



Simplify U.S. sales and use tax compliance

WITH AVALARA AVATAX

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Introduction

Avalara AvaTax helps global businesses selling into the U.S. manage their sales and use tax obligations through a single, centralised platform. Whether you're shipping from abroad or using a U.S.-based fulfilment partner, AvaTax automates the determination, calculation, and application of tax rules for each transaction – across thousands of U.S. jurisdictions.

With a complete record of tax decisions across sales and purchases, your business can stay audit-ready and reduce exposure to penalties. AvaTax regularly updates tax rates and product taxability rules, so you don't have to keep pace with frequent U.S. regulatory changes manually.

Automating tax compliance helps your company reduce costs, reduce risk, and focus more on growing sales – not navigating U.S. tax complexity.

When selecting a tax calculation solution such as AvaTax, consider how it will help solve the following business challenges and benefit your company.

AVALARA SOLUTIONS SAVE TIME AND MONEY

Avalara commissioned Forrester Consulting to conduct a Total Economic Impact™ (TEI) study that took a closer look at the return on investment (ROI) global companies might expect by automating tax compliance with Avalara. Forrester interviewed Avalara customers to determine the **ROI** they received by using **Avalara AvaTax** and other Avalara solutions. AvaTax automates calculations for sales and use tax, excise tax, value-added tax (VAT), goods and services tax (GST), and other tax types. Prior to implementing Avalara solutions, the organisations who were interviewed said they couldn't collect appropriate taxes and weren't filing in all jurisdictions where they have nexus because they were unable to keep up with frequent tax law updates. Interviewees said that because Avalara streamlines transaction tax management and ensures a higher level of accuracy in the calculation and collection of taxes, their business's potential liabilities decreased, and they were able to reduce their sales tax reserves.

Forrester used information provided during the interviews to construct a composite global company and an aggregate financial analysis. The study found that implementing Avalara solutions saved businesses 34 hours per audit, an 85% efficiency gain. The composite organisation was also able to eliminate the need to hire third-party tax consultants, saving \$150,000 annually.



85%
EFFICIENCY
GAINS

Navigate complex and constantly changing U.S. sales and use tax rules with confidence

Selling into the United States from abroad comes with a unique challenge: the U.S. has no national sales tax. Instead, more than 12,000 state and local jurisdictions set their own sales and use tax rates, rules, and taxability criteria – and they change frequently. This decentralised approach not only results in thousands of jurisdictional rules, but also requires businesses to track and self-assess tax on untaxed or under-taxed purchases, significantly increasing compliance complexity.

For non-U.S. businesses, keeping up with this level of fragmentation is nearly impossible without automation. Yet failure to comply can result in penalties, reputational damage, and retroactive tax exposure.

Avalara AvaTax helps eliminate guesswork and reduce risk by updating tax rules and rates twice monthly, helping to ensure your business applies highly accurate tax across U.S. jurisdictions – regardless of how or where you sell and what you purchase (DTC, marketplace, wholesale, or ecommerce platforms).

Many foreign sellers incorrectly assume that ZIP codes align with tax jurisdictions – but in the U.S., they don't. AvaTax uses rooftop-level geolocation to assign the correct jurisdiction for each transaction, even when ZIP code boundaries overlap.

It also handles state-specific sourcing rules, which determine whether tax is calculated based on the seller's location or the buyer's ship-to address – a critical nuance in U.S. sales tax law.

WHY U.S. SALES AND USE TAX IS UNIQUELY COMPLICATED

Unlike VAT or GST, U.S. sales and use tax is governed by thousands of state and local rules – not a single national standard. While VAT and GST bring their own challenges, U.S. tax complexity is in a league of its own.

