

An insider's look at the Avalara compliance suite



Disclaimer

While we hope you'll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.



Avalara

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Meet your presenters



Christine Martin

Senior Solutions Consultant
Avalara

Christine Martin is the Senior Partner Solution Consultant at Avalara, based out of Montana. Prior to Avalara, Christine spent 25-plus years working in industry in the sales and use tax space, starting her career at Marriott headquarters in Bethesda, Maryland. Christine has been a tax manager at a Fortune 1000 paper manufacturer as well as Director of Compliance for a telecommunication tax outsource provider. Additionally, she spent 4 years managing a partner channel in the business intelligence and financial reporting space. Christine has been a frequent presenter on sales and use tax, and business intelligence topics.



Kael Kelly

General Manager of Exemption
Certificates and Tax Research

Avalara

Kael has 25 years of technology experience in industries spanning telecommunications and SaaS. He has worked in Fortune 500 to mid-market firms to start-ups in roles that include market research, product management, marketing, sales, general management, and executive leadership.

Agenda

- Sales tax Challenges & how Avalara's compliance suite can help
 - Know your nexus
 - Managing exemption certificates
 - Calculating the right amount of tax
 - Consumer use tax
 - Filing returns & remitting tax
 - Cross-border commerce
 - E-invoicing & live reporting
- Avalara compliance suite
- Q&A

The complexity of tax
compliance

What makes tax compliance so challenging?





