Classifications and Taxability

When businesses introduce a new product or service, it must be classified into the correct tax category. With more than 13,000 sales and use tax jurisdictions in the U.S. alone, and many having unique sets of rules for how products and services are …

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Avalara, Inc. a provider of cloud-based tax compliance automation for businesses of all sizes, has announced Avalara Managed Tax Category Classification, an artificial intelligence-based, self-service tool paired with assisted classification services to allow businesses to efficiently classify their products and services to tax categories — regardless of the size of their product catalogs. Avalara Managed Tax Category Classification will generate classification decisions and aid in state and local taxability determinations for businesses' U.S. product catalogs

"Today, the classification of product catalogs to correct tax codes can be an onerous

alone, and many having unique sets of rules for how products and services are taxed, accurately assigning taxability is challenging.

To determine product taxability, businesses must take into consideration details such as how an item is made, where it's sold, how it's delivered, and more for every jurisdiction. Because product and service catalogs and tax laws are continually changing, product classification and taxability determinations require year-round attention, staffing, and resources. Given the complex nature of product catalogs and tax laws, manual classification and determination could pose audit liability if done incorrectly, while also creating a strain on time, personnel, and financial resources for businesses.

Simplify your product classification with Avalara

Avalara Managed Tax Category Classification accelerates the classification process using machine learning. This enables businesses to:

● **Improve the accuracy of tax calculations.** Match products and services to the correct tax category, enabling more accurate tax rate determinations. Avalara Managed Tax Category Classification uses machine learning to provide up-to-date classifications that helps mitigate over- and undercharging tax, while leaving room to apply special considerations, like SNAP and WIC eligibility.

● **Save time classifying products.** Decrease the amount of time spent researching and making decisions on proper product classifications. Our deep product content database assists AI and machine learning algorithms and search functions to easily identify and classify products.

● **Simplify product classifications to protect business margins.** Accelerate time-to-market for new products with faster classification, and reduce the risk of penalties

and audit with more accurate classification details regardless of the size and volume

For additional information on Avalara Managed Tax Category Classification, please click here.

Artificial Intelligence • Sales Tax • Small Business