



# Understanding the cost of manual compliance

Presented by:

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## Larry Sheetz

Sr. Sales Executive

Avalara

- > Currently a Sales Executive on the Microsoft Team at Avalara. Since joining Avalara in July 2019, Larry has worked with hundreds of Microsoft customers to develop tailored sales tax solutions specific to their compliance needs. Prior to joining Avalara, Larry was a Financial Advisor with Edward Jones for 3 years in the Greater Seattle area. Before Edward Jones, he was an Officer in the U.S. Coast Guard for 8 years and is a 2008 graduate of the U.S. Coast Guard Academy.



# Agenda

- Sales tax management survey
- Company size and sales tax management
- Industry costs for your company
- Obligations to register in other states
- Audit liability
- Adoption of new technologies
- Sales tax automation

A high-angle, close-up photograph of a business meeting. Three people are gathered around a light-colored, reflective table. One person, wearing a dark suit and a gold watch, is holding a clipboard with a document. Another person, wearing a blue suit, is pointing at the document with a white pen. A third person, wearing a grey suit, is also looking at the document. A pair of glasses and a tablet are visible on the table. The text "Sales tax management survey" is overlaid in the center of the image.

# Sales tax management survey



# Sales tax management survey

Potentiante surveyed hundreds of companies of differing sizes across several industries

## Findings include:

- Company's sales tax compliance activity
- Number of returns filed and filing frequency
- How many people and hours devoted to sales tax
- Company audits



# How most businesses handle sales tax compliance



**Manual lookup**  
(Google search, DOR websites, etc.)

Laws presented as is, not in simple explanations



**Tax research tool**  
(CCH AnswerConnect, IntelliConnect, Thomson Reuters Checkpoint/RIA, Bloomberg BNA, TTR , etc.)

Focus on property and income tax, not indirect tax



**Outsourced services**  
Can be costly and inefficient



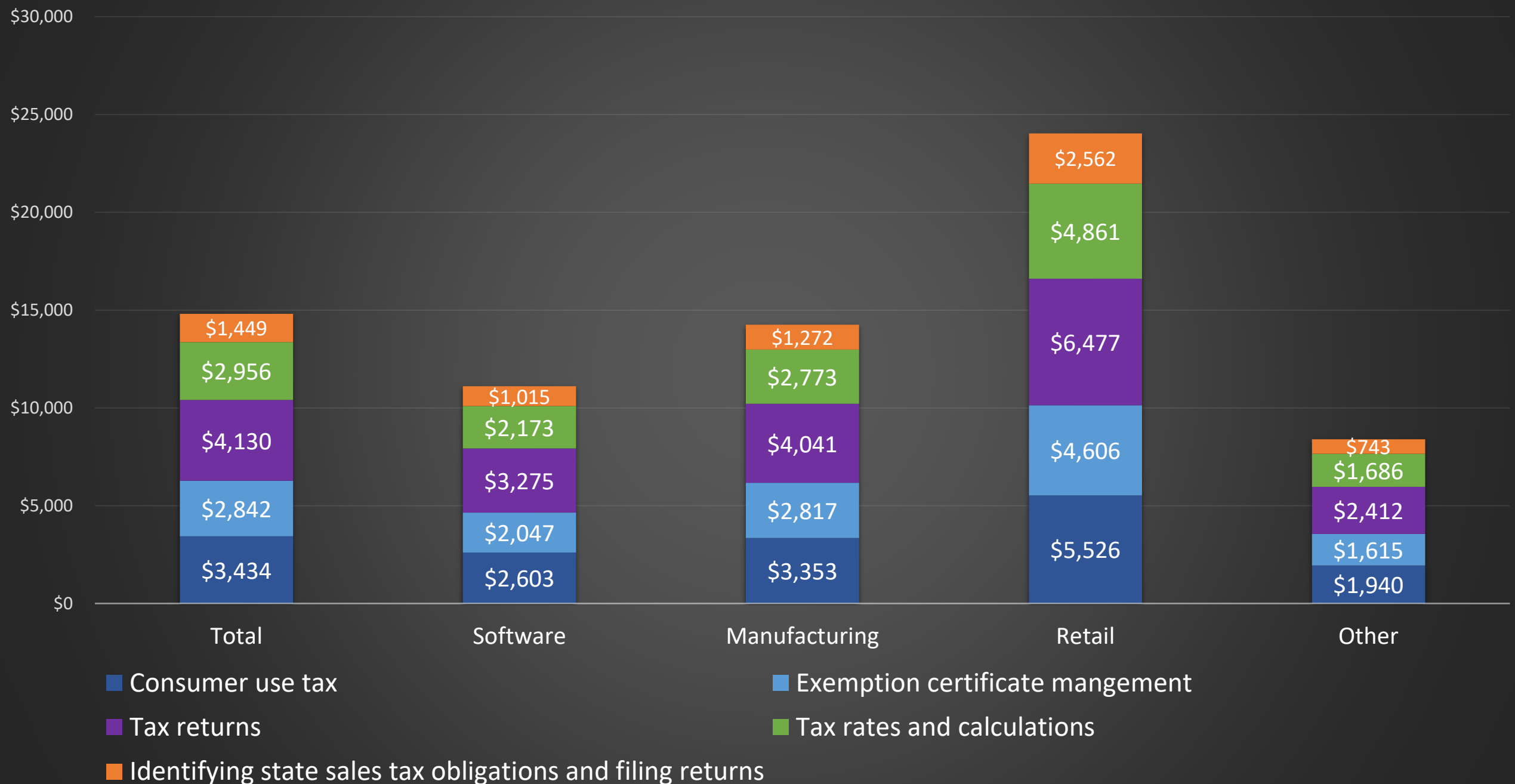
**Any combination of the options**  
Tax research software can complement or replace these methods.



A group of four business professionals are seated around a table in a meeting. A woman with blonde hair, wearing a green checkered shirt, is smiling and gesturing with her hands as she speaks. To her right, a woman with dark curly hair is listening attentively. In the foreground, the back of a man's head and shoulders is visible, and another person's hand is seen holding a pen. The table is cluttered with laptops, a tablet, a white mug, and various documents. The background is a bright, out-of-focus office space.