Vendors



You



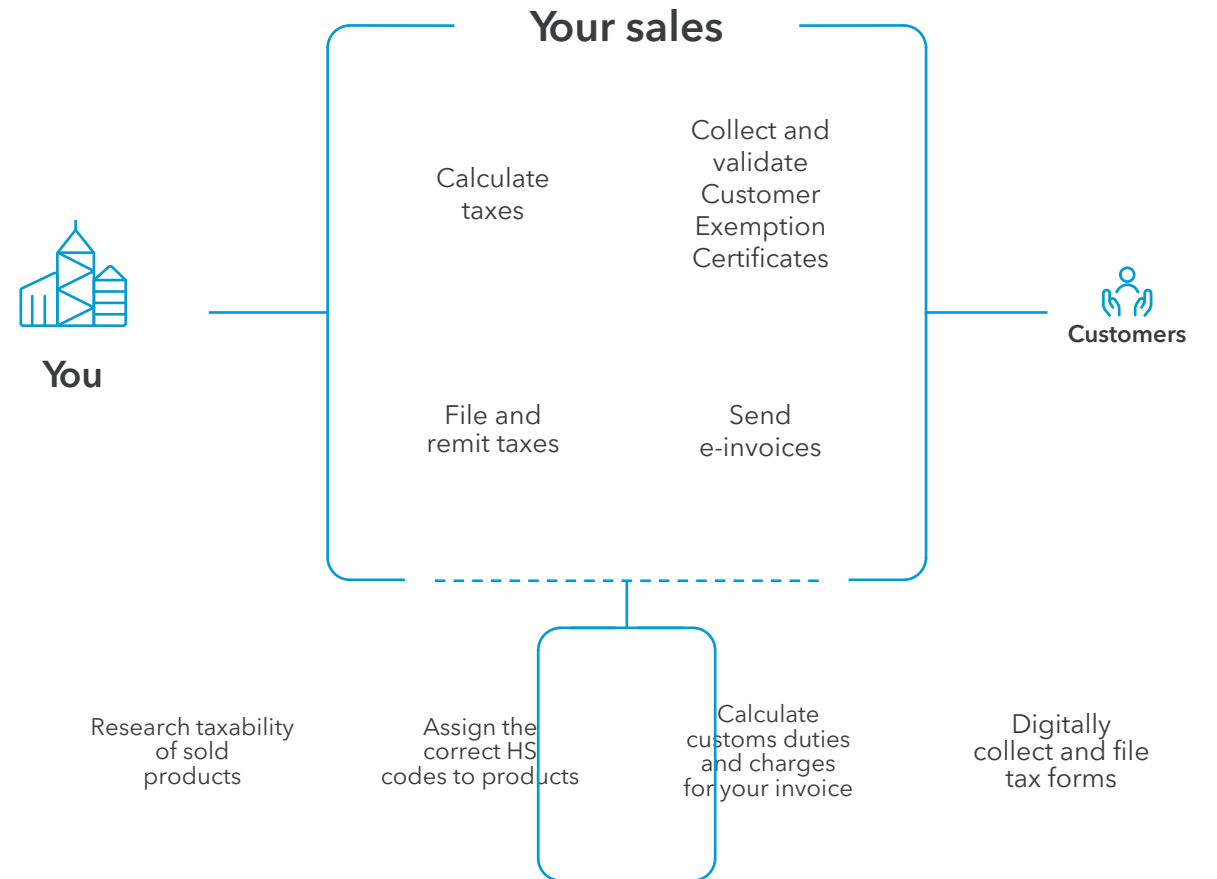
Customers

Comply with
business
licenses & tax
registrations

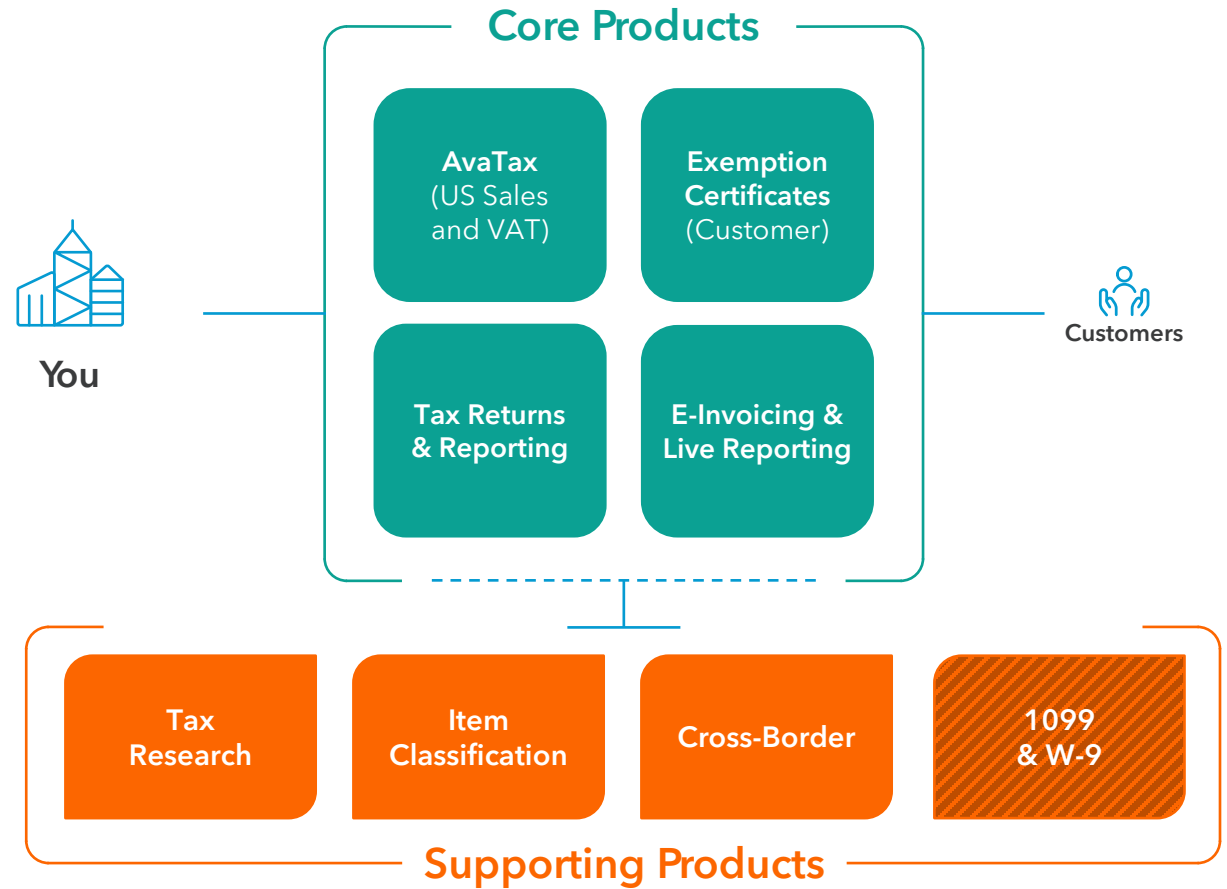
Assess your tax
compliance risk
and submit
voluntary
disclosures

