

7

Sales Tax Compliance Best Practices

Nothing ventured, nothing gained. No risk, no reward. Popular sayings for many entrepreneurs and small business owners and a pioneering attitude that undoubtedly serves them well. But, there are times when it's better to play it safe—like when it comes to sales tax compliance. In this case, your best bet is to have proven practices in place that can help you navigate this complex landscape and avoid speculative errors that could have more than a marginal impact on your profits.

Here are seven smart business practices for keeping on top of transactional tax compliance:

1

Know where you have nexus

Nexus means that a business must collect state sales tax if it has a substantial physical presence in a state. Recently, nexus laws have expanded to include distribution, independent agents, remote employees and affiliate networks. Be certain you understand where you are required to collect tax and keep up to date on nexus changes to protect against non-compliance penalties.

2

Keep up with product and service taxability changes

Most sales of Tangible Personal Property (TPP) are subject to tax. This has begun to shift to include intangibles, with many states now routinely apply sales taxes to certain services. Keep apprised of product and service taxability as rules evolve and adjust your accounting systems and taxing practices accordingly.

3

Use the right tools to get the right rates

It's common for businesses to shortcut researching sales tax rates by using ZIP code tools. Unfortunately, taxing jurisdictions don't always follow ZIP codes. Tax rates can vary even within an individual ZIP code and counties and municipalities can levy sales taxes in addition to state rates. Geospatial mapping (the same technology as Google Maps), is more accurate and can calculate sales tax "down to the rooftop." You can often find geolocation tools online, for example Avalara offers this capability for free at salestax.avalara.com.

4

Efficiently manage exempt sales

Not all customers are required to pay sales tax. Depending on the rules in a taxing jurisdiction, certain businesses and individuals may be exempt. If you're the seller, it is incumbent on you to collect valid exemption certificates, keep them on file and track their expiration and renewal dates.

5

Know where and how to remit sales tax

When it comes to remitting sales tax, businesses must use correct forms and formats for each jurisdiction and meet filing deadlines. This can get complicated with multiple locations and nexus, exponentially upping the odds of missing a file date, rate change or certificate renewal date and increasing non-compliance and audit risk.

6

Be audit ready

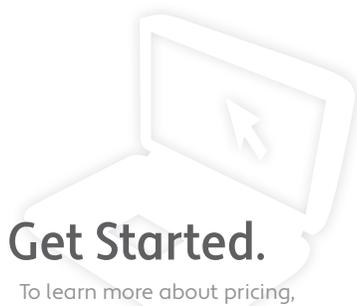
The most critical action you can take to pass an audit is to collect sales tax properly over time and ensure that you have properly documented every step of the transaction. Audits are much less painful when transaction history, exemption certificates and other relevant information is readily available. If your practices, calculations and records are in good shape, you should be too.

7

Streamline your process

The more more time you spend calculating, collecting, and remitting sales tax, the less time you have to spend on revenue-generating activities. Outsourcing and automation are efficient, cost-effective alternatives to manual processes. Look for a cloud provider that integrates with your accounting, point-of-sale, ERP or ecommerce system and offers a full suite of transactional tax services—calculation, filing and handling of exemption certificates.

Of all the best practices outlined above, this last one—outsourcing tax compliance—gives you the best return on investment by pretty much taking care of the rest. You'll spend less time worrying about sales tax and more time focused on your business. Make the choice to automate and save the speculation for less daunting decisions—like which font really works best for your website.

**Get Started.**

To learn more about pricing, view online demonstrations, or chat about AvaTax's capabilities, visit:

www.avalara.com

or call



877.780.4848 today.

About Avalara

A privately held company, Avalara was founded by a team of tax and software industry veterans to fulfill a vision of delivering an affordable, scalable sales tax solution. Thus making what was not economically feasible in the past for mid-sized business not only affordable, but more accurate as well – all with the latest and most innovative technology available. From Bainbridge Island, close to Seattle, Avalara's knowledgeable staff works tirelessly to help customers put the hassles of sales tax compliance out of mind. Avalara's mission is to transform the tax process for customers by creating cost-effective state-of-the-art solutions. The company does so through integrated on-demand, Web-based software services that provide transparent transactions, accurate tax compliance, painless administration and effortless reporting.