management programs to automatically find and apply appropriate rates and then automatically populate returns for the required jurisdictions, and small businesses-focused after- the-fact systems that are used by accountants or business owners who enter or import sales and tax data after a period close and then generate SUT returns. Both types of systems are included in this review section. This review section should give you a good jumping off point.

Dec. 01, 2008

From the August 2007 Issue

For small businesses with only one location and no catalog or Internet sales, preparing and submitting sales tax returns and the funds collected is usually fairly non-complex. It usually involves a form or two every month or quarterly, depending upon the jurisdiction. And while many professional accountants may help their business clients with sales tax compliance issues, it is not often a core component of their practice. But when a business grows, either through

Click electronic
for sales or additional geographic locations, compliance with sales and use tax
full for multiple jurisdictions grows increasingly more demanding.
image.

With nearly 8,000 taxing jurisdictions in the United States and Canada, and more than 450 varieties of state, local and special tax entity returns, it its nearly impossible to keep up with the widely differing reporting and remittance requirements, not to mention the hundreds of rate changes that occur each year. And the volatility of sales tax rates is increasing according to Vertex, Inc., which studied tax changes over the past few decades and found that the average number of U.S. sales tax rate changes per year has grown by 28 percent since the late 1990s. In 2006 alone, there were 689 rate changes. Failing to keep

up with these changes is not an option since it can result in financial penalties

entities, along with integrated planning tools and add-on features. However, there can be significant differences between sales and use tax programs.

Most of these programs are after-the-fact sales tax compliance tools that support only a few jurisdictions, with sales and tax data from a business' financial program transferred into the tax system when a return needs to be processed. Some of these systems offer import capabilities, while others require manual entry of the data. The programs may have rate lookup functions that make it easy to check the tax rate in a specific jurisdiction, but they operate as a completely stand-alone program, while the sales and accounting systems in use by the business are responsible for applying the appropriate sales tax to invoices, sales orders and estimates. These programs are available on CD or through web-based applications and usually cost a few hundred dollars per year or less, or are offered on a pay-per-filing basis.

Executive Summary

Engagement & Trial Balance Systems

- Sales tax is a volatile issue.
- 689 rate changes in 2006.
- Nearly 8,000 taxing jurisdictions in United States and Canada.
- More than 450 varieties of state and local tax returns.
- 50 free rate lookups per month at

For larger enterprises, however, this method is usually too cumbersome. These businesses, often with multiple locations and sales tax compliance responsibilities in many jurisdictions, need a more automated system. That's where real-time sales tax systems come in, integrating with sales, financial management and enterprise resource planning (ERP) systems to verify the address and jurisdiction of a sale and automatically apply sales tax rates based upon the ZIP+4. These programs automate most of the compliance process, automatically populating and

What a business needs from its sales tax compliance program varies extensively based on the nature of the business, but most small concerns can be well-served by a simple, inexpensive system that handles only a few jurisdictions. Keeping up with rate changes should also be a key factor in choosing a package. All of the systems in this review include rate updates, but they do so in different ways, with some providing monthly or quarterly CD updates or downloadable tax tables that the user must install, while the online programs are automatically updated as needed by the vendor.

Sales tax compliance could get easier in the future, as support continues to grow for the Streamlined Sales Tax Project (www.streamlinedsalestax.org), which aims to simplify compliance across the United States. State revenue agencies are also evolving and making the compliance process easier, with most now providing some form of support for electronic filing of sales tax returns.

————————————————————————————

Avalara — AvaTax

Avalara's AvaTax is a real-time sales and use tax application that automatically looks up, verifies and posts appropriate sales tax rates to invoices, estimates and purchase orders.

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Review

BNA Software — Sales & Use Tax Rates & Forms

The BNA Sales & Use Tax Rates and Forms program by BNA Software provides a comprehensive SUT system that covers more than

58,000 taxing jurisdictions in the United States and offers integration

sales applications to provide instant address validation and tax calculations...
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Electronic Sales & Use Tax, Inc. — eFileSalesTax.com

efilesalestax.com offers a completely web-based
sales and use tax compliance system that works as an after-the-fact program,
allowing users to input business sales data and tax collections through
a secure online portal that then electronically files with the state.
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FileYourTaxes.com — California Sales Tax

California Sales Tax provides users with a basic
online sales tax reporting and payment system, with after-the-fact data
entry for entities with California Board of Equalization compliance
requirements
(BOE Form 401, with Schedules A and T). The system is designed primarily
for use directly by small businesses, with support for one company per
user account.
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Thomson Tax & Accounting — InSource Sales & Use Tax

Thomson Tax & Accounting offers several sales
and use tax options through its InSource brand. This includes the Sales

& Use Tax Rate Subscription, which provides monthly updated tax tables

FL, GA, IL, LA, MD, NJ, PA, SC, TN and WI, providing complete compliance for all cities and special taxing districts within those states. The system includes electronic filing and remittances to supporting jurisdictions.

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