Manage
property tax
assessments
and returns

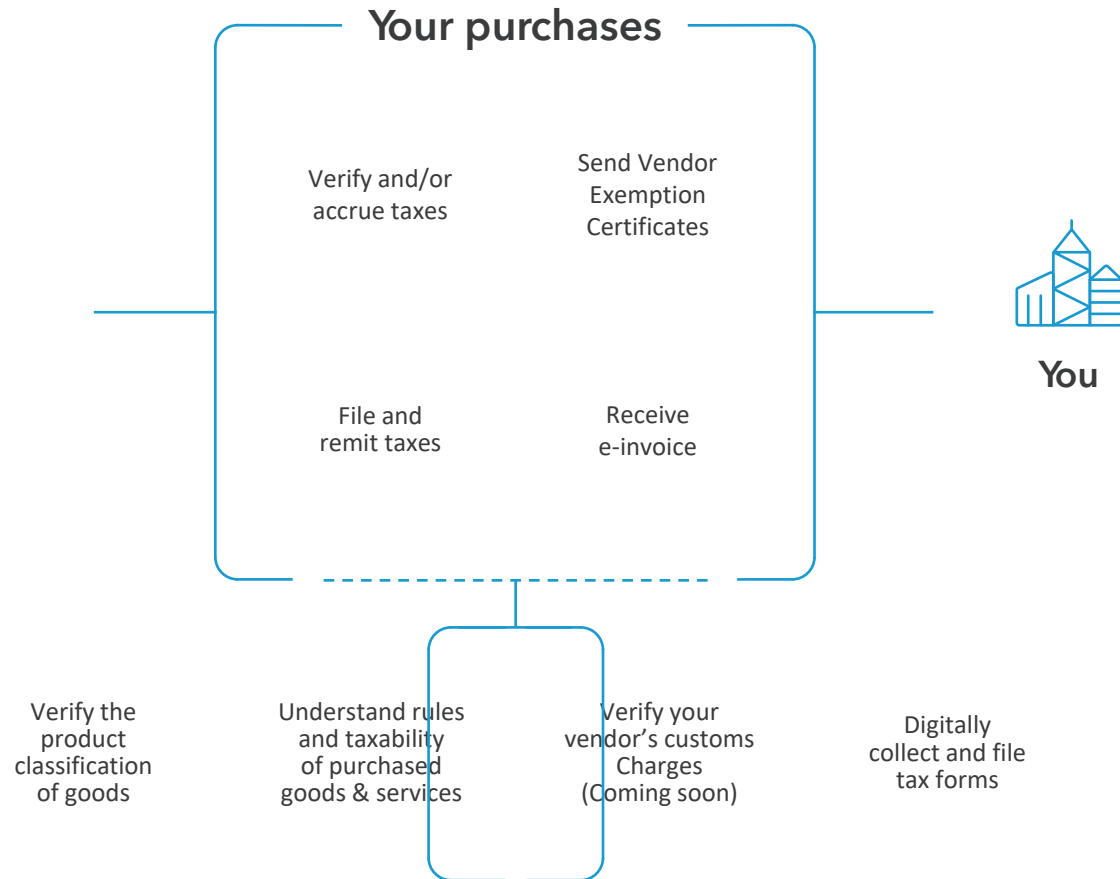
Avalara sales compliance products



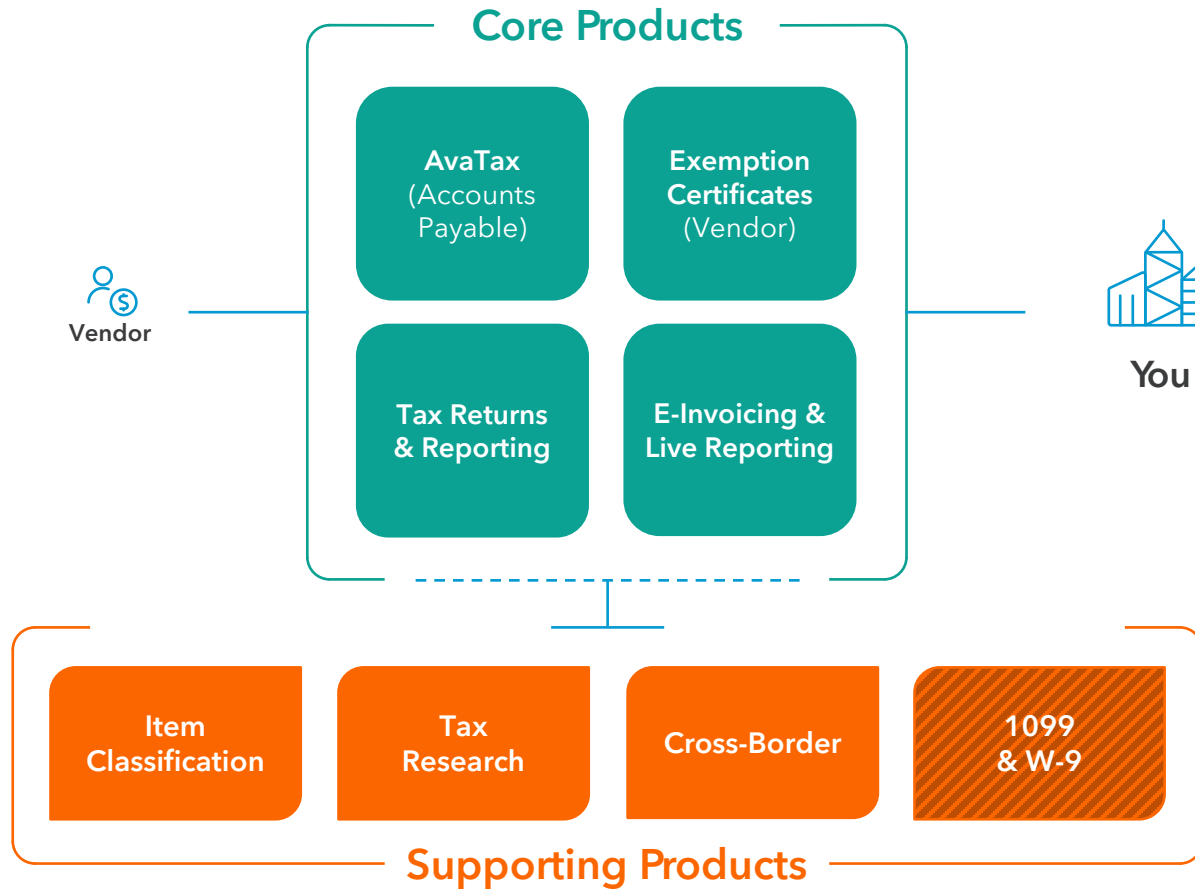
Avalara sales compliance products



Avalara procurement compliance products



Avalara procurement compliance products



CHALLENGE #1:

