# SALES TAX AUTOMATION

REDUCE ERRORS AND AUDIT EXPOSURE

Minimize Risk
with Sales Tax Automation

**SMART ERP**
*Solutions* ®

# SALES TAX AUTOMATION

TPC

TAX POLICY CENTER

"Our tax system could be simple if its only purpose were to raise revenue. But it has other goals, including fairness, efficiency, and enforceability. And Congress has used the tax system to influence social policy as well as to deliver benefits for specific groups and industries.."

# Minimizing Risk With Sales Tax Automation

Not only does sales tax vary from state to state — it can vary from city to city, depending on local sales tax laws.

## It's Complicated

Online retailers often find themselves overwhelmed by the nuances of collecting sales tax nationwide, investing significant amounts of time in trying to get it right.

Many small businesses discover that their basic address validation systems simply don't work, and they learn too late how expensive errors can be. Add to this the additional complexities that come with doing business online, and the entire process of collecting taxes can turn into a major problem.

While retailers are generally not required to collect taxes unless they are located in a particular state, updated regulation make it more and more difficult for online companies to pass the responsibility on to consumers. These laws are sure to grow tighter as e-commerce continues to increase. In 2015, online sales went up by 14.6 percent, totaling $341.7 billion. By 2020, that figure will reach $523 billion.

The current issue in minimizing audit liability is the wide range of tax laws that apply to retailers in specific states and municipalities today. For example, some states, like Alaska and Montana, don't have a state sales tax at all, though Alaska and Montana permit local sales taxes.

Other state sales taxes range from a rate of 2.9 percent (Colorado) to 7.5 percent (California). However, when factoring in the combination of state and local taxes, Tennessee is on top at 9.46 percent. To add further to the complexity, many states exempt certain products from taxes, such as food and clothing. Others have statewide tax-free weeks or weekends, and in some cases, certain individuals and organizations are exempt from paying taxes altogether.

Keeping track of this data isn't as simple as plugging in a consumer's zip code. The postal codes were designed to maximize the efficiency of mail delivery — not to differentiate between cities and towns. For example, Tennessee has 6,711 cities and towns but only 786 zip codes. As a result, the only way to obtain accurate tax information is to require the zip + four-digit code. This is, of course, assuming that the detailed tax rates, tax holidays and similar are regularly updated.

## Automating Tax Process Ensures Accuracy

Strategic financial planners understand that keeping tax calculations in house creates a risk to the business. In addition to the cost of sinking massive resources into keeping tax-related reporting up to date, incorrect returns and filings increase expenses. Instead, many recommend using an automated business application that offers seamless integration with existing systems. Automating tax processes ensures accuracy and reduces risks as well as costs.

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Tax automation in the cloud

gives you a scalability and efficiency

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Specialized technology gives such applications the ability to apply advanced address validation. These platforms feature highly accurate jurisdiction assignment elements, which then determine the appropriate tax information almost instantly. In addition, they handle any certificate management required for tax-exempt consumers, smoothing the process for these individuals to realize the savings they are entitled to receive. Automating the tax calculation process benefits businesses by saving them the time and expense involved in compiling and applying this data in-

dependently —and with cloud-based solutions tax and regulatory updates are applied automatically avoiding software upgrades altogether.  Guaranteed accuracy minimizes audit risk, ensuring state and local sales taxes are paid on time, every time. Finally, customers appreciate the ease of use the experience with integrated tax automation provides. They see how much their total purchase will cost right away, without being required to locate obscure zip + four-digit code details.

SmartERP professionals represent an experienced team with extensive knowledge of third-party tax solutions as well as with ERP, eCommerce, and financial accounting systems.

# SMART ERP
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# For more information

www.smarterp.com | 925.271.0200 | sales@smarterp.com

# -or-

# Download our collateral

To find out how you can save time, money and remove sales tax angst from your business go to:
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