CURRENT CHALLENGES

1. Language barriers in legislation
2. Frequent regulatory changes
3. Real-time mandates vs periodic reporting
4. Needing local representation in some jurisdictions

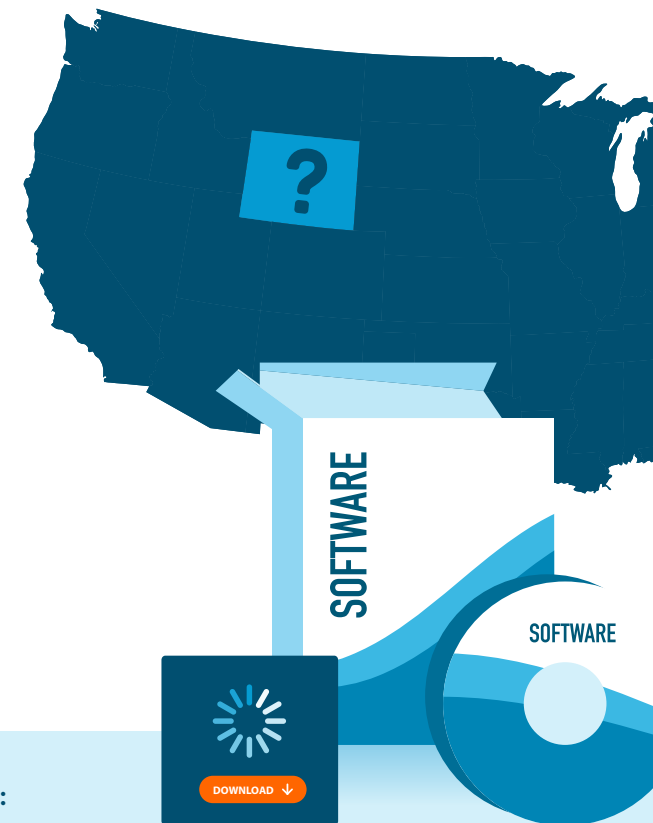


Scale your U.S. sales operations without compromising tax compliance

As your business expands U.S. sales – whether through ecommerce, direct shipping, or marketplace channels – your tax obligations will evolve. U.S. states each set their own economic nexus thresholds, and hitting one can trigger new filing requirements without warning.

Avalara AvaTax helps you keep pace by dynamically identifying where you may have tax obligations,

then applies the rules across every transaction. AvaTax continuously monitors nexus in real time, using an economic threshold map to show where your business is approaching or exceeding state-specific thresholds in the states where you do business. When your company establishes nexus in new states, it's easy to add new tax jurisdictions using the portal.



For every transaction in the U.S., Avalara answers three critical questions to help ensure tax compliance:

1

DO YOU NEED TO COLLECT TAX IN THIS STATE?

AvaTax maps your business activity across states (including remote sales) and flags when you approach economic nexus thresholds – so you know when to begin collecting tax.

2

IS THE CUSTOMER TAXABLE?

AvaTax applies exemption rules for eligible customers, such as nonprofits or resellers, and integrates with Avalara's exemption certificate management system to keep documentation on file.

3

IS THE PRODUCT OR SERVICE TAXABLE?

Taxability rules vary by state and even by product type (e.g., software vs. physical goods). AvaTax assigns the rate and tax rules at the line-item level, with no manual coding required.

Streamline U.S. use tax compliance – even from abroad

If your business procures goods or services to be used in the U.S. without being charged the correct sales tax, you may owe use tax – a lesser-known but enforced obligation in many U.S. states. For international businesses managing U.S.-based vendors or operations, this can create unexpected compliance risks.

Avalara AvaTax for Accounts Payable automates use tax determination for U.S. purchases by supporting both real-time integration with your AP or procurement system and batch-upload of transaction data – allowing for flexible implementation and coverage. It decreases the need for manual tax coding or custom integrations, ensuring greater accuracy and audit-readiness without added administrative burden.

AvaTax for Accounts Payable helps identify sales tax overcharges and underpayments – so you can correct issues before they become liabilities.

You can assign taxability rules, automate the review process, and apply exemptions where appropriate. If your business qualifies for exemptions on certain purchases, **Avalara Vendor Exemption Management** allows you to provide and manage the necessary certificates easily and digitally – even from outside the U.S.