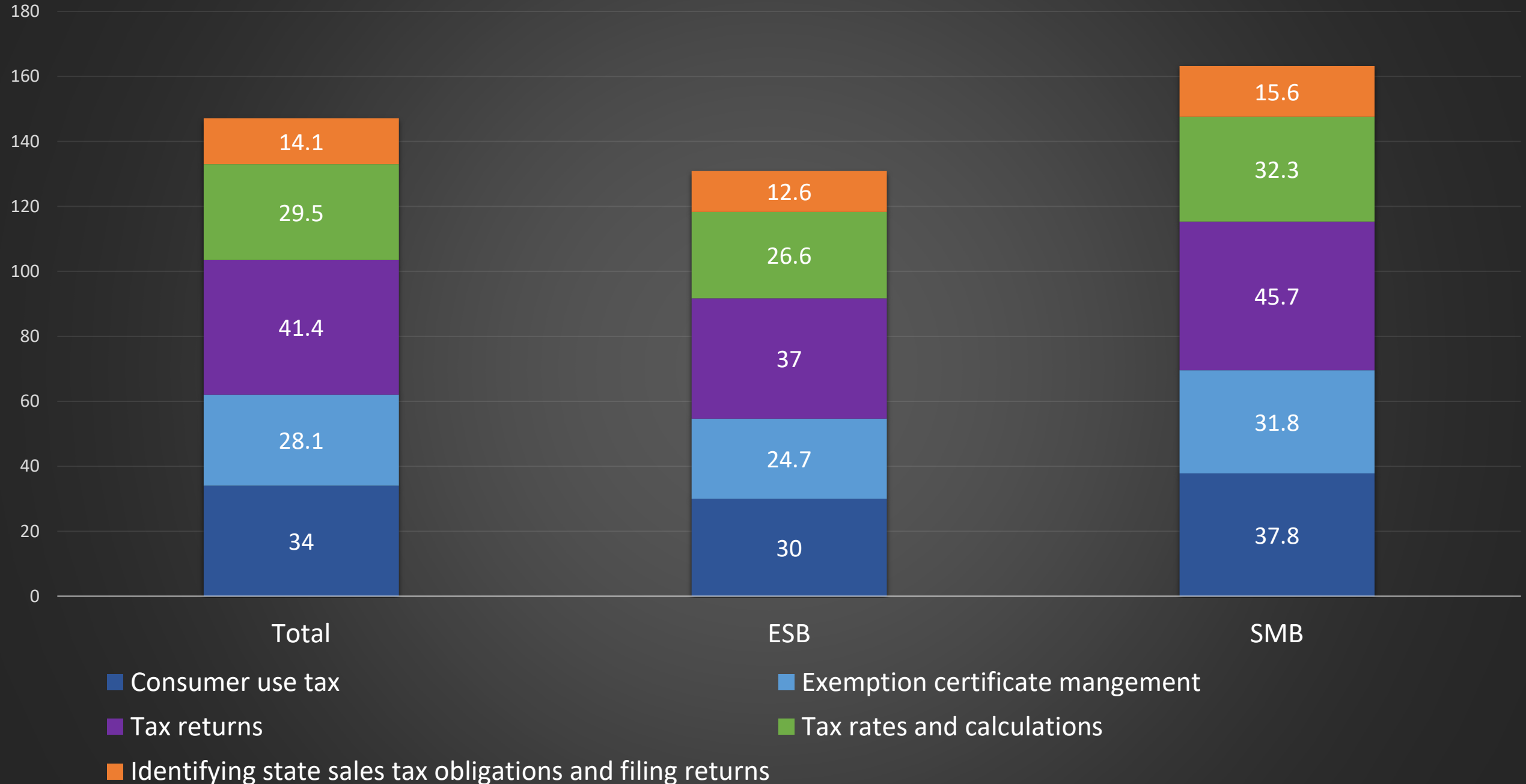
# Company size and sales tax management

# Spend per month on each category of activity

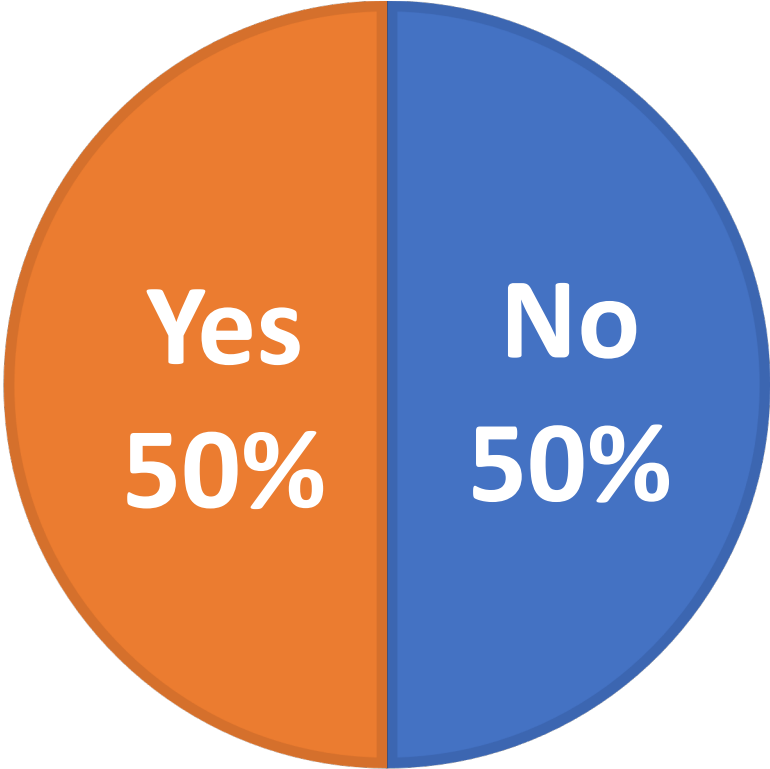




# Average hours per month for each activity

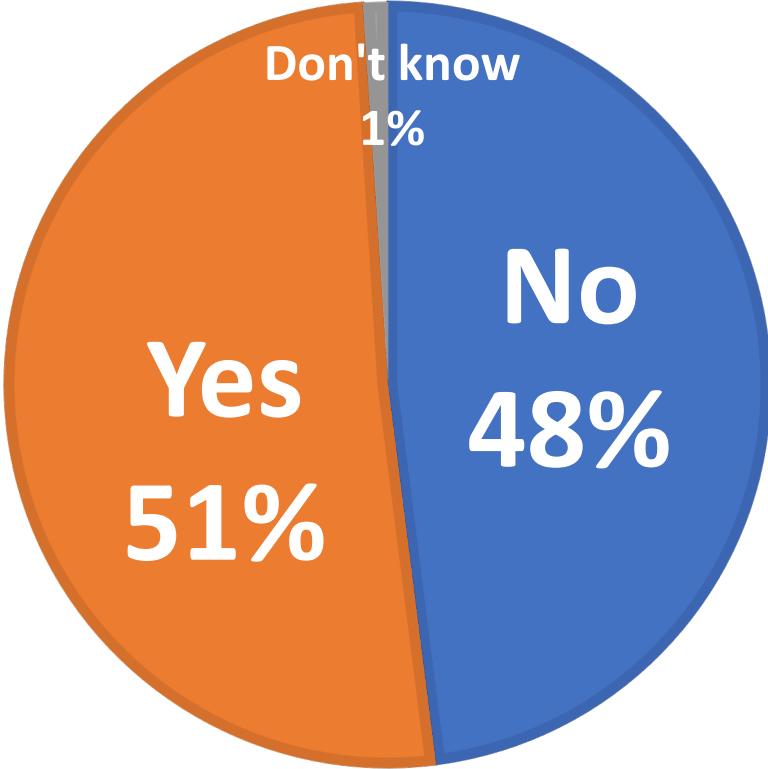


**HIRED ADDITIONAL TAX STAFF IN LAST 5 YEARS?**



	ESB 0-19 A	SMB 20-499 B
Yes	30%	70% A

**EMPLOY EXTERNAL SERVICE PROVIDERS?**



	ESB 0-19 A	SMB 20-499 B
Yes	39%	62% A



Industry costs for  