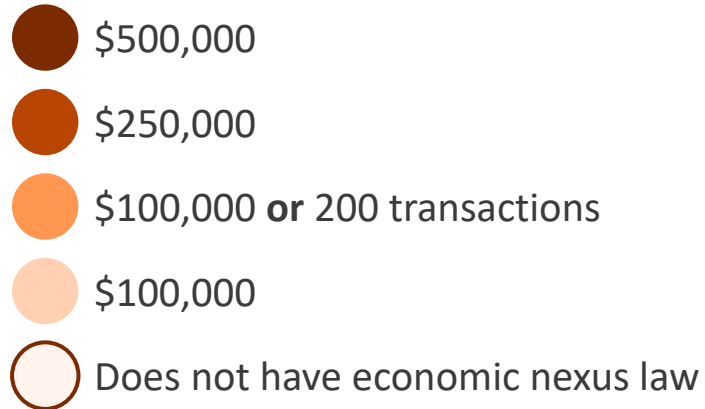
Know your nexus

A GROWING LIST

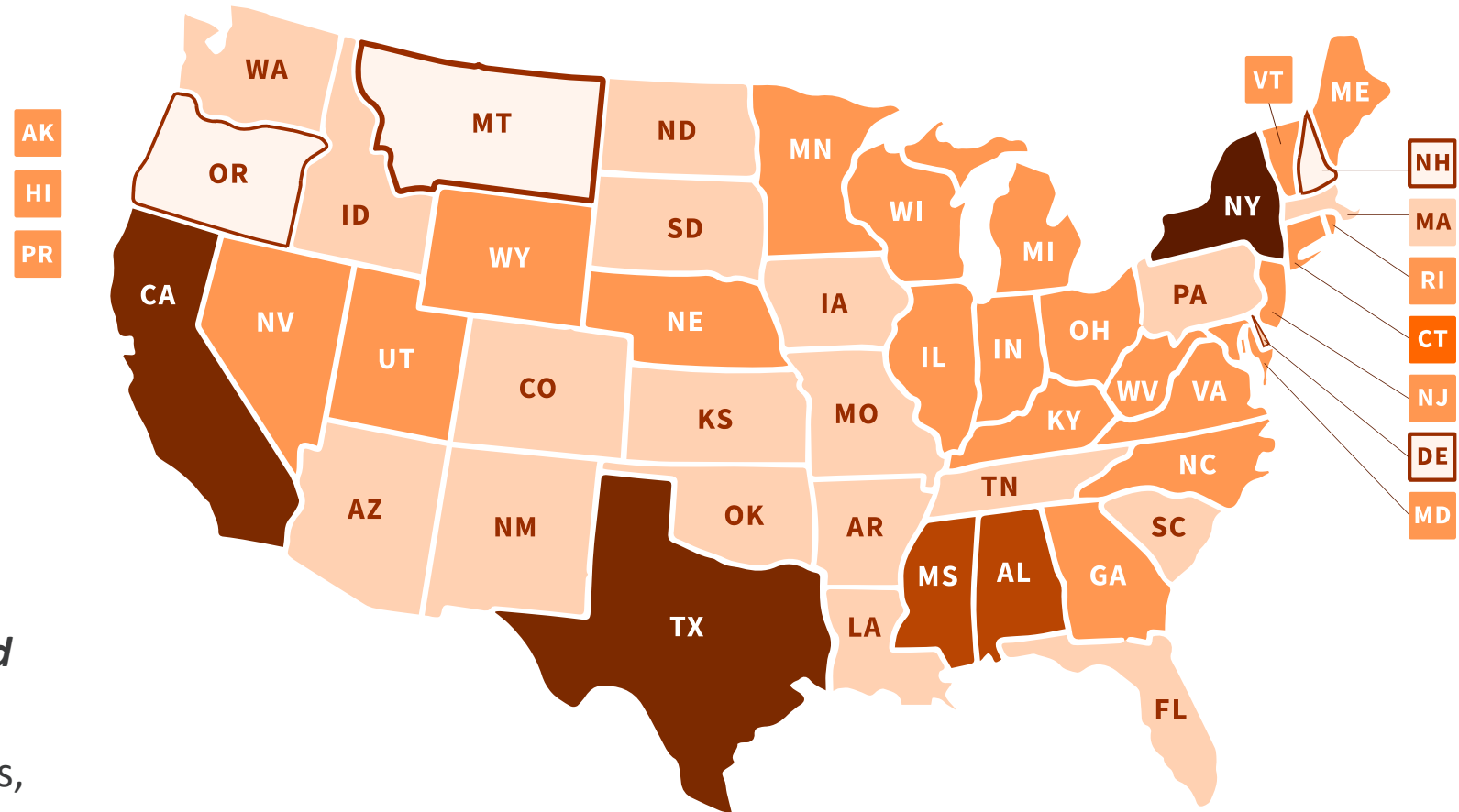
Nexus-creating activities

 Multi-state locations	 Affiliates
 Maintenance / service / repairs	 Tradeshows
 Own / lease real property	 Commissions to resellers (1099s)
 Hosted data centers	 Investors / board members / employees
 Field sales / service staff	 Marketing / web advertising
 Charge licenses / royalty / fees/Franchisees	 Drop shipments
 Direct and / or online sales	 Maintenance contracts
 Maintains inventory including 3rd party owned warehouses	 Remote sales

Economic nexus thresholds by state



- > Connecticut's threshold is gross receipts of \$100,000 *and* 200 retail transactions
- > New York's threshold is \$500,000 *and* 100 transactions
- > Certain states exclude resale, services, digital, SaaS, and more.



Double check your sales tax obligations by location

Almost every state requires businesses to register to collect and file sales tax if their sales volume is high enough. [Avalara's sales tax risk assessment](#) can help you figure out where you could be on the hook for sales tax.

Premium Sales Tax Risk Assessment

Comprehensive report providing:



Where the company create nexus



When the company create nexus



Product/Service **taxability** by state



What is the **liability** if any for unreported tax, interest and penalties.

CHALLENGE #2:

Exemption certificate
management

Avalara Exemption Certificate Management vision and product highlights

ECM Essentials, Pro, & Premium: Intelligent exemption certificate management

1

Automate
all workflows

2

Ensure accuracy
build in intelligence to ensure certs are
accurate, valid, up-to-date

3

Handle any sales channel
help customers become digital-first
(turn paper into pixels)



Request certificates

Validate certificates

**Manage certs:
up-to-date, none
missing**

**Reach out to
customers / run
campaigns**

**Report – audits,
customers, etc.**

CertExpress
(Web portal)

CertExpress
OCR
Managed Services

Automated
Workflows

Automated
notification, robust
campaigns

Basic & Advanced
Reporting

How ECM creates intelligent exemption certificate management



Integrates with AvaTax, invoicing platforms, websites and other tax engines for real time verification.



