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Shane Ratigan • Aug. 15, 2018



When any article on sales tax is above the fold on the first page of any printed or online publication, it's either a very slow news day or a very big deal. In late June, the business and tax community witnessed a case that made headlines coast to coast.

The Supreme Court's verdict was in and the [*South Dakota v Wayfair Inc.* decision](#) was

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collection and compliance obligations will expand for many sellers. Assuming this is a well-rooted consensus – and I think it is – businesses and their advisors must consider the practical effects of what it looks like to be the new normal.

In many ways, sales taxes are a very local phenomenon with individual states and local government entities establishing taxing jurisdictions based on existing political boundaries or unique boundaries created for sales taxes alone. These many jurisdictions apply rates, set reporting rules and, in some cases, apply their own taxability determinations to transactions within their boundaries. In turn, the states and the local jurisdictions they encompass use sales tax collections to pay for government services and obligations that tend to benefit citizens on a local basis.

Civics 101 aside, the resulting patchwork of applicable rates, exemptions, deductions, forms, documentation requirements, taxability determinations, filing obligations and enforcement techniques presents a daunting challenge. This challenge is compounded when the number of states an organization makes sales into increases. Bottom line? This situation is prime for an automated solution.

Automation of sales tax calculation and reporting is inevitable for many sellers. For most large sellers, implementation of an automated solution is already in their rear-view mirror, yet many others, in the face of *Wayfair*, are only now considering how to conquer nationwide sales tax compliance. Automation as a principle is a sound one, and the sales tax environment's complexities make a good case for leveraging the benefits of an automated solution. For most organizations touched by *Wayfair*, automation provides a valid solution and is a likely outcome for many of them.

The usefulness of an automated solution is unquestioned, but a high-functioning sales tax administration solution requires more than just a subscription. In the wake of *Wayfair*, it's imperative that organizations assess their sales tax profile from a high altitude to gain insight into past period issues, current practices that work or don't

work, and stakeholder expectations. This early assessment should address the

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2. Next, **set some important milestones** going forward. Based on existing and soon-to-be-invoked state-by-state rules, what is the expected breadth of a company's collection obligations? Are the items or services it sells taxable in all jurisdictions?
3. Finally, **get the most out of any solution**. Assess the strengths and weaknesses of the options available. Plan for a seamless integration with existing people, processes and technology, and rely on tax and automation professionals to help meet deadlines and ensure expected outcomes.

The path to optimized sales tax functioning is unique to each organization. Automation is a natural milestone on that path for many companies, but taking the time to draw a map is crucial.

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