your company



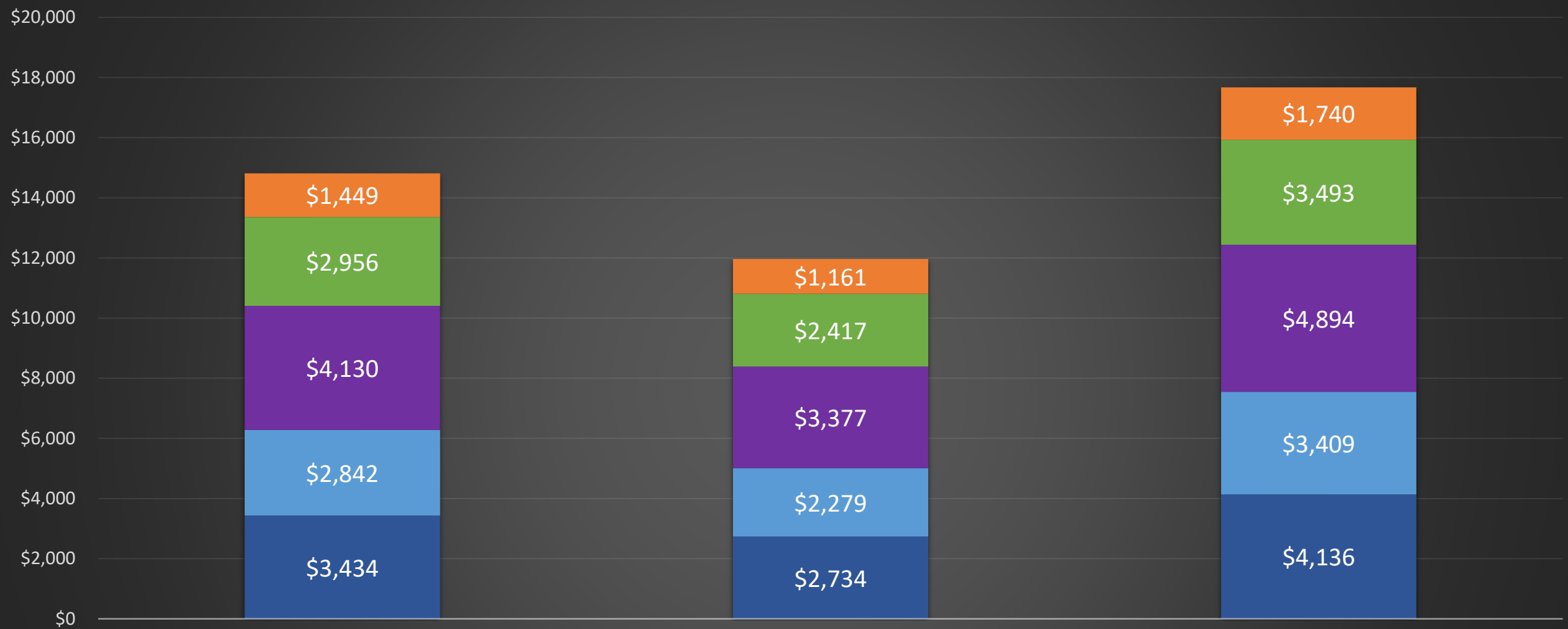


A company's industry greatly influences the amount of time and money needed for sales tax compliance

Findings show what each industry spends each month:

- › Retailers spend an average of 209 hours and \$24,032 on sales tax compliance
- › Manufacturers spend an average of 149 hours and \$14,256 on sales tax compliance
- › Software companies spend an average of 121 hours and \$11,113 on sales tax compliance

