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Isaac M. O'Bannon • Mar. 27, 2024



[Avalara, Inc.](#), a provider of cloud-based tax compliance automation for businesses of all sizes, today released findings from a new survey of The survey findings reveal that

A majority of businesses believe that use tax is challenging, with many indicating the cost of managing use tax obligations is high for their business. That's according to a new survey from [Avalara](#) of accounts payable departments, accounting, finance, and tax professionals that focus on managing use tax obligations.

Use tax is an indirect tax levied on the use, storage, or consumption of tangible personal property or services, and is paid for by the purchaser. All 45 states that have

sales tax also have use tax, and certain industries, like manufacturing, construction,

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power their businesses.”

Top challenges for managing use tax vary

Businesses of all sizes face multiple challenges related to use tax that can significantly impact various aspects of their procure-to-pay processes. More than half (53%) of respondents said one of their most significant challenges is that tax rules and rates are complex and subject to change. Furthermore, 42% of respondents said the cost of managing consumer use tax obligations is high for their business, with 23% indicating the average cost of managing consumer use tax is between \$10,000 and \$50,000 annually, and 20% indicating it costs between \$50,001 and \$100,000.

Approximately 39% of respondents said a top challenge within their business is that use tax compliance requires specialized teams and skills, and 32% said they've had to refocus away from other compliance obligations within their business.

Nearly a third (32%) of respondents also indicated that audit risks are high, especially when managing consumer use obligations. Of the 40% of respondents who revealed that their business has been audited within the past three years, 63% said consumer use tax was a *substantial* part of the audit process.

Automation is needed to manage consumer use tax obligations

Managing tax manually isn't efficient, which is why so many companies need automation to make the process easier, and some are beginning to realize the value of technology. At the same time, many respondents highlighted a desire for consumer use tax solutions that integrate with the systems they use to run their businesses: 52% of respondents indicated that more solutions that seamlessly automate complex tax assessments for accuracy across their business systems would also improve their

approach to managing consumer use tax. To that end, Avalara is including plug-and-

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