Available ecommerce module, APIs, and professional services



Directs buyer to proper documentation, eliminating need for onsite expertise



Insights and centralized collaboration



Extensive reference library of exemptions laws



CHALLENGE #3:

Calculating the right
sales tax amount

Calculating the correct sales tax amount

- › There are more than **13,000** tax jurisdictions in the U.S. and **1,800** different rules.
- › Each jurisdiction has **different tax rates** and **product taxability rules**.
- › In 2023 alone, there were **97,000** rate and taxability updates in the U.S. and Canada
 - › 98,000 U.S. sales tax holiday rule updates
- › No sales tax administered in the NOMAD states: New Hampshire, Oregon, Montana, Alaska and Delaware



13,000
tax jurisdictions
in the U.S.*

Avalara AvaTax



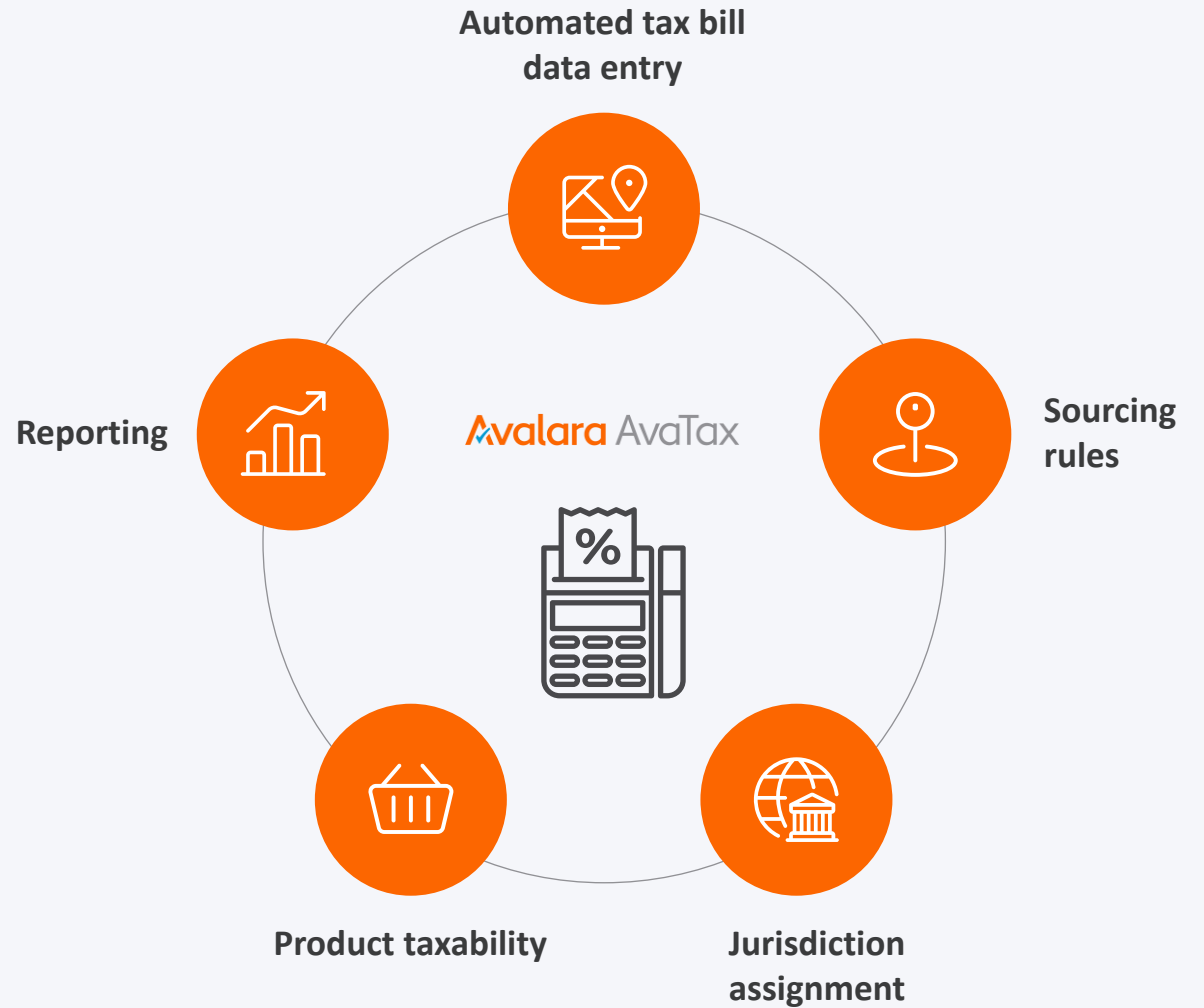
Reduce risk of exposure



Simplify tax research and maintenance



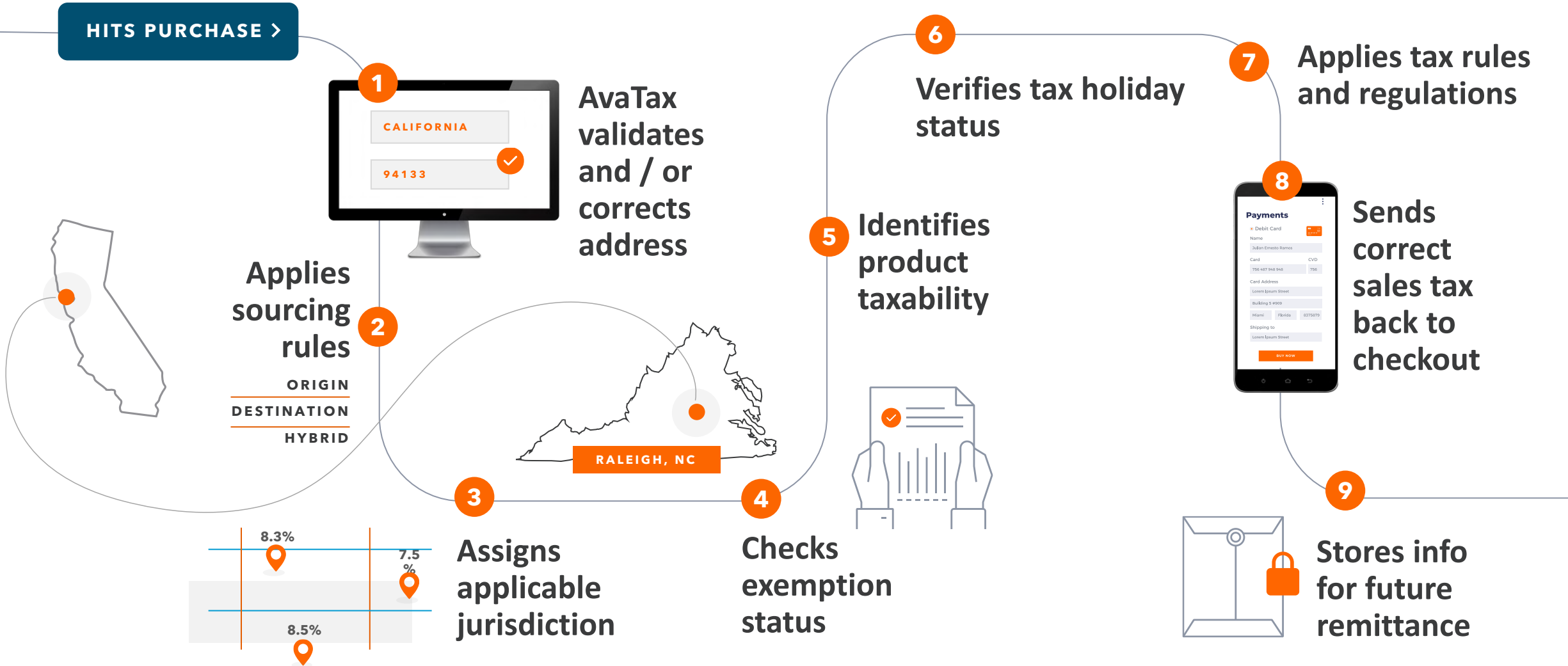
Reduce implementation time and cost through integration



SALES TAX

The sub-second challenge

HITS PURCHASE >



CHALLENGE #4:

Consumer use tax

Consumer use tax challenges



Self-assessment is a manual, resource intensive process requiring specialized skills



Use tax rules and rates are complex and subject to change



Integration and automation are difficult: tax triggers come from many sources & data management is complex



Audit risks are high

The image displays three overlapping tax forms, illustrating the complexity of consumer use tax reporting across different jurisdictions:

- STATE OF WEST VIRGINIA State Tax Department, Tax Account Administration Div:** A form for reporting sales tax. It includes sections for 'PART I Sales Tax - State' and 'PART II Use Tax - State (in addition to purchase tax)'. It lists various exemptions and provides a grid for calculating tax on sales.
- STATE, LOCAL, AND DISTRICT CONSUMER USE TAX RETURN:** A form from the California Department of Tax and Fee Administration. It includes a checklist of instructions (1-15) for reporting sales and use tax, such as 'Enter the purchase price of tangible personal property which has not been paid to a retailer' and 'State use tax 6.00% (multiply line 1 by .0600)'. It also features a signature line for the preparer.