WHAT IS USE TAX – AND WHY SHOULD INTERNATIONAL SELLERS CARE?

Use tax is typically owed when sales tax wasn't collected accurately at the time of purchase. U.S. states often expect businesses to self-assess and remit this tax – especially on out-of-state or exempt vendor transactions. AvaTax for Accounts Payable helps ensure these hidden obligations don't become costly surprises.



Reduce U.S. tax audit risk with more accurate, automated compliance

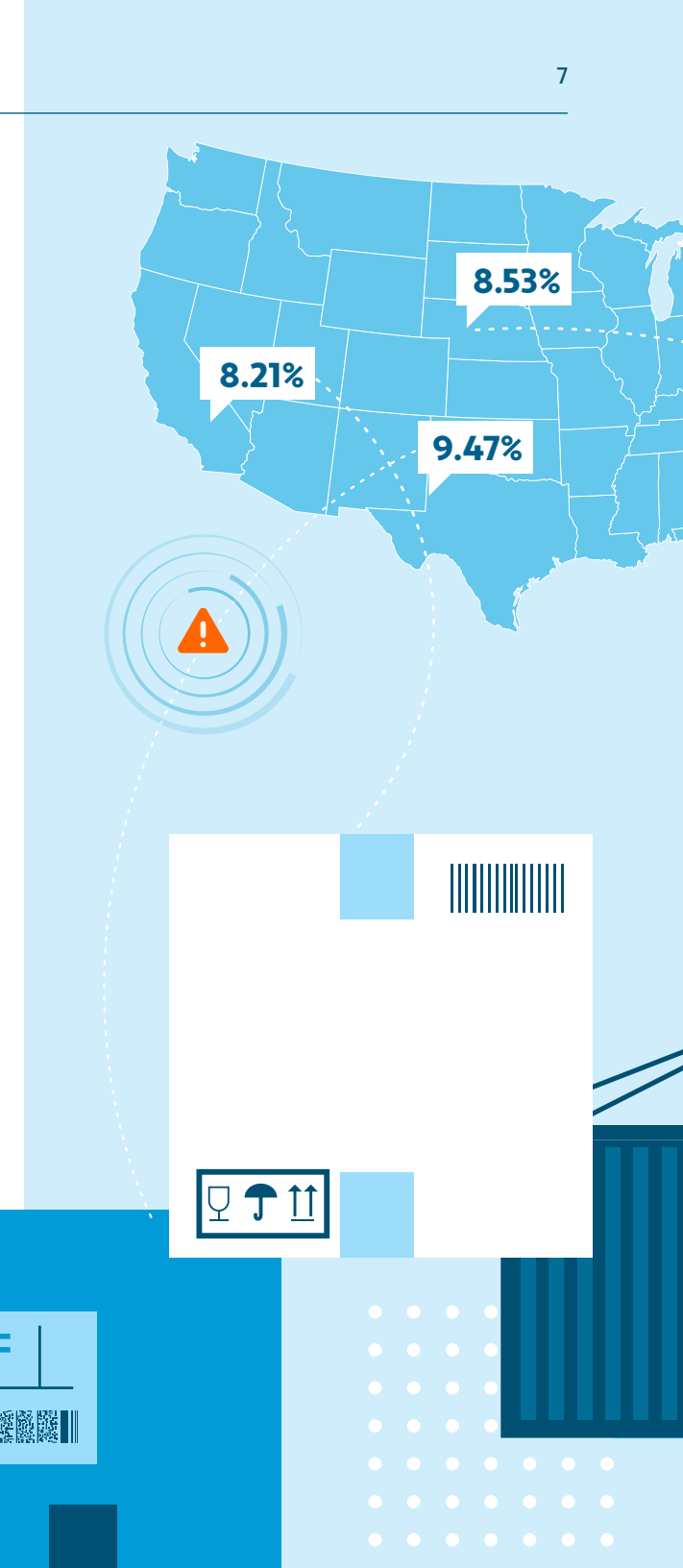
U.S. tax authorities can audit businesses – including foreign companies – that fail to properly collect and remit sales or use tax. If your company sells into the U.S., even without a physical presence, you may still be audited if you create nexus in a state and do not comply.