# Spend per month on each category of activity



■ Consumer use tax

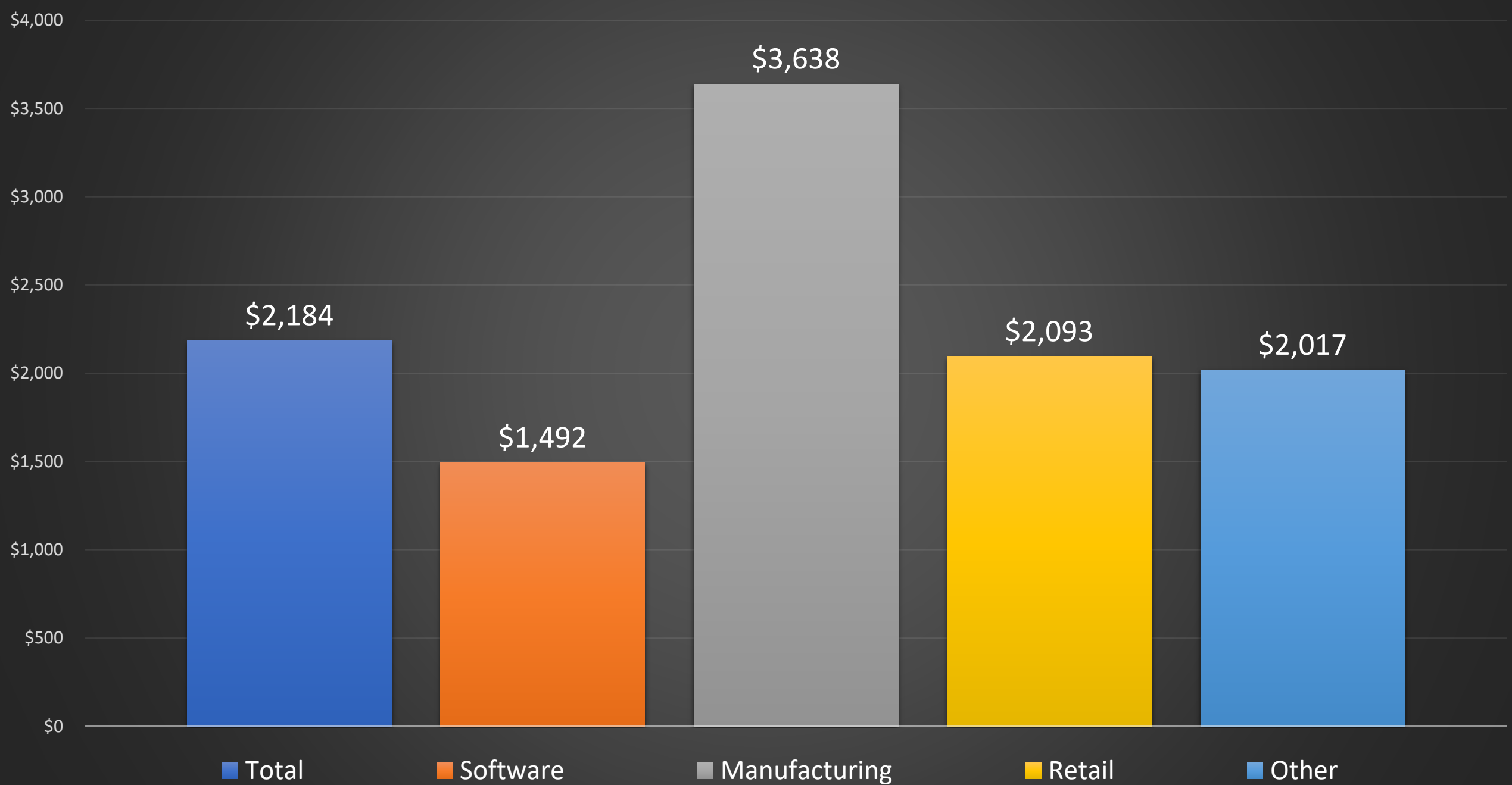
■ Tax returns

■ Identifying state sales tax obligations and filing returns

■ Exemption certificate management

■ Tax rates and calculations

# Spend per month on external service providers





A photograph of the Texas State Capitol building in Austin, Texas, taken at dusk. The building's iconic golden dome is illuminated from within, and an American flag flies from a pole in front of it. The scene is framed by large, leafy green trees on both sides. A paved walkway leads towards the building, lined with street lamps that are glowing. The sky is a soft, pale blue.

# Obligations to register in other states

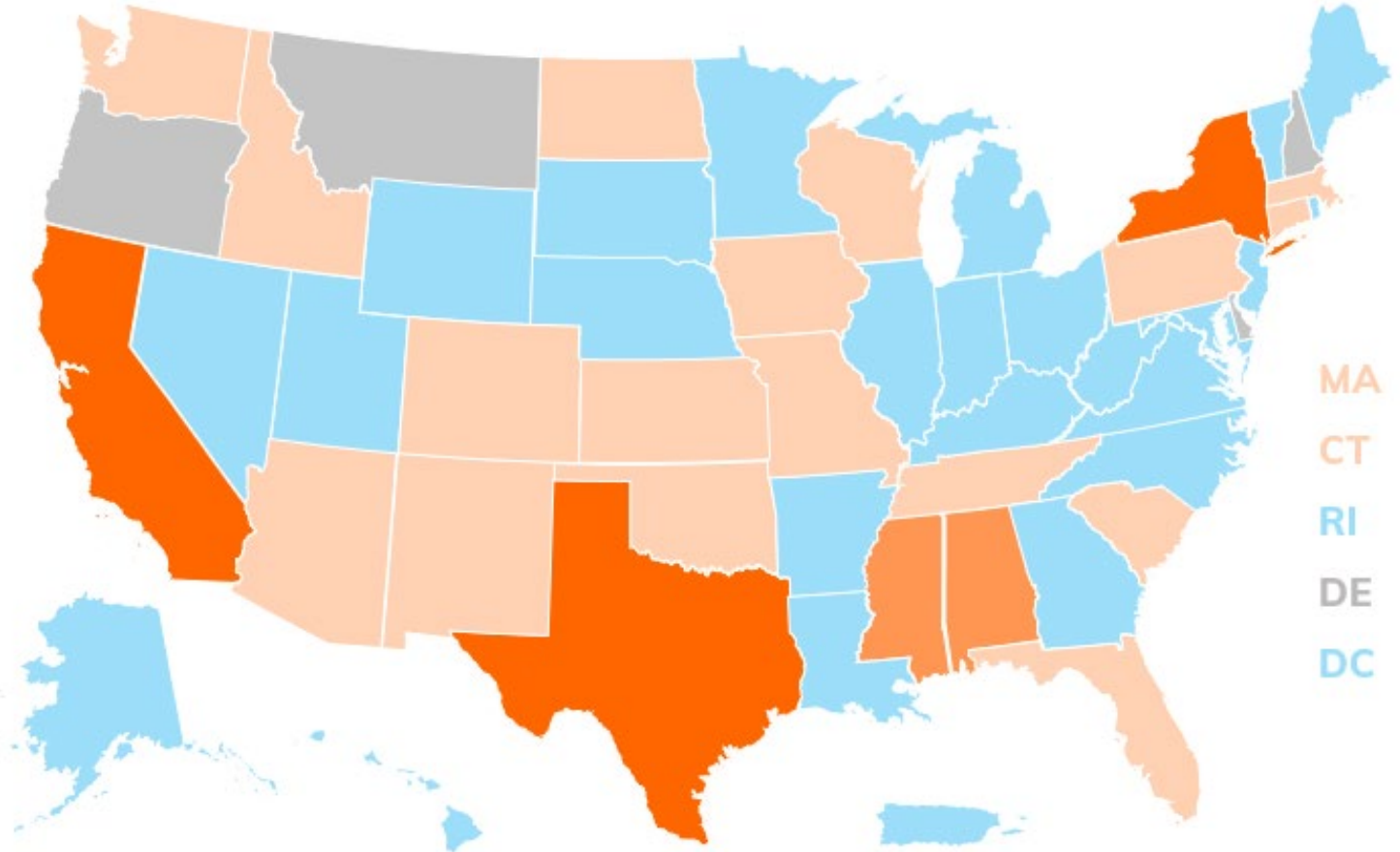




# Economic nexus thresholds by state

-  \$500,000
-  \$250,000
-  \$100,000
-  \$100,000 **or** 200 transactions
-  Does not have economic nexus law

- > Connecticut's threshold is gross receipts of \$100,000 *and* 200 retail transactions
- > New York's threshold is \$500,000 *and* 100 transactions
- > Beginning January 1, 2022, Maine removed the 200-transaction limit from its threshold



Use our free [sales tax risk assessment](#) to determine where you have nexus.



# Product taxability challenges

● Exempt ● Taxable

## 16 oz. bottled water in Connecticut

- Convenience store
- Grocery store



## Toothbrushes & dental floss

- Any other state with sales tax
- Pennsylvania

## Powdered drink mixes in New York

- Kool-Aid
- Tang

## Takeout in Colorado

- Straws
- Cups, cup lids



## Ice cream in Maryland

- Haagen-Dazs (14 oz.)
- Ben & Jerry's (16 oz.)



