you're likely to discover that errors are creeping in (and also feel the strong urge to take a vacation by the end of the process).

When these problems start cropping up, automating your sales and use tax functions starts making a lot of sense. But it's important to ensure the automation tool you choose is up to the task.

You'll want to avoid headaches like random glitches, out-of-date forms, last-minute approvals without the backup to know they're correct, lagging customer service, and inexplicable billing changes.

Using Sovos allows you to handle taxes without worrying about time-crunches, compliance problems, or aggravation. Download our report to learn more about how we've simplified the surprises right out of sales and use tax.

> **Learn more about Sovos Sales & Use Tax solutions**

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If cars can drive themselves, should filing sales and use tax be so hard?

Picture this scenario: You input your sales and use tax data into your automated tax management tool and wait for your filings to be ready. A few days later, you get your determinations and have 24 hours to sign off.

You try to do quality control, but the forms don't provide visibility into what data went into the determinations, so you waste time and suffer from stress before finally giving up and approving the return so it won't be late. A few weeks later, you find yourself filing corrections after you discover errors in the certifications.

In a world where there are cars that can drive you to work without you touching the wheel, should the basic functions you're responsible for once you arrive there really be this difficult to get right?

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The pain of doing taxes manually

You might think the solution to the scenario above is to reconcile your sales and use tax yourself. You'll have visibility into the numbers then, of course, but choosing this path presents other, bigger problems.

Managing sales and use tax filings is labor intensive, so there's no question you'll spend hours on the process. Your time — and tranquility — will be swallowed up at the start of every month as you work to close the books accurately.

And while sales and use tax management is **already a daunting prospect,** it's quite possible it will get even harder. Some states — such as Massachusetts, Connecticut, Nebraska, and New York — are proposing to **turn up the intensity on sales tax filing** by demanding tax revenue in real time based on actual collections. While such rules haven't gone into effect yet, many companies' accounting departments would crumble under the weight of them.

"If you're doing it manually, that's a lot of work to make sure that information is consolidated correctly and then put on the correct return," says Tim Roden, solution principal for sales and use tax at Sovos. "There are all sorts of spreadsheets involved. And if you're using a software provider, it's difficult to make sure that all the data from all the different channels is normalized and put on the returns correctly."

The sustainability of this in-house tax-management system is tenuous. Automation is an obvious solution to the complexities of sales and use tax filings, especially when you're in growth mode. However, automation isn't always the silver bullet you hope it will be.

The pain of unsatisfactory sales and use tax automation

Not all automated sales and use tax solutions are created equal. Here are some of the common problems those using these tools run into.

- **Problems with accuracy:** It seems a pretty basic requirement for tax solutions to employ the correct forms and the most up-to-date data about tax regulations. But you'll find accuracy issues in a surprising number of leading sales and use tax automation solutions.

- **Increased risk:** Some tax tools fail to maintain current and accurate nexus configurations, putting you at risk of running afoul of compliance laws. These systems often won't proactively highlight missing data or alert you to additional or changed obligations.

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- **Lack of transparency:** It can be difficult to reconcile discrepancies without sufficient insight into what data and calculations went into each determination. Disappointing SUT solutions don't provide background on how these numbers were derived, making it difficult to confirm accuracy and make changes where necessary.

- **Frustrations with oversight:** Short turnaround times and lack of transparency may prevent you from properly vetting your returns, resulting in errors slipping through and the need for corrections at a later date.

- **Poor customer service and cost changes:** Some services prioritize the highest-paying clients, so that customer service for others suffers. You may have to pay more for robust support. And subscription costs may also shoot up without notice. If you are still spending a lot of time greasing the process and checking for accuracy, the ROI might not be all you'd hoped.

What does an ideal sales tax filing solution look like?

A tax solution that is the equivalent of a self-driving car should provide you accuracy, transparency, traceability, and consistency. You should be in the driver's seat.

You should be able to use the system without aggravation. You should be able to see how the system derived each of the numbers in the filing so you can trace them all back to your own books. You should be able to seek clarification and make corrections easily.

That kind of transparency will allow you to easily answer any questions that arise in approving an accurate return. You'll already be confident in the numbers when you get your returns for sign-off.

"With the Sovos solution, you can see each individual transaction that makes up the return and the tax obligation associated with each individual transaction," says Roden. "It's really transparent. You can know for sure that your return is correct."

This type of solution will free you up to address other priorities. That reallocation of your time will not only support business strength and growth, but will also make you and your accounting colleagues much happier on the job. Sovos automates the labor-intensive process of sales and use tax filings to provide that ideal, self-driving tax-prep solution.

