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It seems as though the already-tedious process of managing sales and use tax compliance keeps getting more difficult. For many small businesses with only one or two brick-and-mortar stores, the process remains fairly simple, but the Internet's revolutionary affect on commerce has made it possible for even a "small" business to have sales across the country, which can turn compliance into a recurring migraine.

"The biggest concern with compliance is the burden it places on businesses, according to Rosanna DiFilippo, a CPA at the accounting firm of Moody, Familglietti and Andronico ([www.mfa-cpa.com](http://www.mfa-cpa.com))

in Tewksbury, Massachusetts. MFA has a staff of approximately 100, providing local and national clients with comprehensive tax, accounting and business consulting

services. "With more than 8,000 taxing jurisdictions, including states, cities, counties and even special tax zones, comes varying laws and inconsistencies. It becomes a major, time-consuming challenge for businesses to keep up with these issues."

The primary factor that determines whether a business must collect sales taxes is nexus, as defined in the 1992 U.S. Supreme Court case of Quill vs. North Dakota. Usually, this requires collection and remittance of sales taxes to the purchaser's taxing authorities if the business had a physical location, property, staff or other presence in the customer's state.

During the early days of the Internet, consumers ran amok with purchases that, locally, could cost up to 10 percent more due to taxes. While most states have use taxes set identical to sales taxes, they rely upon self-reporting by taxpayers. Use taxes have failed so dramatically, in part because of lack of taxpayer education

and because it's hard to identify and enforce use tax on consumers. After

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rules requiring mandatory sales tax compliance, the program has been generally successful with larger businesses. But for smaller entities, let's say a convenience store in Dallas, the benefits of amnesty for potential violation of Indiana sales tax laws is obviously no incentive.

Furthermore, compliance with the program generally requires a fully comprehensive computer program for managing all taxing jurisdictions in the United States, some of which are reviewed here, but which can be cost-prohibitive to small businesses.

How the Streamlined Sales Tax Project will evolve from here is difficult to assess, but the latest development in sales and use tax compliance could draw more mid-sized businesses toward the program.

In June of this year, Amazon and the State of New York started a legal battle that may redefine what the term nexus means for thousands of businesses. Under New York's recently rewritten code, nexus would extend to companies who actively and specifically market products in the state or have affiliate programs (think about when you see an Amazon link on a New Yorker's blog or website). Amazon and other e-tailers are aggressively challenging this new definition, and the case will likely occupy the courts for some time.

"The Amazon case dramatically changes the definition of nexus away from a physical presence and could have negative effects on smaller companies, especially e-commerce businesses," DiFilippo added, noting that she hopes it will be overturned.

And so, just as sales taxes are inherently volatile with hundreds of changes occurring across the United States each year, it appears that the very laws governing and defining sales tax compliance are going to be going through a volatile period over the next few years.

So what's a small business to do? They should start by seeking the counsel

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a cost-effective way to manage a few jurisdictional remittances. For larger entities, however, a “live” solution is likely the better choice, providing real-time integration with the business’ sales, e-commerce and accounting programs, and automatically populating and preparing returns for all jurisdictions.

Most programs are now providing electronic filing to the states that permit or require such filings, and a couple of them are specifically geared toward e-filing. The most important consideration, however, is to find a solution that will best meet not only the compliance needs of a business, but also its workflow needs.

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#### [Avalara — AvaTax](#)

As an integrated part of a business’ financial applications, AvaTax is a web-based utility that provides real-time sales and use calculation to the sales and invoicing programs. It helps these systems make appropriate account postings and automatically prepares sales tax reports for all jurisdictions with liability in a given period.

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#### [BNA Software — Sales & Use Tax Rates and Forms](#)

BNA Sales & Use Tax Rates and Forms provides one of the most comprehensive after-the-fact sales and use tax systems. It provides rate lookup, reporting forms and export capabilities without direct integration with point-of-sale or accounting systems.

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### [Electronic Sales & Use Tax, Inc. — eFileSalesTax.com](#)

The efilesalestax.com system is fully web-based, providing an after-the-fact sales tax reporting and electronic funds remittance program for use either by accounting and tax professionals or directly by businesses with transaction tax compliance requirements in California, Florida and Illinois.

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### [FileYourTaxes.com — California](#)

#### [Sales Tax](#)

FileYourTaxes.com offers a variety of online tax preparation options for individuals, tax professionals and business filers. The vendor's business offerings include payroll and 1099 filings, as well as the California Sales Tax system reviewed here.

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### [Trustfile, an Avalara Company— Sales & Use Tax](#)

Recently acquired by Avalara, Trustfile offers after-the-fact sales and use tax programs for 11 mostly eastern U.S. states and their subsidiary jurisdictions (counties, cities, special districts) including Tennessee, Florida, South Carolina, New Jersey, Pennsylvania, Connecticut, Illinois, Louisiana, Maryland, Georgia and Wisconsin.

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## Speedtax

**SIDEBAR:** Managing sales tax can often be a tedious task, but new technologies, particularly web-based access to rates and integration between sales tax compliance and business financial programs.

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## Taxcient

**SIDEBAR:** A new name in the area of sales and use tax compliance, Taxcient was initially launched by a group of former state sales tax auditors in 2003 as vAudit Group.

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