## Candy bars in Indiana

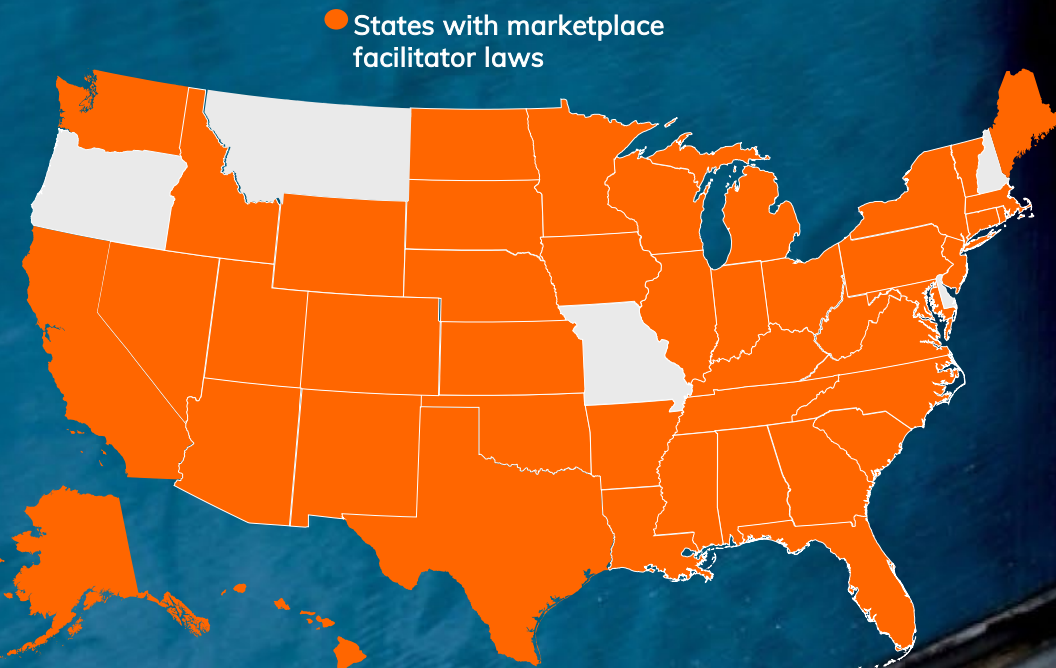
- Reese's
- KitKat, Twix





MOVING ON MARKETPLACES  
and marketplace sellers

# Amazon, Etsy, Walmart, hit with new sales tax obligations



**45 states** have now adopted marketplace facilitator laws.

- › Kansas, Florida, and Missouri recently enacted such laws in 2021.

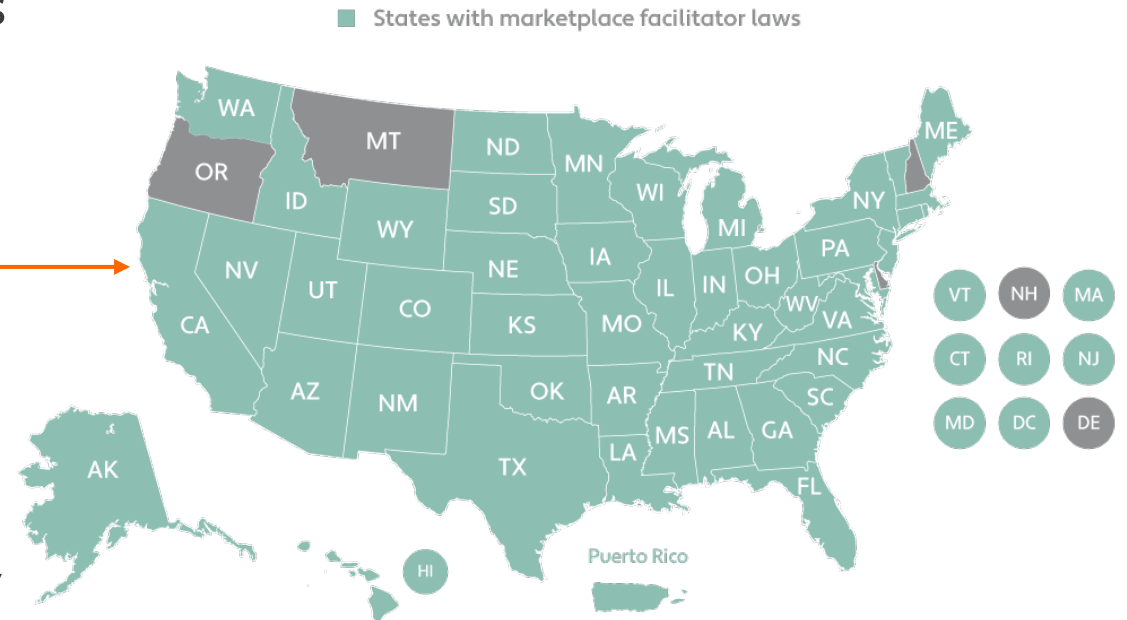
Marketplace sales open sellers up to more **nexus-triggering activities**:

