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partner of Brian Weaver Consulting LLC, a firm serving client needs in transaction taxes, tax technology and taxation systems, and Sarbanes-Oxley (SOX) compliance.

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Recently, Avalara interviewed tax and technology consultant Brian Weaver, managing partner of [Brian Weaver Consulting LLC](#), a firm serving client needs in transaction taxes, tax technology and taxation systems, and Sarbanes-Oxley (SOX) compliance. Here is what Brian had to say about sales tax compliance, implementing a new tax system, which system is best for an organization, and how to defend tax audits.

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When it comes to selecting a system to implement, where you are doing business, how you are doing business, the mix of products and services that you currently sell, and taking a look at where the business may be going in the future all need to be considered. Your needs may be very basic, such as rates and some exemption functionality. You don't need to spend \$100,000+ on a system if you do not need all the bells and whistles. Therefore, an objective viewpoint from a knowledgeable source without any bias to any particular system to help make that determination is a great starting point.

Avalara: *How does an organization know if there are problems in its current transaction tax compliance process and systems?*

BW: Customer tax complaints and frequent tax audits may provide an indicator of potential problems, but as the old expression goes, "You don't know what you don't know," and that is how organizations get into serious trouble with transaction taxes.

As a starting point, a diagnostic review is recommended to identify areas of potential transaction tax non-compliance. By reviewing the company's information sources and systems, conducting interviews, reviewing documentation, data, workflow, and pain points, a good indication of the current state can be obtained. At the conclusion of the diagnostic phase, a diagnostic report will be provided that summarizes the results of the evaluation of the organization's existing transaction tax policies and procedures, problem areas, and recommendations for enhancing the transaction tax compliance process, including an estimate of the required work effort and the path forward.

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Avalara: *How does a business determine what tax determination system is best for its organization?*

BW: Before selecting a software system, you must understand the types of systems available on the market and their capabilities. The selection depends on the organization's tax and business requirements, capabilities of the system, level of automation, and the ability of the users to work with the system. You may need the latest and greatest solution with all the bells and whistles, but the solution has to make sense given the requirements, costs and available resources. Industries such as telecom, and oil and gas have specific requirements that only some tax software solutions can address.

Avalara: *When implementing a new tax system, what areas should a business look at and what tasks need to be performed?*

BW: Before implementing a new tax system, companies must formulate a plan to address how the change will affect the company as a whole, who will be involved in the change, who will be affected by the change and how long the changeover will take. The impact that a transaction tax system has on the company as a whole is often underestimated. Since sales and use taxes affect virtually all financial and business operations, a decision should not be entered into without a thorough plan.

Avalara: *How does an organization stay compliant with sales and use taxes?*

BW: With more than 10,000 taxing jurisdictions in the United States and 200+

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conducting interviews, and looking at documentation, sales, returns and payment points.

Avalara: *In what ways does a company assess how its goods and services are taxed?*

BW: Because sales tax can apply to goods and services, you really need to know the basics: what you're selling, where you're selling it, how they are sold and in what format. Taxation also varies from state to state; for example, Hawaii, New Mexico and South Dakota impose sales tax on all services, and taxation of digital goods and "bundled" items add complexity to the issue. Therefore, you need to develop a tax matrix that captures every item that can be billed to a customer.

Avalara: *With all of the remote collection, click-through nexus, affiliate nexus and economic nexus changes, how does a company know if it's compliant?*

BW: This question is increasingly difficult to answer, as the tax authorities are greatly expanding what they consider nexus to be, and are aggressively pursuing new avenues to compel companies to register and collect their sales taxes. Therefore, you really need to know the same basics as I talked about above.

Avalara: *How can an entity better manage exemptions and documentation for purchasers and sellers?*

BW: Resale/exemption documentation is the number one issue on almost every audit. More states are putting expiration dates on these documents, which requires more frequent review and updating of the files. However, we all know that these

types of activities are very far down on everyone's to-do list, if they ever get attended

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Avalara: *What about defending tax audits?*

BW: Tax audits are all about being prepared *before* you receive the audit notice. A company must have the right systems, processes, people and documentation in place for the period under review before the audit starts, because you can't go back in time to put these items in place. Tax departments are thinly staffed and can't invest their time in tracking down documentation when they should be focusing on more value-added tasks. Employing the perspective of an ex-state auditor is a wise investment that can save a lot of time, effort and frustration further down the road.

Sales Tax • Technology

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