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SALES TAX

Automating Sales Taxes Enhances Client Relationships

One key to the firm's success has been adoption of technologies that help staff automate and streamline compliance processes, giving them more time to provide higher-value consulting services.

Isaac M. O'Bannon • Oct. 03, 2022



Kathy LaMonica knows sales tax better than most professionals. She also knows how time-consuming and tedious the processes can be. As a principal at Rea & Associates, where she oversees the firm's indirect tax compliance and consulting practice, Kathy serves clients across the country with wide-ranging compliance requirements.

The regional, Ohio-based firm was founded in the 1930s and primarily served Ohio-based clients until the late 1990s. The firm as a whole has experienced significant growth in recent years and is now ranked 78th on the Inside Public Accounting Top 500 Firms list. Through acquisition and organic growth, the firm has nearly doubled to about 400 staff in 12 offices, offering a broad range of traditional, and nontraditional specialty consulting services.

The state and local tax (SALT) practice, formalized six years ago, accelerated following the Supreme Court *South Dakota v. Wayfair, Inc.* ruling in 2018, which codified the concept of economic nexus and had a dramatic effect on how businesses of all sizes must manage and report sales tax across the country. As a result of the added complexity and tax liabilities due to the Wayfair decision, the SALT team has expanded their service line and grown from three staff members to 11.

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“Most of our initial SALT clients were Ohio-based and didn't give much thought to compliance outside of the state. Wayfair really changed that,” Kathy says. “At first, our clients were not considering the tax effects of selling in states outside of Ohio. With Wayfair and economic nexus — where sellers have the obligation to collect and remit sales tax in states where they have no physical presence, once they reach certain sales thresholds — our clients were suddenly hit with new compliance responsibilities. Because I've been in the business of sales and use tax for most of my career, I knew that to better serve our clients and for us to grow, we needed something to help us process additional returns more efficiently and more accurately.”

After evaluating technology solutions, Kathy's team chose Avalara Returns for Accountants. The cloud-based system automates sales tax returns preparation and filing for all jurisdictions in the U.S., with databases of up-to-date rates, rules, and product taxability issues. Further streamlining the process, Avalara imports business sales tax data directly from clients' accounting and ecommerce platforms, eliminating the manual labor that is also the most prone to error.

Faster prep = more time for more clients

How has Avalara Returns for Accountants helped Kathy's firm? For one client who has Texas returns with many line items, it used to take the firm up to three hours to manually prepare their return each month. With the automated system, Kathy says that particular return now takes about 10 minutes.

“We used to spend a solid three weeks getting monthly returns done, and we were doing fewer returns back then. We've had a 42% increase in returns each year for the past two years, and now we're done with sales tax returns in a week and a half.” In less than one year since they started using the system, the firm has cut average sales tax preparation time in half. “Our sales tax compliance group is estimating another 40% growth in sales tax returns processed this year. Without Avalara, we would need more full-time employees just to get the returns out the door. With talent very difficult to find, this technology has provided us with expanded capacity to allow us to grow even more.”

Avalara Returns for Accountants has also benefited Kathy's clients. By enhancing the value clients get from the firm and by being more visible and engaged with clients, the sales tax channel is strengthening client relationships, while also relieving clients of a lot of stress and letting them focus more on running and growing their businesses.

“Now that we're not doing all that manual work, we can offer our clients a better price on that service. And they still have the peace of mind of knowing that their returns are being managed by people who understand their business. This gives us more time to be their trusted advisor and focus on consulting work like nexus studies and taxability reviews instead of filing returns. And it's good for the firm, too, because we're offering added value on the consulting side.”

Kathy explains that relying on Avalara for Accountants also gives the firm an additional selling point. “Because we're not just offering a commodity, we can offer that value and that consulting expertise. I look at it as something I'm contributing to the rest of the firm because of the specialty services we can provide. Automating the returns preparation process frees up time to focus on more valuable client service, and that's great, but it also allows the people who work with me to learn what I've been able to learn. So, I love that my staff are not just doing sales tax returns for three weeks every month, because you don't learn as much doing that. I would rather talk to my clients than do sales tax returns, and I want my staff to learn how to become good sales tax consultants as well.”

Kathy says she's aware of other firms that outsource their SALT work and knows that some clients prefer to do their own compliance. But she also knows that isn't good for the firm or the client. "What was really important to me, for my clients, for my customer service, was to maintain that relationship and not pass those returns to somebody else. I didn't want to outsource. So having the functionality to be able to process these returns on our own was critical. And for support, the people at Avalara have just been amazing. Any time we have questions or need a meeting, they are very responsive, especially when explaining the Avalara Returns for Accountants software or troubleshooting issues."

At the heart of a firm's value, of course, is providing clients with assurance in their compliance. Kathy says that because Avalara Returns for Accountants streamlines and automates the tedious and risk-prone data entry and reporting tasks, with firm staff providing review and management, clients don't have to worry about constantly changing sales tax rules.

"My clients are very important to me — their troubles are my troubles and I want to help them in any way I can. And I think the way that we've been able to evolve this practice is by automating sales tax returns processes, giving us more time to develop direct relationships with clients to better understand their business. It's important that they're getting a quality product and that we can give it to them at that level and still be able to grow."

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