- NEVADA DEPARTMENT OF TAXATION COMBINED SALES AND USE TAX RETURN:** A form for Nevada. It includes a table for calculating tax based on 'TOTAL SALES', 'EXEMPT SALES', and 'TAXABLE SALES'. The table has columns for 'CALCULATED TAX' and 'AMOUNT SUBJECT TO USE TAX' across multiple columns (A through H). It also includes a signature line and a barcode at the bottom.

AvaTax for Accounts Payable

Streamline vendor use tax management by automating complex and time-consuming tasks in any procurement process



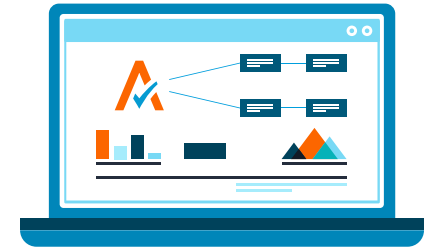
Identify, calculate, and correct **overcharged and undercharged** vendor use tax



Centralized within AvaTax for **real-time calculations with integrations** as well as batch imports



Provides a single location in which to **view, act, and report** on purchase transactions



Seamlessly works with Avalara applications **including Vendor Exemptions, Returns and Reporting**

Auto-Accrual Management

Efficiency through allocation rules and thresholds



Allocate tax from a **single line item across multiple jurisdictions** or different entity use codes



Set thresholds to prioritize high-risk and low-risk purchases



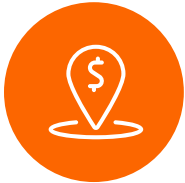
Automatically accrue tax based on thresholds for variance calculated

CHALLENGE #5:

Filing returns and
remitting tax

Remitting sales tax to the tax authority

Overview



Once sales tax is remitted, those funds need to be remitted back to the jurisdiction.



Each tax authority has unique requirements around remittance.



Sales tax returns must include aggregated data across all sales channels.

Nuances of sales tax remittance

- > Paper remittance vs online remittance
- > Varying remittance due dates
- > Prepayments
- > Handling of tax notices
- > Filing in local jurisdictions
- > Late payment fees
- > Multiple payment methods

Aggregating tax data

Multiple data sources

- POS, e-commerce, marketplace, accounting/ERP systems, etc.