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How Marjam Building Supply solved sales and use tax

Almost two decades ago when Bruce Respler joined **Marjam Building Supply,** one of the largest distributors of building materials on the East Coast, he was in charge of calculating and filing sales taxes manually.

The company, which now owns 40 lumberyards, was only selling into a few states at the time. But even then, the process took Respler and his team two weeks to complete every year. After Marjam bought companies in Alabama and Florida, the writing was on the wall: They could no longer afford to process sales tax manually.

"There were problems with errors, filing problems, and payment problems," remembers Respler, who is now Marjam's controller.

In 2013, Marjam went searching for the best sales tax automation software available, eventually migrating to Sovos Managed Services to automate its sales and use tax system. The accuracy and timeliness of its sales tax processing shot up while the amount of time staff people were spending on the task shrank considerably.

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"Everything improved dramatically," says Respler. "We saved about two weeks of accounting personnel time. The errors went down. We've had very few problems with audits and with incorrect jurisdictions being charged sales tax."

A more efficient tax prep process

Marjam's process of sales tax filing is now streamlined and efficient, not to mention far more accurate. Sales tax filing takes a senior accountant two workdays to complete, as opposed to the two or more weeks they had previously been spending.

How does it work?

First, a senior accountant gathers all the sales and use tax information, runs macros, inspects the data, and transmits it to the Sovos website. Analyzing the data is necessary because Marjam has some unique tax situations, such as selling in Urban Enterprise Zones in New Jersey where they get some 50% sales tax reductions. The accountant passes the sales information every day to Sovos' sales engine and generates additional files to conform at the end of the month.

Deeper insights in real time

The Sovos Managed Services tax preparer checks to make sure the data has no errors and does not contain sales to jurisdictions that are not on Marjam's map. If they find one, they notify the senior accountant so Marjam can apply for a license in that state. Before moving to Sovos, Marjam probably wouldn't have realized they were shipping to a new state for months, maybe years. Now they know right away and can take the right action to stay in compliance.

Sovos sends back a report on the sales tax amount they will file by jurisdiction, all of which is backed up by justifications. The report shows the liability on the sales tax returns for the actual sales tax paid, not the sales tax billed to customers. The senior accountant reconciles Sovos' report with Marjam's general ledger to make sure there are no significant differences.

Filing with confidence

Once that final check is complete, Marjam's accountant gives the preparer the okay to create the returns and impound the accounts. Marjam's accountants can feel confident that the returns won't result in error notices and assessments.

"We saved about two weeks of accounting personnel time. The errors went down. We've had very few problems with audits and with incorrect jurisdictions being charged sales tax."

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"We used to get large assessments because of mistakes in jurisdictions and sales tax rates, and it's gone down dramatically," says Respler. "It's quite an improvement, and we really couldn't live without it."

Benefits beyond easier, more accurate filing

There are a number of ways using Sovos benefits Marjam aside from streamlined, error-free tax filings.

One is easy access to accurate tax data. Sovos' up-to-date system gives Marjam sales employees crucial information they need to do their work, sparing the accounting team the pain of providing it.

"Salespeople all over the country used to call up a senior accountant and say, 'What jurisdiction and what sales tax rate do I charge this customer? I can't figure it out,'" remembers Respler. "We used to spend a couple hours a month on the phone with salespeople and researching sales tax rates and jurisdictions, which we don't have to do anymore."

Another benefit that Respler appreciates is the supportive, cooperative nature of Marjam's relationship with Sovos.

"It's been a very excellent experience for us and an excellent partnership," says Respler. "I would recommend Sovos highly to anybody considering a provider for a sales tax solution."

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Switching vs. suffering: Sales and use tax pain is avoidable

As one of the more complicated administrative aspects of a retail business, sales and use tax filing processes are ripe for re-evaluation.

Begin by asking yourself questions such as: Does my current solution do enough to make my life simpler? Do I get more out of it than I am putting in?

Believe it or not, pain and suffering isn't inevitable.

There are alternatives out there, but they may leave you wondering whether the next solution you choose will be any better than what you have now. How should you balance the potential risks and rewards of moving to a new sales and use tax solution?

Here are some considerations to help you assess your existing process for filing sales tax and think about what it would take to switch to something better.

How to evaluate a new sales tax solution

If your new tax solution works well, your life could be better. But a solution that doesn't solve your problems could make it worse. Here are some of the issues to look out for when evaluating new solutions so that you don't fall for a promise that fails to deliver.

