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From the August 2009 Issue

As the economy continues to tighten the budgets of many states, more and more of them are contemplating ways that will help them better enforce their sales tax laws. California, for instance, which started paying state debts with IOUs in June, has reportedly increased the number of agents who inspect and enforce sales tax compliance laws.

Others, like New York and North Carolina, have adopted new laws that attempt to catch up to the Internet age by claiming that national retailers like Amazon, eBay and Overstock.com have a nexus in their states just by having “affiliates,” which includes websites that are based in the state if they have click-through ads linking to those retailers.

Sales tax compliance may be the most volatile area for many businesses, especially for those in multi-state corridors and small ones that are using the Internet to reach customers in many different states and regions. At least brick-and-mortar store operators know where their taxation issues will be, where as retailers with a web presence may not always know their nexus and taxation responsibilities.

As sales and use taxation has become more difficult, new products have come to the market and existing ones have increasingly specialized. There are essentially two genres of sales and use tax compliance programs: Automated/real-time systems and rate look-up with after-the-fact preparation.

Automated systems are generally for mid-sized and larger businesses looking to implement a system that runs in the background of their live sales and e-commerce applications, automatically looking up and verifying rates using an online system that also checks for taxability rules, and then integrates with the sales and

accounting systems to post the appropriate rate to a transaction and to appropriate

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online reporting and payment system.

For professional accountants, helping small business clients avoid costly penalties is not an act of altruism. You do it because when they are fiscally healthy and growing, your practice benefits, too. And as this form of taxation has become more complex and thus more challenging for small businesses, it poses an ideal compliance service option for some practices.

The process is mostly a matter of using the right tools, knowing what resources to use and managing due dates — processes in which tax and accounting practices are already experts (hopefully). But while many practices may have stayed away from offering sales tax compliance as a service in the past, largely because it could be grueling and tedious work, the good news is that modern sales and use tax systems make the processes much more manageable. Some of the vendors of these systems are also starting to add multi-entity management tools, communication functions and even portals, making the systems more amenable to use in a modern practice serving dozens or more business clients.

Sales taxes won't get easier until there is a federally mandated national sales tax or Internet tax, neither of which seems too close on the horizon since such legislation would certainly have to go through a lengthy court review process. The Streamlined Sales Tax initiative may seem closer at hand, but it is still a voluntary system that doesn't necessarily simplify the process for small businesses.

So in the meantime, with states on the prowl for more revenue, it is more important than ever that small businesses effectively manage their sales tax compliance obligations. And if you help them, they can get back to what they do best, which is running their business. After all, the heart of sales tax is sales, and if they can get their customers spending again, that will help the states and the larger economy, too.

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BNA Software, well-known for its tax planning, fixed asset management and corporate financial applications, also offers two products geared toward sales and use tax processes.

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

CCH's CorpSystem is a tax, research and workflow suite geared toward in-house use by mid-sized and larger businesses. The system offers two primary sales and use tax offerings: Sales Tax Office and Sales Tax Returns.

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

For businesses doing business in California, Florida and Illinois, eFileSalesTax.com offers a bilingual after-the-fact, web-based solution that can be used to file sales and use tax returns for each of these states and all of their taxing jurisdictions.

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[Sabrix – Sabrix MTS](#)

Sabrix has long been a provider of enterprise and global corporate VAT, sales and use taxes, but recently the company introduced a solution geared toward sales and use tax for small and mid-market businesses in the United States and Canada.

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

SpeedTax offers three sales and use tax-oriented programs, all of which are web-based and provide support for various areas of tax calculations and compliance.

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the TrustFile system was used by more than 7,000 businesses in 2008 to file and remit more than \$11 billion in sales and use taxes. .

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Imaging Science & Services, Inc.

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2009 Review of Sales & Use Tax Compliance Programs — Comparison Chart

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