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It's no secret that most states rely heavily on sales taxes for a large portion of their revenues, but over the past decade, many state legislatures have been less inclined to raise the rates for fear of being labeled with a tax proponent. As a remedy, many of these states have turned to increased fees or other direct service charges.

Unfortunately, this doesn't mean that sales taxes have remained anywhere near stable since municipalities, counties and other special districts also rely on sales taxes, often as their primary revenue source. The result: Year after year, there are thousands of sales tax rate changes across the country, making sales tax compliance one of the most volatile areas for small businesses, and opening them up to the potential for significant penalties. And while states may not be raising the state component of their rates as often anymore, they are increasingly cracking down to protect their share. As an example of this, New York has actually seen a tenfold increase in criminal sales tax prosecutions over the past five years, according to the Erie Institute of Law.

<div>Sales & Use Tax</div> <div>2010 Review Sections</div> <div>Automated Compliance</div> <div>Systems</div>	<div>At the very small business level, sales tax compliance can be pretty simple.</div> <div>A business with one physical location and all sales out of that physical location, and with no deliveries, falls only within the sales tax jurisdiction of their state/county/city. And most states now have simple online tools for reporting and even paying these tax collections.</div>
<div>• Basic System Functions</div> <div>◦ General navigation/ease-of-use</div> <div>◦ Installation process</div>	

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certificates, and the newly expanding business may be stunted.

Facing even greater complexity are mid-sized and larger retail concerns, as well as the many small businesses who've found success through e-commerce, with sales that can expand across the country. With more than 8,000 taxing jurisdictions in the United States, constantly changing rates is a major issue, especially combined with evolving legal definitions of nexus that can affect even micro-businesses that have affiliations with eBay, Amazon and other online sales communities.

While larger businesses often have staff resources dedicated to tax compliance, small and mid-sized businesses, especially those who turn to accountants for monthly services, usually do not. So what can they do to alleviate the compliance headache? Well, there are variations in the types of sales and use tax systems on the market, and they aren't necessarily segregated by price point or size of the business.

Starting with this year's reviews of sales and use tax compliance programs, we've divided the major products on the market into two categories: Automated Compliance Systems and Manual Compliance Systems. The difference is in the workflow needs of the business.

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when then was in preparation, filing and payment functions.

For larger concerns with higher volumes, multiple locations or much broader sales tax jurisdiction exposure, automated compliance systems can free up the considerable staff resources that would be required to manage the processes manually. The systems integrate directly with the sales and accounting system or ERP that the company uses, automatically providing the latest tax rates and special tax rules to transactions as they are processed or as estimates are created. These systems often offer advanced options for due-date management,

automated preparation of reporting, collaborative review processes and subsequent payment. A few of the systems also provide options for full-service reporting and payment (managed and guaranteed by the tech vendor).

The first step for businesses looking to streamline their sales and use tax compliance processes, then, is to determine how robust a system they need and whether the benefits of automation of these processes would be appropriate to their needs. The next step is trying one or more of the sales tax systems best suited to them, and finding one that meets their workflow processes.

In addition to breaking the sales and use tax products into two review sections, we've made other significant changes to all of our reviews this year.

Most notable will be the expanded categories and subcategories upon which the

products are evaluated. This allows for a more direct comparison of products

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services. The company's flagship automated sales and use tax system, AvaTax OnDemand, provides a web-based database of sales tax rates, rules and special taxation issues ...

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[CCH, a Wolters Kluwer business – CorpSystem Sales Tax Office & Sales Tax Returns Online](#)

CCH offers several sales and use tax-focused applications through its CorpSystem business tax and management suite, with the primary systems divided between rates lookup and calculation, and preparation.

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[SpeedTax – SpeedTax Core, Plus & Pro](#)

SpeedTax offers automated sales tax capabilities for businesses using various accounting, sales and ERP systems from QuickBooks and the Sage family of products, up through Microsoft Dynamics, as well as SAP Business One and R/3.

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[Thomson Reuters – ONESOURCE Sales & Use Tax](#)

ONESOURCE is a high-performance platform for a suite of tax and accounting products that provide an integrated solution for corporations managing multiple tax types such as Income, Property, and Sales & Use.

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Manual Sales & Use Tax Compliance Systems

[Avalara – TrustFile](#)

The TrustFile system from Avalara is an installed program for businesses with sales tax compliance requirements for up to a few states. The program has been on the market for more than 20 years, and is designed for electronic filing and payment of collected tax revenues, but also offers print output options.

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[BNA Software – BNA Sales & Use](#)

[Tax Rates and Forms](#)

BNA Software offers multiple options for sales and use tax compliance, with both CD-based and web-based programs that offer forms preparation or rate lookup. The vendor's primary products for sales and use tax are the BNA Sales & Use Tax Rates and BNA Sales & Use Tax Forms.

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[CFS Tax Software, Inc. – CA and NY Sales Tax Preparer](#)

CFS Tax Software has been providing various accounting and small business software since its founding in 1989, with its most popular applications including live and after-the-fact payroll and wage reporting, W-2 and 1099 reporting, and property tax compliance.

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Just as sales tax compliance issues grow with the evolution of a business, so does the issue of managing non-taxed sales that necessitate exemption certificates.

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2010 Review of Sales & Use Tax Systems — Comparison Chart

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