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Outsourcing

Having outsourced professionals act as business management sherpas frees business owners and managers from tedious tasks and greatly reduces errors that can prove costly.

Isaac M. O'Bannon • Oct. 24, 2023



For almost as long as commerce has existed, small business owners have struggled with managing their finances and taxes, while at the same time running the operational side of their businesses. In the U.S., many of these entrepreneurs have long relied on the services of tax professionals or CPAs for year-end compliance needs, and to retroactively compile, reconcile and correct their clients' books and produce financial reporting.

With the increasing adoption of cloud-based business systems, these small business

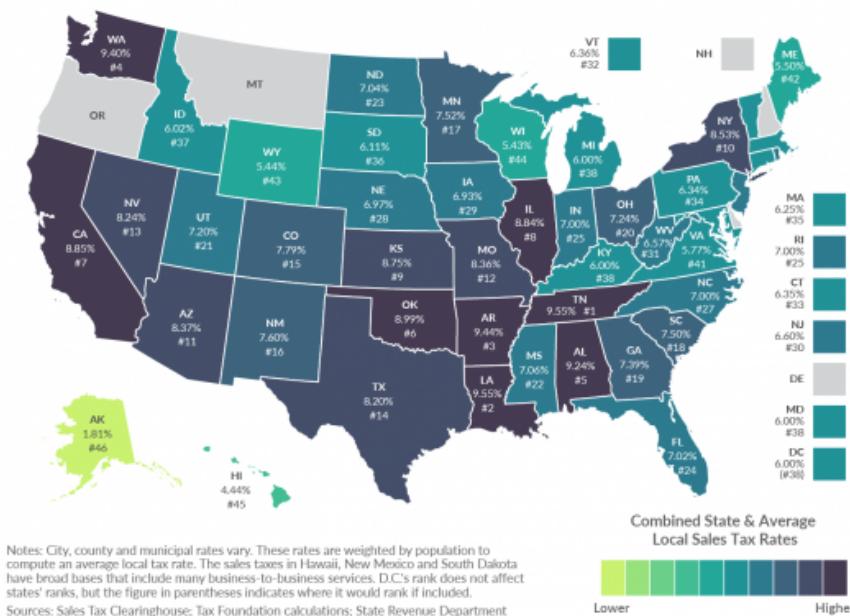
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complex and vexes many entrepreneurs: sales tax compliance. In the U.S., there are more than 13,000 taxing jurisdictions, including states, cities, counties, and a variety of [special districts](#). Each has unique tax rates and rules defining taxability of products and services, including special exemptions, sales tax holidays, and other factors that can pose significant tracking challenges for businesses trying to stay compliant. In addition to these inherent complexities, states are continuing to adapt and amend sales tax regulations related to [economic nexus](#) following the S. Dakota vs Wayfair Supreme Court ruling in 2018.

How High are Sales Taxes in Your State?

Combined State & Average Local Sales Tax Rates, July 2023



TAX FOUNDATION

@TaxFoundation

2023 sales tax rates. Source: [The Tax Foundation](#). (Click for larger image.)

Many small businesses don't know how hard these local taxes can be until they are over their head and perhaps already facing a sales tax audit, according to Brian Miller, a CPA and tax manager at [indinero](#), a financial advisory firm that offers outsourced CFO, tax, compliance, payroll, accounting and bookkeeping services.

Most of the firm's nearly 1,000 clients are venture-funded startups and small

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need some help with registration or sales taxes, we help them get in contact with [Avalara](#), who are really the top experts in doing sales taxes for businesses in the U.S.”

As an example, Miller said they had a client with sales in New York but the client was unsure about associated sales tax reporting and collection requirements. “They didn’t know what they needed, so we conducted a [nexus study](#) and determined they did have obligations in the state, so we helped them get started with Avalara.” Avalara’s cloud-based compliance solutions handle sales tax calculations, reporting, returns, remittance, license and registration, exemption management and other services, in addition to tracking tax rates and rules across the above-mentioned 13,000+ taxing jurisdictions.

The Trusted Advisor Role

“At indinero, we want to be our clients’ trusted advisor,” Miller added. “We do their bookkeeping, accounting, CFO and tax work, help them with business structures and planning, and provide guidance in virtually all areas. But even with our staff of 230, we don’t have the bandwidth or expertise to manage the tedious requirements of sales tax compliance across thousands of jurisdictions. So, we recommend our clients use Avalara, who are by far the best in this area, and have sales tax and legal experts on their staff to ensure compliance.”

The indinero staff maintains an advisory role regarding their clients’ sales tax issues, providing guidance through the complexities as Avalara handles the tax compliance automation functions. “The client’s indinero controller is the quarterback of the relationship,” Miller said, “working closely with the clients and the sales tax technology solution, just as they do with the other business programs they use.”

Preferred Referral Partners are Essential

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may need to revisit their sales tax processes or turn to a provider like Avalara.

“Tax pros should note whether a business added or changed business locations, had sales or staff in new states, or if they suddenly increased volume or dollar amount sales growth in one or more jurisdictions,” Miller said. “Since these issues can change their sales tax reporting requirements in different states, the tax professional should alert the client and help them resolve the situation before it becomes a problem.”

Sales Tax • State and Local Taxes • Technology

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