comes to how you or your clients manage sales taxes.

Kerry Alexander • May. 18, 2016

The biggest barrier to companies automating sales tax is often inertia. Without a shake-up of the status quo, the de facto response is "why change?" or "I'll get to it later." It typically takes something significant to get people to pull the trigger on sales tax automation.

Here are 10 common "events" that could signal it's time to make a change when it comes to how you or your clients manage sales taxes.

1. **Growth**. More resources, more market share, more customers, more revenue....

or even an exit strategy — investors will be laser-focused on your business, finances and compliance practices. Most companies don't realize that how you manage tax, including sales tax, can impact valuation. Discovery of unfavorable audit outcomes or mismanaged sales and use tax can kill a deal. You may also be subject to new tax rules depending on how you plan to use that funding. Hiring, product development, expansion — all of these growth activities can change or add to your sales and use tax compliance requirements. Be sure you're doing everything right *now* so you avoid surprises

3. **Acquisition and mergers:** The strategic decision to acquire or merge with another company may be obvious, but the process is typically less elegant. The meshing together of people, assets, systems and processes is often lengthy and complicated. Who has time for the minutia of sales tax? Not finance and IT; they're focused elsewhere. Yet, many of the motivators for acquiring a business — more market share, a broader product mix, even physical property — are common tax liability triggers. No matter how inconsequential tax compliance may seem during a merger, it should not be overlooked.

4. **Key Hires:** A new CFO or controller will likely want to dive deep into how you currently handle compliance and may even have some good ideas on how to better operationalize and optimize the business. This could mean re-evaluating your financial systems and filling any gaps by onboarding new solutions, like sales tax automation, that can advance these objectives.

5. **New products or services.** For most sellers, adding another item or brand to the mix isn't a big deal. But taxability can become an issue for businesses making more wide-sweeping changes. For example, a software company that decides to sell digital downloads in addition to CDs, a furniture company that adds installation and delivery services, or a cosmetics and beauty supply company that branches out

to include a line of nutritional supplements and health drinks — all of these new

their own sales tax headaches. Any news sales strategy carries some risks. Sales tax shouldn't be one of them.

7. **Technology platform changes:** As your business grows, your technology platform and functionality needs will evolve as well. Software and SaaS solutions that integrate with ERP, ecommerce systems and accounting systems can add value without being cost prohibitive. Talk to your providers about available add-ons, like Avalara AvaTax tax compliance software, which can help you scale operations and grow more efficiently.

8. **It's never fun to cut back, but doing more with less is a legitimate strategy.** In the past, this often meant overburdening staff with extra work or outsourcing taxes and other burdensome activities to bookkeepers or accountants. Today, reliable, affordable SaaS providers, like Avalara, can automate these processes for you. Avalara AvaTax handles all areas of tax compliance (calculation, filing, reporting) and scales to the needs of your business now, when things are tight, and later, when you're ready to grow again.

9. **While a sales tax audit is never definite, there's also no guarantee that you won't be audited.** If you haven't been through one, it's hard to know what to expect or how much time it will take to prove you're doing sales tax right (or that you aren't). Either way, audits are costly. Wakefield estimates that the average audit costs a company $114,000. If you have been through an audit and it didn't go well, you'll likely stay on state auditors radars and will be subject to repeated scrutiny. As they say, the best defense is a good offense. Not only do AvaTax customers pass audits without penalty 50% more often than companies that don't automate sales tax, but Avalara even offers a 100% audit accuracy guarantee.

0. **Regulatory changes:** Many states are making wide-sweeping changes in how they tax products and services as a means to generate more sales tax revenue. For

example, last year 11 states considered changing their tax laws to start taxing

software can integrate into billing systems, keeping the company ahead of the game.

For a more personal view of how these events impacted leading companies and why they decided to change how they manage tax compliance, download Competitive Advantages of Sales Tax Automation, a look at how how industry leaders use tax automation technology to optimize their business.

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