Given the decentralised and dynamic nature of U.S. tax rules, many global businesses are caught off guard. Avalara AvaTax reduces your risk by delivering more accurate, jurisdiction-specific tax calculations for every U.S. transaction – and storing the data you'll need if audited.

From inbound purchases to outbound sales, AvaTax decreases audit risk by providing greater real-time accuracy in tax calculations – powered by twice-monthly updates to U.S. rates, taxability rules, and sourcing logic.

An optional add-on feature helps catch vendor errors that lead to either overcharging or undercharging use tax from U.S. suppliers, helping your team prevent compliance issues before they happen – even if your finance team is based outside the United States.

AvaTax seamlessly integrates with [Avalara Exemption Certificate Management \(ECM\)](#) and [Avalara Returns](#) to give your team a full, end-to-end U.S. compliance solution. Using ECM with AvaTax enhances accuracy by applying exemption certificates to tax-exempt sales, and using Avalara Returns with AvaTax leverages sales and use tax calculation data to automate preparation, filing, remittance, and notice management.



CUSTOMER SUCCESS STORY

Drop

DROP BUILDS AND MANAGES ECOMMERCE PLATFORMS FOR SOME OF THE FASHION INDUSTRY'S BIGGEST BRANDS.

Located in Montegranaro, Italy, the company has been helping retailers sell for 20 years. Its customers' products are shipped to buyers in the U.S., U.K., Australia, Canada, and Singapore.

"We needed to find a tax compliance provider that can integrate with our internal software and major ecommerce platforms in the market. We don't use only Magento, or Salesforce, or Shopify to sell. We use all of them. Avalara was the right choice," says Daniel De Luna, project manager at Drop.

Drop calculates tax on nearly 10,000 transactions a year using Avalara AvaTax and files 157 returns using Avalara Returns. One of the top benefits of using Avalara Returns is the company's ability to make a single payment each filing period to remit tax in the 22 U.S. states where it sells and another for Canada.

"Reducing the time we spend on tax compliance from 10 days to four days a month may not seem big, but you have to consider that our company is different than it was in 2022. We've grown," says Stefano De Angelis, project manager at Drop.

[Read the full story](#)

Reducing the time we spend on tax compliance from 10 days to four days a month may not seem big, but you have to consider that our company is different than it was in 2022. We've grown.

Stefano De Angelis

PROJECT MANAGER, DROP

Centralise U.S. sales and use tax management across global teams and systems

For global companies selling into the U.S., sales tax responsibilities often touch multiple functions – finance, IT, ecommerce, compliance – sometimes spread across multiple countries or time zones. Siloed and inconsistent processes can lead to conflicting data and inefficiencies when managing sales and use tax.

