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with many having customers across the U.S., but with little or no requirements to comply with other states' sales tax obligations. The pandemic greatly increased the role ...

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By Tom Hood and Sona Akmakjian.

We often think change comes gradually. The evolution of the paperless office took more than a decade to hit a critical mass, and some firms still have work to do. The movement toward firms being completely in the cloud was progressing in the same manner, with many practices adopting cloud technologies for some of their

processes while holding on to a few legacy installed accounting systems. Then came

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client meetings, or other in-person processes. But the mandatory shutdown of offices (and major challenges to other types of businesses) forced rapid adoption of not only remote technologies, but workflow processes that enabled most or all staff at firms to work remotely, while still accessing data and serving clients.

Also spurred by the pandemic, firms **“accelerated the digitization of their customer and supply-chain interactions”** by three or more years, according to McKinsey. These are not likely to be temporary changes. As businesses return to normal, workflow processes will continue to be more digital and remote, with less interaction, particularly for financial and professional services firms. Likewise, firm staffing is likely to remain at least partly remote, with either staff who work remotely full time, or a hybrid model wherein staff spend two or three days in the office.

Sales tax challenges are growing

Sales and use tax compliance has too often been dismissed by accountants as a less profitable, time-intensive function subject to significant risks. For the smallest clients, those with reporting obligations to only their home state and a few cities or counties therein, the process was generally easy enough for the business to do it themselves. As entities grew larger and established more reporting requirements, they could retain in-house tax departments to manage the increased needs.

However, a massive evolution around sales tax compliance models is underway, though many firms and businesses are not yet understanding or acknowledging it. The 2018 South Dakota v. Wayfair, Inc. United States Supreme Court decision received significant attention to its general details — it allowed states to apply sales and use taxes to online sales — but few businesses or firms have taken the steps necessary to prepare for and anticipate the enormous changes coming.

As the economy has become more digitally based, there has been a corresponding boom in international sales, even among smaller businesses. Firms must also be

ready to help their clients navigate complex cross-border transactions and the sales

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remit sales taxes on their transactions to those states. This has resulted in added complexity of sales taxes for businesses of all sizes, who are now responsible for knowing the sales thresholds in each state, along with often arcane sales tax rates and rules, reporting deadlines, and other taxability issues by state.

Noncompliance is no longer an option either, as states — some faced with budget shortfalls further exacerbated by the pandemic — are making compacts with other states to allow for enforcement and audit efforts. Businesses, therefore, are in dire need of more than just filing assistance, but advisory services that software solutions can't provide. Accounting and tax firms must be ready to meet these needs.

Automation for firm profitability

For firms to provide clients with guidance and service throughout the sales tax returns, remittance, and reporting processes, they must have the right technologies and workflows in place to accommodate it. Significantly, the same explosion of technology that has enabled the rapid adoption of ecommerce and increased productivity, has resulted in technologies that allow firms to provide sales tax compliance services on a scalable level, promoting firm profitability and reducing risk.

While sales tax automation systems have been available for businesses for several years, there were none specifically designed and engineered for accounting firms managing compliance processes across dozens or hundreds of clients. As a result, in the decades that preceded the Wayfair ruling, a few successful specialty firms were built on sales and use tax compliance and advisory services. These firms leveraged manual processes, needed to regularly update sales tax databases and matrices, and assumed high risk and profit margins contingent on high volume.

Sales tax returns services for accounting firms

With sales tax returns preparation systems businesses have relied on since 2004,

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only a few or even thousands of returns to file across multiple jurisdictions).

The firm is relieved of the tedious work and risk factors inherent in manual filing processes as cloud-based systems provide review and oversight tools via intuitive dashboards.

The company also offers sales tax research utilities for firms, as well as a business license management system that streamlines and centralizes the process of determining where licenses are needed and what stage of each process the client is in.

Firms must meet the need

Sales tax compliance has become increasingly complex for businesses of all sizes, and these processes will only get more complex. Even as these issues increase, many businesses are still unaware that they face the risk of noncompliance in new jurisdictions and will be unable to keep up with the volume and tedious nature of the work when they do become aware.

Accounting and tax firms must get ahead of the curve, anticipate the changes to come, and adopt automated sales tax compliance technologies. This will enable firms to guide their clients proactively and reliably through all these processes, while also building a profitable and sustainable revenue channel based on advisory and compliance services. In addition, by leveraging cloud automation solutions, firms can confidently shift staff resources to higher-value advisory services. The result is strengthened client relationships, reduced risk of noncompliance, and lessening the overall sales tax burden on the client and the firm.

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