Consolidation & breakout

- State & local jurisdictions, business type & exemptions

Review & reconciliation

- Process for validation and archive in case of an audit



Managing returns filing



1,000+ jurisdictions & hundreds of forms

- > Latest forms
- > Due dates vary by state: 15th, 20th, 25th, or last day of the month
- > Filing schedules vary monthly, quarterly, or annually (subject to change)
- > Timely filing discounts and late filing penalties



Filing and payment options

- > Mandatory online filing: Account setup & filing time
- > Website changes
- > Coordinating filing and payment



Historical records

- > Proof of filing & remittance in case of audit

CHALLENGE #6:

Cross-border commerce

The customer challenge

Classifying physical goods



*"I sell to over 150 countries,
and each has a different
classification code?"*

Understanding import/export restrictions



*"How do I know if I'm
allowed to import or
export my products?"*

Calculating duties & taxes

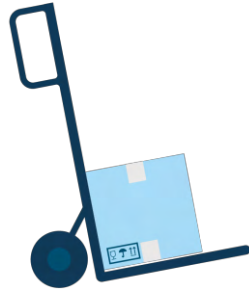


*"How much do I need to
charge? How do I know if I'm
making or losing money?"*

Cross-border problems Avalara solves



**Abandoned
carts**



**Products stuck
in customs**



**Wrong
HS codes**



**Bad buyer
experience**

Avalara Cross-Border compliance solution

A seamless solution for e-retailers and marketplaces

MODULAR SET OF CROSS-BORDER OFFERINGS



Know government restrictions when selling goods across borders

Trade Restrictions Management



Identify the country-specific HS code & maintain mapping across product catalog

Tariff Code Classification
Self-Serve | Managed | Premium



Real-time calculation and/or estimation of duties

AvaTax Cross-Border
Estimated | Calculated



Real-time calculation of import taxes



Supports customs entries

Global Trade Services
Outsourced | Self-serve

SEAMLESS SUITE OF GLOBAL SOLUTIONS



Registrations



Classification



Calculation



Trade Treaty Support



E-invoicing



File & Remit



Fiscal Representation



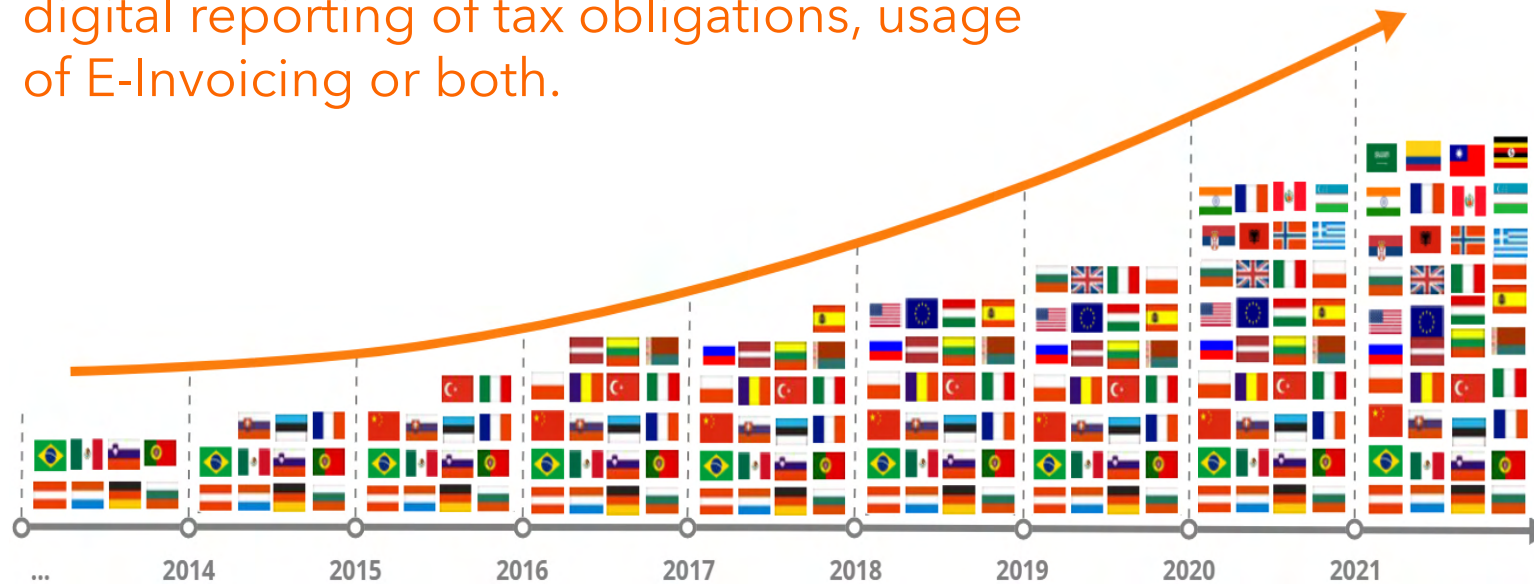
Document Management

CHALLENGE #7:

E-invoicing and
live reporting

Digitization challenges: E-reporting & E-invoicing mandates

Governments of many countries require digital reporting of tax obligations, usage of E-Invoicing or both.



Source: PwC e-invoicing & e-reporting CoE, September 2021

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Drivers behind mandates:

Reduce the VAT gap

- > Receiving transactional details in real time limits the time for fraud
- > Summary VAT reporting not sufficient

Compliance standardization

- > Invoices contain all VAT relevant data
- > Efficient audit checks in real time

Avalara E-invoicing and Live Reporting

Your seamless, single, and scalable E-Invoicing solution



Seamless

Boost capabilities of your business systems.

Seamless integration allows you to quickly add e-invoicing capabilities to your accounting / ERP systems and keep them in line with changing regulations.



Single

Solve E-Invoicing as well as tax compliance challenges.

E-Invoicing support for 60+ countries combines with tax expertise to let you create e-billing workflows that adhere to local tax and E-Invoicing rules.



Scalable

Expand your business and increase efficiency.

The flexible E-Invoicing solution allows you quickly scale your operations abroad. With additional digital processes, you can scale your efficiency.