- › Storing inventory in a warehouse
- › Economic activity

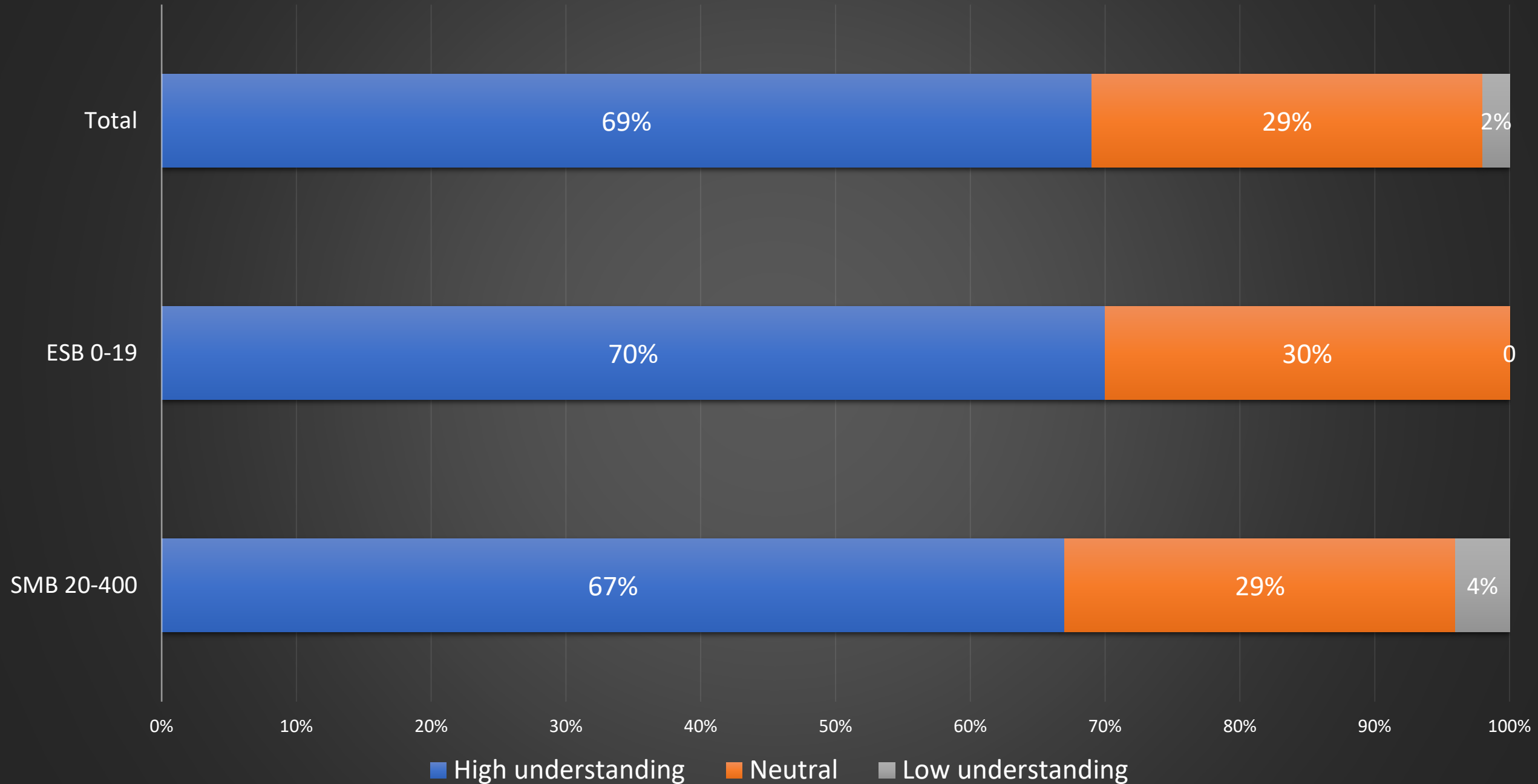
States are refining marketplace laws to include food delivery and lodging marketplaces.

# Selling via ecommerce sites or online marketplaces

- > 46 states require remote sellers to collect sales tax on ecommerce transactions (**economic nexus**)
- > 45 states have **marketplace facilitator laws** requiring marketplace facilitators to collect sales tax on behalf of their sellers
- > 34 states have **affiliate nexus** laws, in which the remote seller has interest in or is owned by an in-state retailer
- > 20 states still maintain **click-through nexus** laws



# Level of understanding of sales tax compliance





A photograph of two men in an office setting. One man, wearing a light blue shirt and having a beard, is seated at a desk and pointing towards a computer monitor. The other man, wearing a dark blue patterned shirt, is standing behind him, looking at the screen. The office environment includes a desk with a keyboard, a calendar, and various office supplies. The background shows shelves with books and other office equipment.