Difficult-to-use system

Due diligence about your new tax provider will help, but it's hard to predict exactly how the system will function on a daily basis. The tool you choose may end up being more complicated or confusing than it seemed on first glance.

Pro tip: Ask for a demo of any tool you're considering adopting to see how it works. Make sure the demo addresses your real-world scenarios, not just the ones the vendor wants to show you.

Out-of-date info

With sales tax regulations changing regularly, it's essential that whatever system you use be as up-to-date as possible. Some tax solutions aren't as frequently or thoroughly updated as they need to be, hampering tax determinations with old information and setting customers up for submitting error-filled filings.

Pro tip: Ask to speak with current customers to get input on whether they have experienced such problems.

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Time-consuming review

While it is true that you can check the returns your provider sends you, there's no guarantee that your new system will make that process easy. The filings may not come to you with information to back up each line item, leading to a frustrating and time-consuming review effort.

Pro tip: Ask for details about the information you'll receive to back up the determinations on your tax filing forms and how it will be delivered.

Potential rewards of getting change right

When you pick the right solution, your stress is replaced by relief. It's hard to overstate the value of getting your sales tax right quickly and accurately.

Here are some potential rewards you can look forward to with the right sales tax automation system.

Save time

If you're switching from doing your sale taxes manually, using an automated solution will slash the time you need to spend on this task. The ROI for this kind of time-savings is easy to calculate and is likely to be substantial. Picture this: You send data to your provider, receive the return, review it quickly, find no mistakes, and authorize it to be filed. You've spent a day or two on the whole endeavor, rather than a couple weeks.

Improve your team's morale

If your solution isn't meeting your company's needs, chances are good that your tax team has a cloud hanging overhead every month. Taking the bulk of this task off their desks will improve morale and free up their time for other priorities.

Grow without concern

Business growth makes sales and use taxes more complex, especially as the company expands into new states. This means that your team needs to be able to accommodate a number of new nexus obligations quickly without spending too much time researching the ins and outs of each state's tax law. With real help in managing the ever-growing task of business sales tax, they'll be able to easily support the full velocity of your business.

Put more of your capital to work

Many organizations view tax as a cost center, fearing they'll get hit with fees due to underreporting. They set revenue aside to handle these fees just in case. But if you can count on your sales tax solution to provide accurate returns, you can stop reserving funds and use all available capital for other things during tax time.

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Get peace of mind

Business decision-making doesn't take place in a vacuum. If business leaders have peace of mind about the disposition of operational details — like, say, sales tax filing — they are likely to feel confident focusing on other concerns that can drive the business forward. They can make bold decisions without worry about the sales tax implications. Acquiring a company? No problem. Expanding into new locations? Don't hesitate.

Using a reliable automated service, business leaders can make moves without including tax questions in their calculations.

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Tax surprises? Under control.

It's time to make sales and use tax surprises a thing of the past and eliminate the unanticipated problems that send you scrambling for information or weigh you down with hours of extra work.

And with the right tools in your hands, you can do more than just make sales tax easier and more reliable. You can help your organization grow with confidence, assuring decision-makers that tax considerations needn't limit them, and that capital can be used for business priorities instead of reserving it for potential tax-related fees and penalties.

You work hard to limit the impact of tax-related issues on your organization. You deserve a partner dedicated to managing sales tax processing successfully. A partner who follows through with comprehensive tools that are always up-to-date, consistently delivers correct calculations and a transparent view into the details, and always has your back when you have a question or concern.

Put an end to sales tax surprises
Take the next step to solve your sales
and use tax challenges.

Learn more about Sovos Sales and Use Tax solutions

Sovos covers sales and use tax end-to-end with **tax determination, use tax management, exemption certificate management** and **filing tools** for businesses of all sizes – as well as **managed services** that take care of sales tax filing and remittance requirements.

Schedule a demo or just ask a question

Contact us to find out what it's like to have a reliable sales and use tax partner.

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About Sovos

Sovos was built to solve the complexities of the digital transformation of tax, with complete, connected offerings for tax determination, continuous transaction control compliance, tax reporting and more. The company supports more than 12,000 customers, including half of the Fortune 500, operating in over 70 countries. Its SaaS products and proprietary Sovos S1 Platform integrate with a wide variety of business applications and government compliance processes. Sovos has employees throughout the Americas and Europe, and is owned by Hg and TA Associates. For more information visit www.sovos.com and follow us on LinkedIn and Twitter.

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