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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.

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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

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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?

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continue to grow with our clients and this gives us confidence that we're adding value to them throughout their lifecycle.”

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