# Audit liability



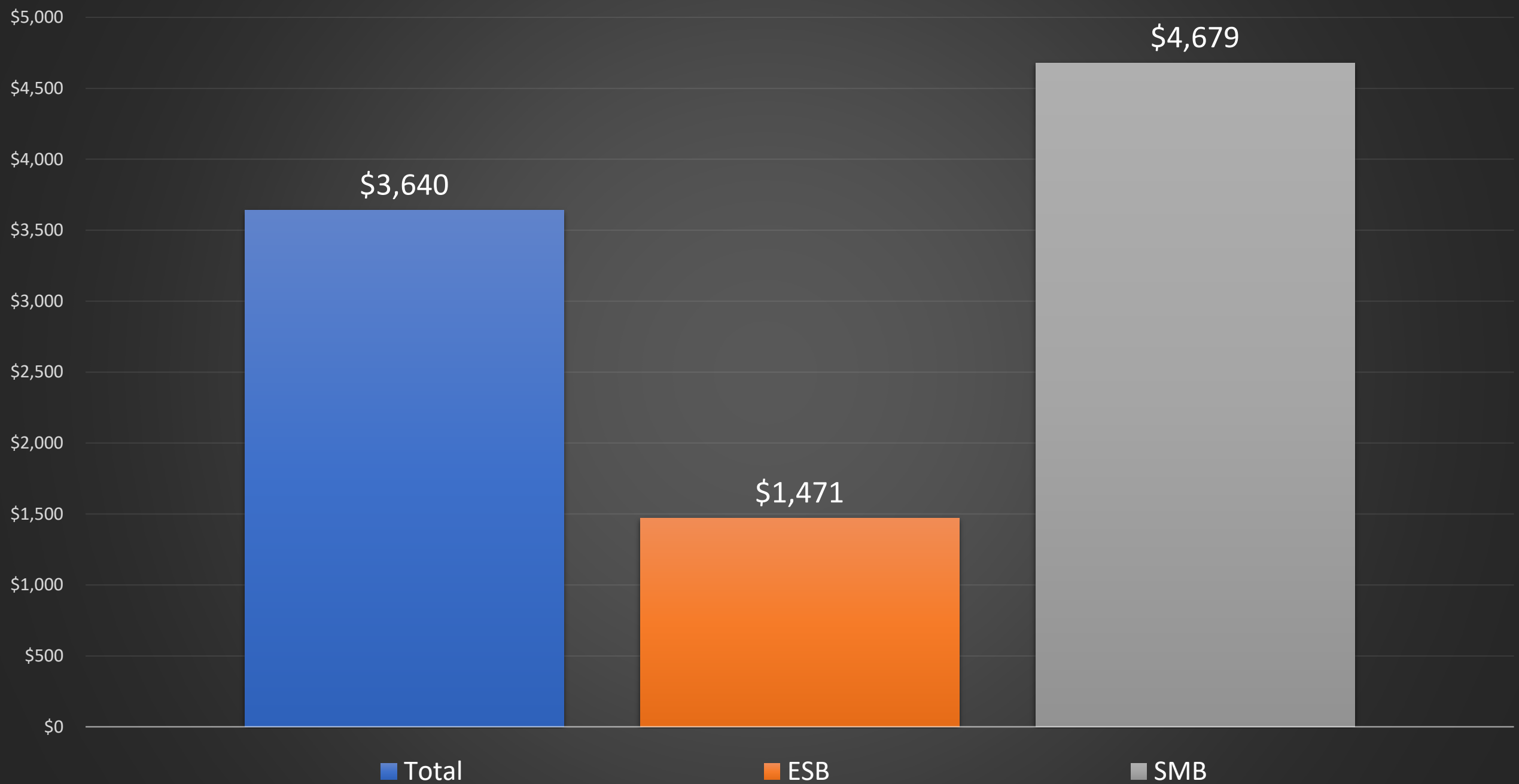


## How painful and expensive are audits?



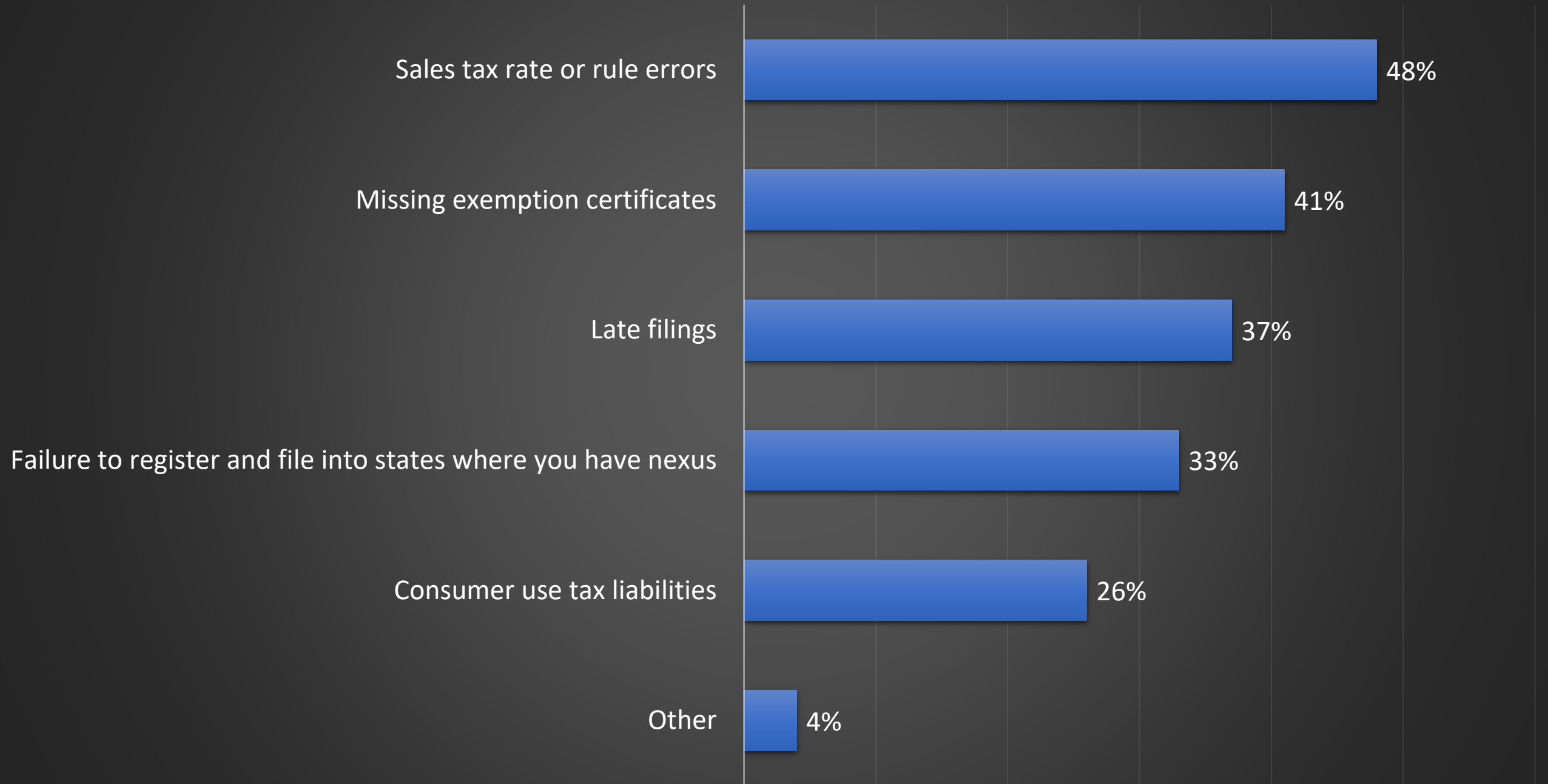
- › 14% of all participants experienced a sales tax audit in the past five years
- › Most audits (79%) were completed within three weeks
  - › A small percentage dragged on for five months or more
- › It took employees an average of 35 hours to oversee and respond to an audit
- › 7% of companies spent 10 or fewer hours on an audit.

