Sales tax is notably more difficult in many U.S. states. I'd say it is impossible to correctly calculate the tax manually, and enforcement is becoming more aggressive. Of course, you already know that if you live in one of the more complex states like Colorado or Tennessee. I have had a wonderful life in Kansas, but our sales tax is calculated on point of delivery, which makes manual or table-driven calculation of sales tax almost impossible. Currently, there are 10,000+ sales tax jurisdictions in the United States, and if you do business in multiple states or live in a state that has difficult sales tax, you can't live without a product that calculates sales tax.

A number of products are quite good, and several are reviewed in the sales & use tax product review that begins on page 24 of this issue. Three of my favorite products are Avalara AvaTax, CCH's Sales Tax and SpeedTax. I have a pretty good list of sales tax products at www.accountingsoftwareworld.com/salestax.

Here are some key things you need to consider whether you are selecting a sales tax product for your own company or recommending a solution to your clients:

- Many sales tax products interface into popular accounting products. If you are involved with QuickBooks, MAS 90, Dynamics GP, SAP, or a lengthy list of other accounting products, there are options for you to buy, integrate and solve the problem quickly. Trying to maintain tables in packaged software is generally ineffective today.
- If you have a proprietary or non-standard system, your choices are fewer, but publishers have created products that can be easily integrated into legacy systems. Having programmers maintain tax tables probably borders on ludicrous.

- Trying to use zip codes to calculate tax is inaccurate because tax boundaries

only pay for the transactions actually used. This eliminates the complications of installing the product in-house, and performance seems to be quite acceptable.
- I refuse to let my clients operate without a sales tax product unless they never do business outside of a few cities in a state without sales tax issues. A pretty good rule here is that if a company does business in more than one state, it will probably have sales tax issues, and sometimes a single city is bad enough that you can't do taxes manually.

What are the top reasons for using a Sales Tax product?

- Too cumbersome to maintain rates/boundaries and too expensive to maintain taxability research
- Accuracy of the tax table information with minimal in-house labor required
- High risk to do manually and adds no value to the business
- Ease of installation
- Assistance with or ease of self-filing forms
- Avoidance of sales tax audits in SST-compliant states
- Bad audit – don't want to repeat the experience
- Ability to do business easily in multiple jurisdictions.

You might ask if I follow my own advice, and you can be assured that I use sales tax software in my own business. The risk to the business plus the time wasted before we acquired a product was so significant. For the trivial amount of fees that my operations pay to our provider, we have a high degree of confidence in our sales tax filings and use much, much less administrative time than before installation. One of my key mantras for 2008 is to simplify. I know sales tax software truly has made the tax part of my operation much simpler. Please review and implement a sales tax product for you or your clients. I'm sure you will wish you had done it sooner.

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us