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Andrew Johnson • Jun. 19, 2018



For years, accountants have heard that our profession is changing. With the advent of new technology, we no longer will be data entry specialists or spend excess billable hours working on tax returns; instead, we have to morph ourselves into trusted advisors and business consultants.

I find two general reactions to this prediction of our evolution. First, internally, we may not feel that we're really qualified to be a "business consultant", and we may not be sure how we will find the time to become qualified. The second, and perhaps even

bigger, concern is that we may not think our clients see us in that way. After all, we

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State and Local Tax is a Space You Can Own

In the 2018 [survey](#) by *Accounting Today* of the top 100 accounting firms, the third biggest of the top niche services is state and local tax (SALT), and it's been in the top two or three over the last several years of this survey. Why? The estimated revenue from tax compliance practices of the Big Four and the top 100 firms is \$1.6 billion annually. This is a big revenue opportunity and it's getting bigger every day.

Clients expect you to help them be on the defensive from tax compliance issues. State governments have become insatiable, always looking for more tax revenue. And there is benefit to them from getting those revenues from out-of-state businesses. There is very little political cost to getting revenue from someone who can't vote you out of office, so they are focused on going after your remote clients.

One of the easiest entry points to adding these services to your firm is to add or expand on your sales tax returns filing. This helps you to add accuracy and efficiency to that process and several automated solutions are available.

Your clients want more tax compliance services, and your firm can grow and be more competitive if you extend even to your existing client base. Yet when I advise firms on how to expand their business with state and local tax compliance services I encounter two myths – that clients don't really need tax compliance help and that you need to be an expert to offer any services. Let's break these two concepts down.

Myth #1 – Clients Don't Need This Service

Every business that sells taxable items should be collecting tax somewhere. Now, if you have a client in a non-sales tax collecting state like Oregon and all of their customers are also in Oregon, then they are off the hook. Otherwise, if your clients are in a state that has a sales tax and they sell taxable items into that state, then they should be collecting sales tax.

Let me tell you a cautionary story of a client we worked with. His was a one-man

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mistake that could have been avoided.

I predict that every one of you has a client just like this person. As I said before, your clients already consider you to be their expert in all things tax, so they may assume that if you're not doing sales tax returns for them, they don't need to worry about it. There is room here for many unfortunate mistakes.

Here are the three biggest risks with state sales tax compliance that your clients (and your firm) face.

#1 – Undetected nexus. Your clients may be performing activities that create nexus, and no one has ever considered the sales tax implications.

#2 – Under-collected tax. Your clients may know about nexus, but they're not using the right rate. The United States has thousands of separate sales tax jurisdictions, and the rate can change by three to four percent from one house to another if it crosses a boundary. If your clients have customers in many jurisdictions, it can be hard to get the rate right. An easy way is to look it up on tools like Avalara's [TaxRates](#).

#3 – Tax collected and not remitted (TCNR). This is the cardinal sin of sales tax. TCNR can happen when your clients are collecting tax, but not filing returns. States tend to view that as very serious and criminal penalties can apply.

Myth # 2 – You Need to be a State and Local Tax Expert to Provide Services

I know that many accounting firms use a manual approach for sales tax returns, if they do them at all. It's how we first started in my firm. The manual effort can get great. Accountants download the sales data from their clients, and after endless

spreadsheet manipulations and macros, they produce a report that tells them how

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The Efficient Way to Do Sales Tax Returns: Automation

There are several solutions for automating sales tax returns. These bring efficiency in time, accuracy and the client experience. For example, Avalara's automated solution for sales tax returns, called [TrustFile](#), hooks up directly to your clients' sales data. This eliminates the need to download sales data and perform endless spreadsheet manipulations. Another beautiful thing about automated returns is it integrates with all of your clients' accounting platforms. The data is pulled into TrustFile and it actually populates all of the forms.

Automating sales tax returns also removes one of the major pain points of the old method. With the old method, we would populate the forms and send them back to the clients. It would be up to the clients to file them and pay the taxes.

With automation, once the returns are populated, you can just click a button and the returns will be filed in every state, with the funds be debited from your clients' account.

Accurate calculations for both sales tax and remittance is another major pain point alleviated by automation. In the United States there are 13,000 taxing jurisdictions that impose their own tax rates, but not every state has central administration of all the local taxes. In many states, each local jurisdiction administers their own sales tax, so you actually have to file returns with those local jurisdictions. TrustFile is on the verge of being able to provide even the local returns.

I hope you see now that adding state and local tax returns filing to your firm's services can make you more of a trusted tax advisor to your clients, and a true hero in keeping them safe from the risks of not getting sales tax right. And with today's software tools to automate the process, you don't need to be a sales tax expert to do this efficiently and profitably.

For additional information on this topic, view a recording of Andy's webinar [How To](#)

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