# Average spend for responding to and managing audit process





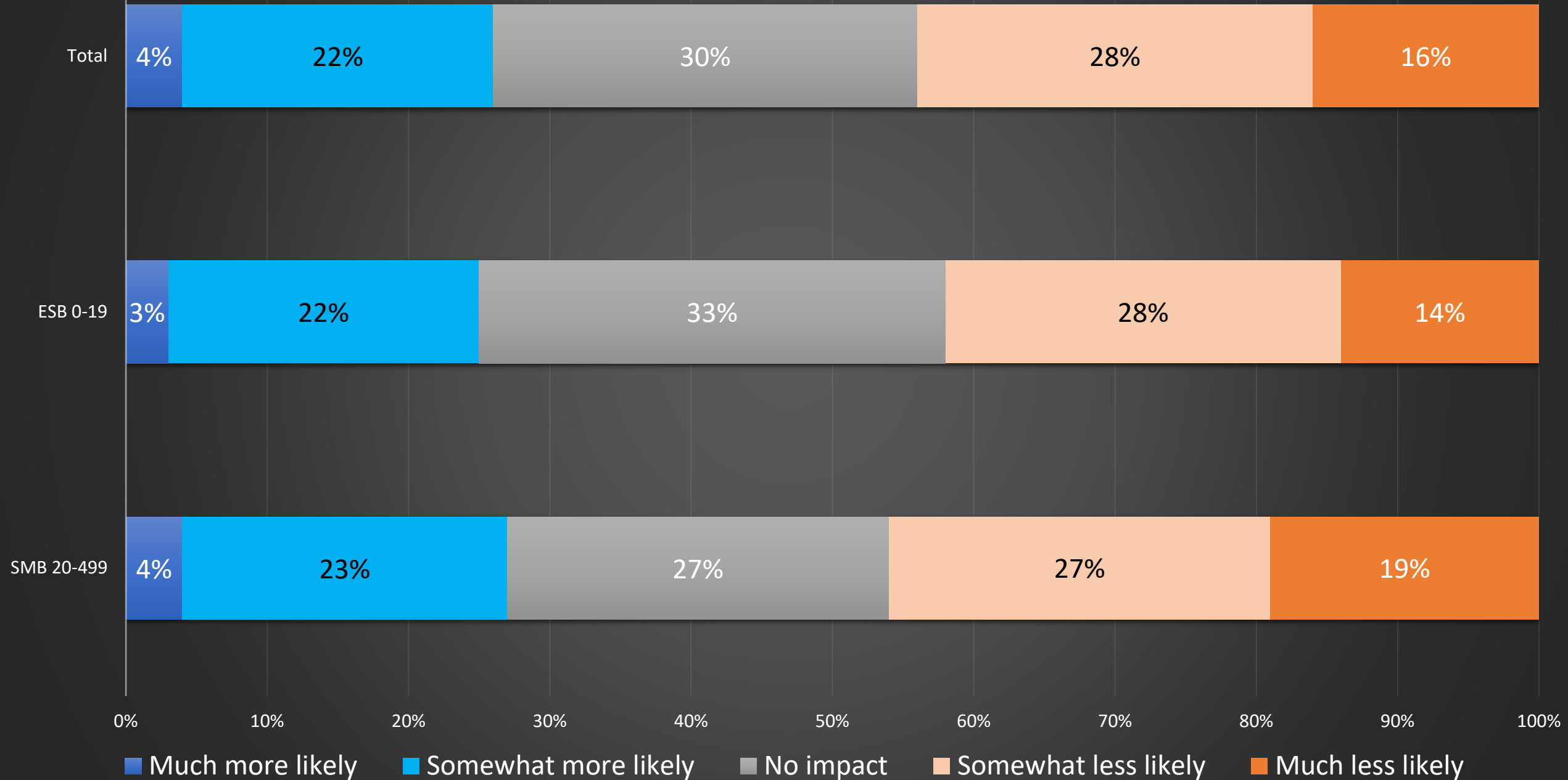
## Reasons for audit penalties - Total





Adoption of new  
technologies

# Likelihood of purchasing new tax technology solutions in the next 12 Months





# Survey results

- More than 52% of accountants said “keeping up with changes in online technologies” was highly important
- 54% of those accountants indicated their own companies could benefit from more cloud-based software
- According to the accountants, “more automation, less handwork” is key “to remain competitive”

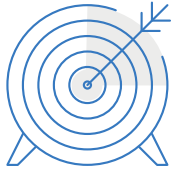




Sales tax  
automation



# Why automate sales tax management?



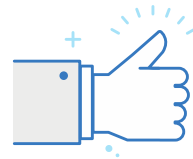
## Accuracy

Real-time tax calculations that get it right every time



## Efficiency

Reduce costs and time spent managing tax compliance



## Customer satisfaction

Streamline transactions with instant sales tax calculations



## Risk management

With accurate results, you'll decrease your company's risk

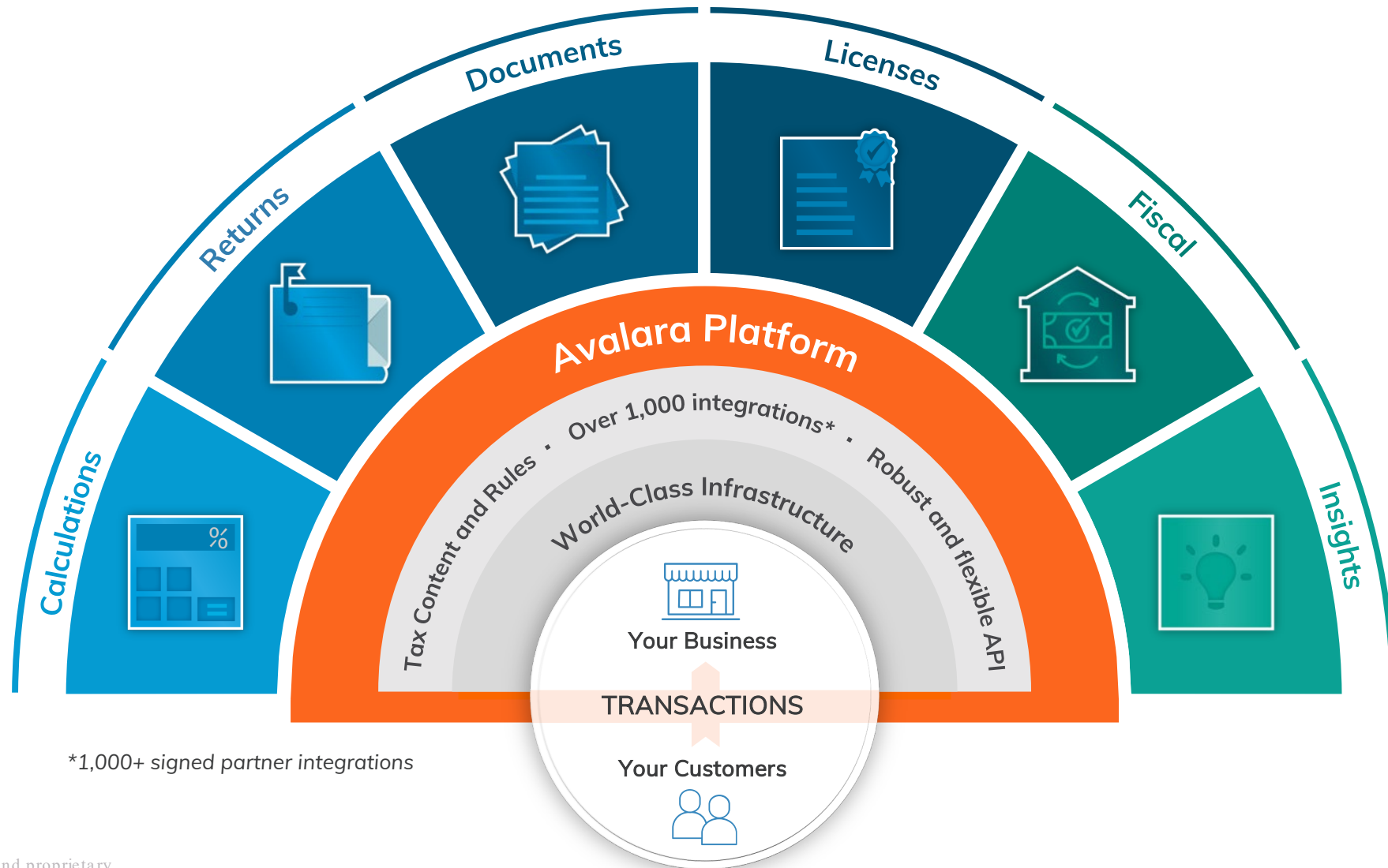


## Business growth

Free up resources to focus on high-value projects



# Avalara's end-to-end tax compliance solution



Gold  
Microsoft  
Partner







Questions?





# Thank you!

Visit us on Appsource: <https://appsource.microsoft.com/>

Questions:

Email me: [Larry.Sheetz@avalara.com](mailto:Larry.Sheetz@avalara.com)

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