

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

ADVISORY

Eide Bailly Sees Risk Awareness Driving Growth in Sales Tax Automation

Top 20 firm Eide Bailly has found ways to help clients stay in compliance with these varying regulations and minimize the audit risks they pose.

Isaac M. O'Bannon • Jan. 17, 2023



Eide Bailly sees risk awareness driving growth in sales tax automation

Sales taxes continue to be one of the most dynamic and risk prone areas of business operations, particularly since so many businesses are still not fully aware of their compliance requirements. Nearly five years following the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.*, which enabled states to implement economic nexus laws, businesses continue to discover, sometimes through painful audits, that they have unaddressed tax obligations. Top 20 firm Eide Bailly has found ways to help clients stay in compliance with these varying regulations and minimize the audit risks they pose.

Auditors are becoming more active

While many state auditors' offices were less active during the pandemic, tax authorities are now back in full force, actively looking at compliance — and [sales tax audits have been increasing](#). As a result, many existing and potential clients are looking to their trusted advisor to help reduce risk and get into full compliance.

A recent [guidebook by Avalara](#) shows the industries that are most commonly audited, the most frequently found errors, and the cost of noncompliance. Businesses that are noncompliant can typically face \$110,000 in penalties and fees.

Eide Bailly realized it was well-positioned to help its business clients through an advisory-first approach to educate them about their compliance responsibilities. Through its partnership with Avalara for Accountants, Eide Bailly can provide referral services to clients to onboard the right tax technologies, thereby mitigating risk and increasing efficiency.

Risk propels the conversation

Some clients first realize they are noncompliant when they receive a notice from a state, while others are prompted into action through continuing advisory services, said John Gupta, principal of the Eide Bailly SALT Services group. He continued to say that when these clients are able to have a discussion with their advisor about their risk exposure, it is often an eye-opening experience.

“It’s usually a difficult conversation when a business leader really understands the risks that they are exposed to, and the financial risk connected with being unaware of sales tax noncompliance obligations,” Gupta said.

According to Gupta, once their risk and exposure has been identified, the client knows they have to find an immediate and long-term solution, either implementing

a recommended cloud-based solution or having the firm provide sales tax compliance as part of an outsourced accounting service.

Eide Bailly advisors also help clients assess sales tax risks and technology solutions for reducing that risk when they are guiding them through financial operations strategies and technology implementations, said Dino Farfante, principal and chief growth executive of Technology Consulting Services at Eide Bailly. “When companies grow and become more complex, they also have changing needs, which can include upgrading an ERP or migrating from a manual system or a QuickBooks type environment,” Farfante said.

“Helping them move to a cloud-based ERP also allows the discussion to move into other areas where automation can help them, including sales tax compliance issues,” he continued. “When we have a client whose sales tax needs can’t be met with their ERP, Avalara is our go-to partner.”

Clients will also realize they may be at risk when they have a change in financial management staff, according to Shaylee Olson, who directs ERP implementation for the firm. “If the client gets a new controller, CFO, or tax manager, they often come in looking for suggestions on where they can automate. Automating their taxes with Avalara can be an easy win for them.”

She added that the specialty groups at Eide Bailly work together to help solve these client needs. “We work collaboratively across teams, including with the SALT group, our outsourcing team, and with partners like Avalara.”

In order to improve operational efficiencies and decrease the risks associated with sales tax compliance, teams at Eide Bailly have referred clients to Avalara for about 10 years. The Avalara for Accountants program provides Eide Bailly’s essential referral services, in addition to in-house compliance tools based on Avalara’s proprietary technology, as well as a certified implementation services component for firms wanting to directly implement Avalara solutions at client sites.

Olson noted that they prefer clients to use Avalara if they have multiple tax jurisdictions, ongoing nexus risks, and large volumes of returns. “If they want to automate the right way, even if they don’t have that much complexity but have a lot of states or volume, Avalara is the best solution.”

“It’s still shocking to me,” said Gupta, “that almost five years after Wayfair many fairly sizable companies just aren’t aware” of their compliance requirements. “It’s a

new thing for them, and they can still be surprised that they have to collect sales tax in places where they don't have a physical presence.”

How does automation help their clients?

Automating sales tax starts with integrating with a client's ERP, or sales and accounting systems. After this, the compliance process can be significantly automated, including returns processing and filing. Remittance to taxing authorities can be handled by Avalara for all jurisdictions where clients have an obligation. The clients' financial managers always have access to live, detailed reporting to ensure compliance.

How does automation help Eide Bailly?

Offering the right tax automation solutions helps drive client interest and growth in the firm's technology advisory, SALT, and outsourced accounting services, and this digital transformation also helps the firm by providing greater assurance that clients are more compliant, and that data is more accurate. These factors help clients to be more financially sound and better plan for growth, further strengthening the firm-client relationship.

“Client experience is incredibly important to Eide Bailly,” said Farfante. “We want to continue to grow with our clients and this gives us confidence that we're adding value to them throughout their lifecycle.”

Avalara • Eide Bailly • Advisory • Sales Tax & Compliance • Article • Sales Tax • sales tax audit • Sales Tax Automation • sales tax reporting • Small Business

CPAPA is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2023 Firmworks, LLC. All rights reserved