How Avalara E-Invoicing works

Globally available cloud-based E-Invoicing compliance

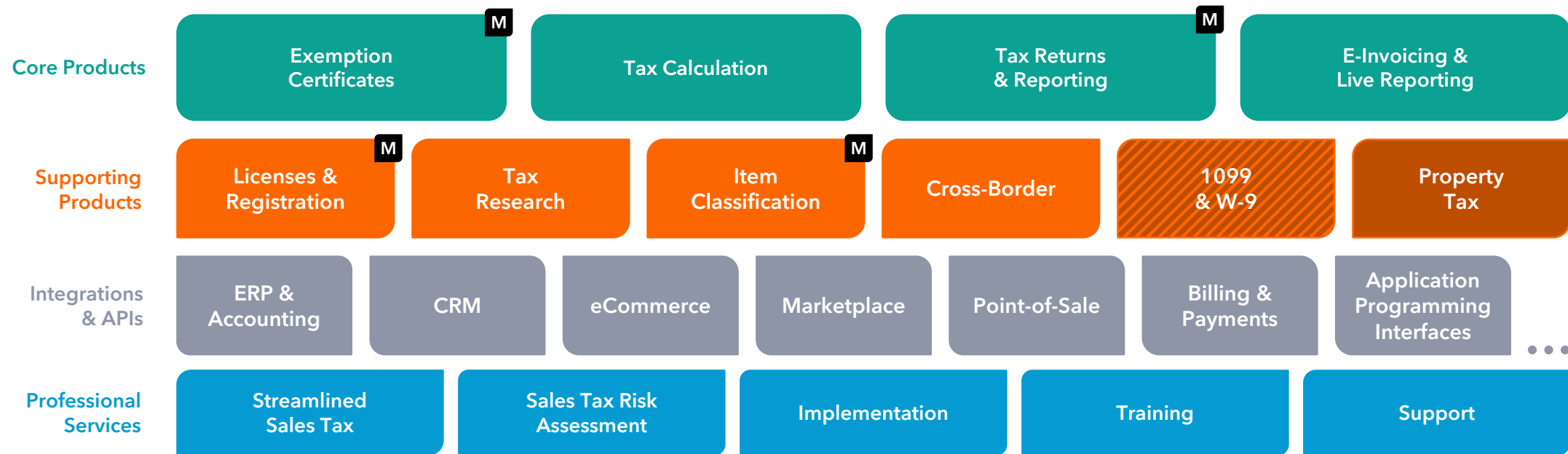
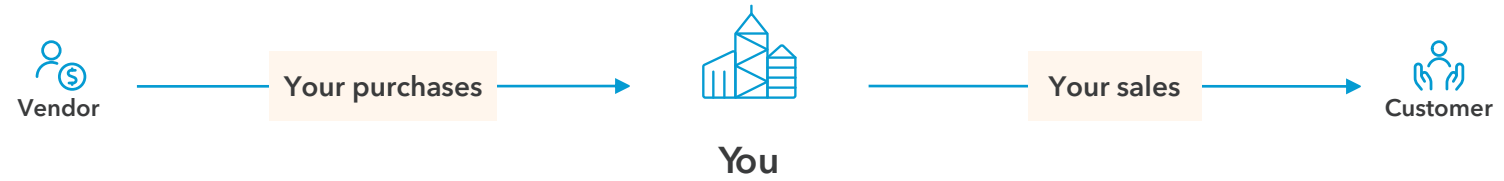


* As well available for private customers (B2C) and small businesses without own ERP

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The Avalara compliance suite

Avalara products and services



M Managed services

The economic impact of Avalara

Three-year, risk-adjusted present value benefits for composite organization* include:

- 1 Avoiding 510 hours annually on managing, streamlining, and filing tax returns
- 2 Ensuring tax exemption certificates are completed properly, eliminating 416 hours of work each year
- 3 Gaining 85% efficiency for audit preparation, saving 34 hours per audit
- 4 Eliminating spending on third-party tax experts, saving \$150,000 annually
- 5 Avoiding and recapturing 90% of tax research work, saving 384 hours annually

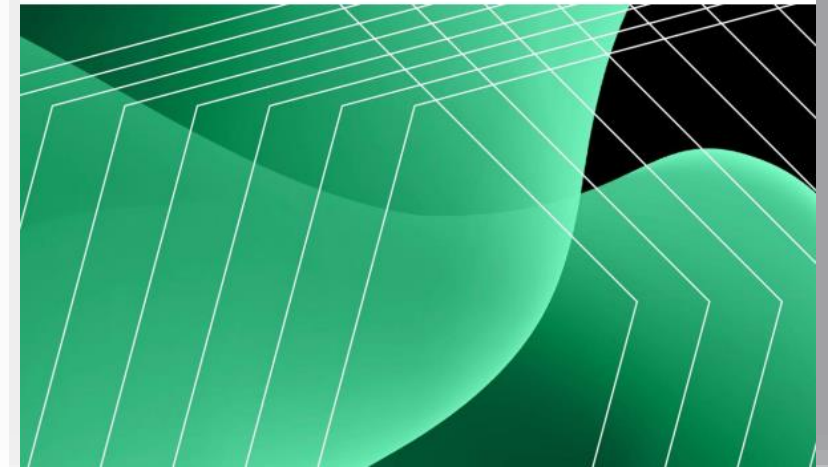
*Study based on industry-agnostic companies with \$300M in annual revenue utilizing the following products: AvaTax, Managed Returns, ECM, and ATR (2024)

FORRESTER

The Total Economic Impact™ Of Avalara

Cost Savings And Business Benefits Enabled By Avalara

A Forrester Total Economic Impact™ Study
Commissioned By Avalara, January 2024



Join us on **April 18** for a webinar deep dive into the Forrester TEI findings.

Q&A

Avalara

Tax compliance done right