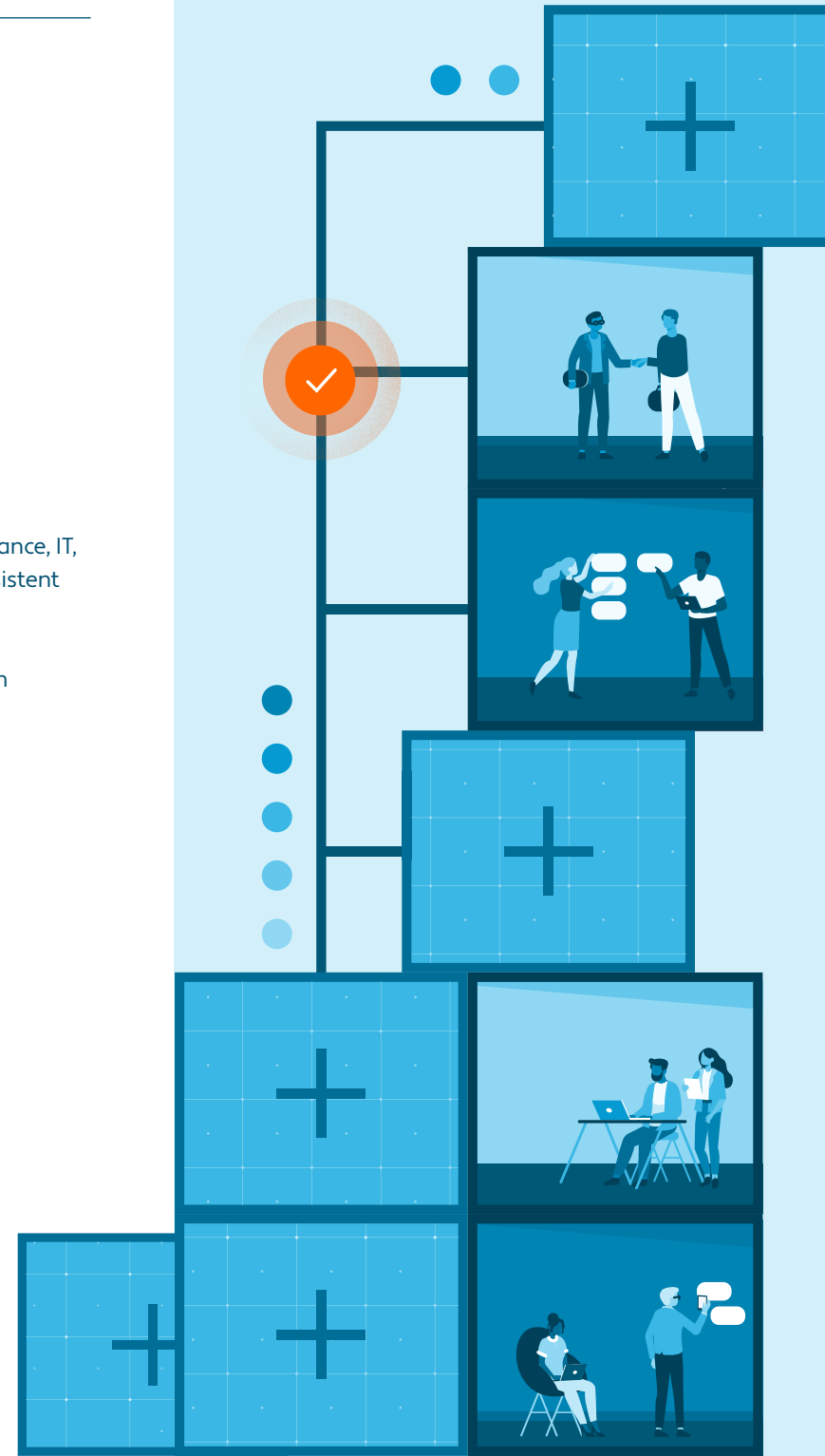
Avalara AvaTax helps international businesses bring consistency to U.S. tax operations by providing an integrated platform that standardises tax rules, workflows, and reporting across systems and teams.

With AvaTax, your teams – whether based in the U.S. or overseas – can collaborate on a shared tax policy from a unified portal.

YOU CAN:

- ✓ Apply different tax rules by business unit or channel (e.g., direct sales, marketplaces, or U.S.-based fulfilment centres)
- ✓ Easily add new U.S. jurisdictions as your sales footprint grows
- ✓ Maintain version-controlled settings and decision histories to support compliance and audit readiness

This centralised approach improves accuracy, simplifies reporting, and reduces the risk of misalignment between departments or geographies.



Free up global resources by automating U.S. tax compliance

Expanding into the U.S. introduces a layer of tax complexity many international companies aren't staffed to manage in-house. Monitoring rule changes, tracking nexus thresholds, and reconciling reports across multiple states can drain resources – especially when compliance is still managed manually or in spreadsheets.

