The cost of manual tax compliance for manufacturing businesses

If your manufacturing business is changing or growing, it's likely your tax obligations are changing and growing too. In fact, you may be spending more time and money on compliance than you realize.

And while staying tax compliant can be a time- and labor-intensive process, avoiding it can have serious consequences, including hefty penalties and fines.

Not only is automating tax compliance easier, faster, and more accurate than handling the process manually, it can also be more affordable when you consider the full cost.

Here's a look at how much manual tax compliance could be costing you, according to an Avalara/Potentiate survey of businesses with less than 500 employees, and how Avalara can help simplify the process for your business.

Time is money

In total, from determining obligations through remitting taxes, businesses with less than 500 employees spent an average of **147 hours and more than $14,000 per month** on tax compliance activities, according to the survey.

Manual tax compliance

Avalara automated tax compliance

Identifying tax obligations (nexus)

What it costs

Businesses in the manufacturing industry estimate spending $1,272 and 13.3 hours per month identifying state sales tax obligations and filing requirements.

Why it's hard

You need to:
Know where exempt sales contribute to sales tax obligation thresholds and where they don't.

Track where and when you trigger obligations in each of the states you make sales in.

Research changing obligation rules and thresholds, which vary by state.

Repeatedly update obligation status, tax rates, and tax rules in your systems.

How Avalara makes it easier

Automatically track tax obligations across the U.S. based on your sales data.

You'll get an alert when you're approaching thresholds in new states, letting you know when to register.

Built-in compliance rules are updated automatically.

A nexus study can help determine if you're meeting your state sales tax obligations.

Calculating tax rates

What it costs

Businesses in the manufacturing industry estimate spending $2,773 and 29.2 hours per month on tax rates and calculations.

Note: Tax tables rely on ZIP codes for tax rates which don't always align to tax jurisdictions. This can lead to incorrect tax rates being applied to some or all transactions.

Why it's hard

You need to:
Determine which sales are taxable and which are exempt, usually by visiting state department of revenue sites.

Set up sales tax in your billing systems:
- Upload rate tables
- Set up tax codes
- Set up jurisdictions
- Assign rates
- Build tax schedules
- Manage tax notices

Update your system every time a rate, rule, or tax law changes.

How Avalara makes it easier

Apply rates for 13,000+ sales and use tax jurisdictions in the U.S. at the point of sale.

Updated rates are regularly sent to your system.

Account for sales tax holidays, exemptions, and partial exemptions.

Get rooftop accuracy for precise rates, based on the address of the sale.

Returns preparation and filing

What it costs

Businesses in the manufacturing industry estimate spending $4,041 and 42.4 hours per month on tax returns.

Why it's hard

You need to:
Submit zero-dollar returns in states where you've triggered nexus, but don't owe taxes.

Track filing dates and deadlines, which can be different for each state or jurisdiction.

Find and download the correct forms for each jurisdiction in which you are required to file returns.

Be sure forms are filled out properly and remitted on time.

Mail or e-file returns on time to avoid late fees or penalties.

How Avalara makes it easier

Export tax data to autopopulate forms.

Print signature-ready forms to mail in or submit electronically.

Remit taxes to multiple tax authorities with a single payment.

You can also offload the filing process to a team of Avalara experts.

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Document management

What it costs

Businesses in the manufacturing industry estimate spending $2,817 and 29.2 hours per month on exemption certificate management.

Why it's hard

You need to:
Manage and update in-house databases or retain a repository for hard copies of certificates.

Integrate and rationalize tax rates and reporting across different back office systems.

Rely on a paper trail of accounts receivable/accounts payable exemption records and invoices.

Manage complicated spreadsheets of exemption certificate data.

Verify documents are up to date with each transaction.

How Avalara makes it easier

Securely store all records online, with on-demand access.

Collect digital certificates from customers at the point of sale.

Apply exemptions to future sales, automatically.

Get alerts for expiring certificates.

Pull detailed and summary reports for greater visibility and control.

Consumer use tax

What it costs

Businesses in the manufacturing industry estimate spending $3,353 and 35 hours per month on consumer use tax.

Why it's hard

You need to:
Verify the proper amount of tax on your purchases has been paid.

Pay tax on purchases made in states without sales tax.

Make sure you remit taxes on items purchased for resale or inventory, then used by your business.

Reconcile tax rates for items purchased in one location but used in another.

How Avalara makes it easier

Determine tax obligations using built-in rates and user-defined rules.

Verify rates according to jurisdiction and tax rules.

Correct overbilled tax on purchases to keep from overpaying.

Maintain a clean audit trail of your self-assessment decisions.

Aggregate data to run liability and expense analysis.
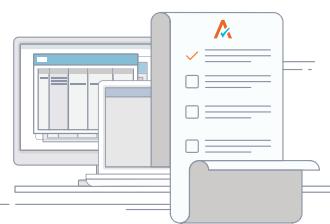
Learn how Avalara can help you save time and money while making tax compliance more accurate and efficient.

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