Avalara AvaTax automates U.S. sales and use tax determination, so your teams can focus on high-value priorities like growth, strategy, and customer experience.

By automating U.S. tax compliance with AvaTax, your business can:

- ✓ **Reduce overhead** by eliminating manual processes and outsourced tax consultants
- ✓ **Improve operational efficiency** across finance, ecommerce, and IT
- ✓ **Accelerate time-to-market** in the U.S. by removing tax as a launch barrier
- ✓ **Gain a competitive edge** with cleaner operations, faster reporting, and reduced audit risk

AvaTax integrates with the most commonly used ERP, ecommerce, or finance stacks – helping your global team stay lean while remaining compliant.



12,000+

**U.S. SALES TAX
JURISDICTIONS**



Manage U.S. and global trade and tax compliance from one central platform

If your business sells into multiple markets – including the U.S. – you’re likely dealing with a patchwork of VAT, GST, customs duties, and U.S. sales and use tax. Each comes with its own rules, rates, and compliance requirements.

In 2023 alone, Avalara tracked thousands of updates across international tax systems, including 11,000+ in the U.S. Keeping up with these changes across borders – without automation – is unsustainable.

11,000+

**U.S. SALES TAX
RATE CHANGES IN ONE YEAR**

Avalara provides prebuilt trade and tax content and automated tariff and tax calculation for 190+ countries, helping your business streamline

both cross-border duties and U.S. indirect tax compliance through one, integrated platform.

Avalara AvaTax Cross-Border allows online sellers to calculate and estimate customs duties and import taxes in real time – at checkout.

Avalara E-Invoicing and Live Reporting provides global compliance and coverage through a single application, enabling your business to scale across countries more easily, stay compliant, and reduce the risk of costly complexities.

For sellers entering the U.S., **Avalara AvaTax** is a single solution for calculating both U.S. sales and use tax and international VAT/GST. It helps businesses manage tax determination for every market they sell into. For U.S. transactions, AvaTax automates sales and use tax calculations based on jurisdictional rules, sourcing logic, and product taxability. For international sales, it provides accurate VAT and GST determination, ensuring compliance and consistency across borders.



190+

**COUNTRIES
COVERED**

Whether you’re selling into the U.S., Canada, the EU, or multiple markets at once, Avalara reduces the risk of errors and helps you remain compliant as you scale globally.

AvaTax integrates with other Avalara solutions including **Avalara Tariff Code Classification**, **Avalara VAT Reporting**, and **Avalara Managed VAT Reporting** to provide end-to-end global tax compliance in a connected platform.

With Avalara, you can manage global indirect tax compliance – including U.S. sales tax – through an integrated, reliable, cloud-based platform.

U.S. tax compliance

Avalara AvaTax identifies economic nexus and applies the more correct sales and use tax rates in real time based on what and where you sell.

Avalara Managed Returns automates sales tax preparation, filing, and remittance.

AvaTax for Accounts Payable identifies vendor errors and helps you self-assess use tax.

Avalara Exemption Certificate Management automates collection and validation of exemption certificates.

Avalara Tax Research helps you check product taxability and stay current with jurisdictional rules and more accurate tax rates.

International tax compliance

AvaTax (VAT Determination)

applies more accurate VAT/GST rates in real time based on what and where you sell.

Avalara Managed VAT Reporting

offloads VAT compliance to Avalara's expert team (including VAT registration).

Avalara VAT Reporting

automates data extraction, reconciliation, and preparation of VAT returns.

AvaTax Cross-Border

calculates and estimates customs duties and import taxes in real time to provide more accurate landed costs.

Avalara E-Invoicing and Live Reporting

simplifies global e-invoicing with a single, unified platform.



Industry-specific U.S. tax solutions for global sellers

When it comes to tax compliance, one size doesn't fit all. Industries such as lodging and hospitality, beverage alcohol, communications, energy, and tobacco and vape face a long list of regulatory requirements and unique tax compliance challenges.

Avalara offers tailored tax automation solutions that help non-U.S. businesses comply with U.S. sales tax, excise tax, product registrations, and licensing obligations – all in one platform.

Avalara supports global sellers in navigating complex U.S. regulatory environments by providing modular, scalable solutions – from real-time tax calculation with AvaTax to industry-specific compliance tools. Start with AvaTax for calculation, and expand as your operations grow.



BEVERAGE ALCOHOL

[Avalara for Beverage Alcohol](#) helps international producers, importers, and marketplaces navigate the complex U.S. patchwork of alcohol tax laws, licences, and filings – automating sales tax, excise tax, and liquor-by-the-drink compliance across states.



COMMUNICATIONS

International telecom, VoIP, and digital service providers can use [Avalara for Communications](#) to manage U.S. tax compliance for multijurisdictional sales. The solution automates sales tax, communications tax, and regulatory fee filings nationwide.



LODGING AND HOSPITALITY

Whether managing short-term rentals, hotels, or property platforms, non-U.S. companies can rely on [MyLodgeTax Pro](#) and [Avalara for Hospitality](#) to register, calculate, file, and remit U.S. lodging and occupancy taxes at the state and local level.



ENERGY

Energy companies entering the U.S. – including fuel distributors, refineries, and traders – face state-specific excise tax complexity.

[Avalara for Energy](#) automates tax calculation and filing to reduce compliance risk in this high-regulation sector.



TOBACCO AND VAPE

For non-U.S. sellers of tobacco, vape, and nicotine products, U.S. tax and licensing obligations can be steep. [Avalara for Tobacco and Vape](#) streamlines excise tax, sales tax, and PACT Act reporting for businesses selling into U.S. jurisdictions.

AVALARA HELPS GLOBAL SELLERS COMPLY WITH U.S. INDUSTRY-SPECIFIC RULES

Whether its liquor licensing, communications tax, or fuel excise returns, Avalara solutions go beyond sales tax to simplify compliance in highly regulated sectors.

Gain full visibility into U.S. tax data with powerful reporting tools

Understanding your U.S. tax obligations from abroad can be challenging – especially when sales span multiple states, platforms, and channels. AvaTax provides a suite of robust, audit-friendly reporting tools that help international teams gain full transparency into U.S. sales and use tax activities.

With AvaTax, you can access prebuilt and customisable reports that show detailed, line-level insights and transaction history – all from a single, cloud-based dashboard.

AvaTax reports make it easy to reconcile U.S. tax data with your global ERP, accounting, or ecommerce systems, helping ensure consistency between what you calculate, collect, and remit.

Whether you handle tax filings in-house or through Avalara Returns, AvaTax gives you real-time access to the data your team needs – anywhere in the world.

12,000+

U.S. SALES TAX JURISDICTIONS

86,000

CHANGES TO PRODUCT TAXABILITY RULES ACROSS THE U.S. AND CANADA



AvaTax reports make it easy to reconcile U.S. tax data with your global ERP, accounting, or ecommerce systems

Simplify U.S. sales and use tax, VAT, and GST with Avalara AvaTax

Avalara helps international businesses navigate the complexities of U.S. tax compliance – so you can expand into the American market with fewer risks, lower costs, and greater confidence. From understanding your nexus exposure to applying more accurate tax rates in thousands of jurisdictions, AvaTax gives you the automation and transparency needed to remain compliant while scaling your business. You'll save time, reduce risk, and free up internal teams to focus on growth – not tax.

[Connect now](#)

DISCLAIMER

Tax rates, rules, and regulations change frequently. Although we hope you'll find this information helpful, this report is for informational purposes only and does not provide legal or tax advice.

Avalara

Avalara, a global tax compliance leader, delivers cloud-native software to companies of all sizes. Supported by 1,400+ signed partner integrations with ecommerce, ERP, and billing systems, Avalara helps its customers boost efficiency, increase accuracy, reduce risk, and save time and money. Learn how at avalara.com.
