WHY MANUFACTURERS CHOOSE AVALARA

Aligning compliance with change

Avalara
Tax compliance done right

Contents

About Avalara

Avalara makes tax compliance faster, easier, more accurate, and more reliable for 41,000+ business and government customers in over 75 countries. Tax compliance automation software solutions from Avalara leverage 1,200+ signed partner integrations across leading ecommerce, ERP, and other billing systems to power tax calculations, document management, tax return filing, and tax content access.

Visit **avalara.com** to improve your compliance journey.

Introduction

In every era of manufacturing, progress has been defined by a breakthrough.

Steam power. The assembly line. Robotics. And now – artificial intelligence.

The modern manufacturing enterprise is being rebuilt in real time. Automation, digital twins, connected supply chains, and AI-driven planning are creating the most dynamic industrial ecosystem in half a century. The systems that once defined operational excellence are now table stakes. The new competitive advantage is agility – the ability to see around corners, adapt faster, and make better decisions across borders.

But agility doesn't just apply to production. It also applies to compliance.

The rules that govern global manufacturing are evolving just as quickly as the technologies that enable it. Economic nexus laws are redrawing the U.S. tax map. E-invoicing mandates are sweeping through Europe and Latin America. Energy incentives and carbon disclosures are reshaping cost structures and exemption eligibility. The result is a new kind of operational complexity – one that sits at the intersection of technology, regulation, and growth.

Manufacturers who once measured success by throughput now measure it by adaptability: how fast they can configure, expand, and comply without friction. Those who treat compliance as infrastructure, not overhead, are discovering that tax automation isn't just about accuracy – it's about acceleration.

"Avalara was founded 20 years ago to disrupt an industry still tied to on-premise systems and manual processes. We believed that compliance shouldn't be constrained by servers or spreadsheets – it should live in the cloud, where accessibility and automation make accuracy effortless. Two decades later, we're doing it again.

As AI reshapes how manufacturers design, produce, and deliver, Avalara is bringing the same innovation to tax compliance – using artificial intelligence and automation to solve the complex, global challenges that define modern manufacturing."

Scott McFarlane
CO-FOUNDER AND CEO, AVALARA

The pressure behind progress

Every manufacturer today manages a paradox: grow faster with tighter control on risk. Margins are thin. Input costs swing. Supply chains keep shifting. In **Deloitte's Global Manufacturing Outlook 2024**, 63% of leaders rank regulatory complexity as a top three barrier to scale. Meanwhile, tax authorities are modernizing at pace: more than 80 countries are moving to real-time reporting and/or e-invoicing by 2026. The net effect? Each new facility, SKU, or channel introduces dozens of tax decisions that manual processes simply can't absorb.

At the same time, governments are modernizing faster than ever:

40

U.S. STATES AND D.C. NOW INCLUDE EXEMPT SALES WHEN CALCULATING NEXUS THRESHOLDS

Source: Avalara Tax Changes 2025 Report

80+

JURISDICTIONS WORLDWIDE PLAN TO ENFORCE REAL-TIME REPORTING OR E-INVOICING BY 2026

Source: TaxDo

Finance and operations teams are realizing that manual compliance is no longer viable. Each new facility, product line, or distribution channel adds dozens of unique tax obligations. Without automation, compliance can't keep up with innovation.

A new kind of constraint

Manufacturers and distributors have optimized cycle times and inventory turns; now the constraint lies in paperwork. Tax calculations, returns, and exemption certificates create hidden downtime, the administrative equivalent of machine idle time.

63%

OF LEADERS RANK REGULATORY COMPLEXITY AS A TOP THREE BARRIER TO SCALE

Source: Deloitte

What manufacturers are excited and worried about

Walk any factory today and two conversations overlap. One hums with optimism – smart factories, predictive maintenance, near-shoring, digital twins. The other whispers of risk – volatile trade policy, skills shortages, audit exposure.

MANUFACTURERS ARE EXCITED ABOUT

AI-enabled design, robotics, and adaptive production lines

Supply-chain localization that reduces dependency on fragile routes

Sustainability initiatives that earn energy credits and attract ESG-conscious investors

MANUFACTURERS ARE CONCERNED ABOUT

Taxability of digital products, software, and remote services

New carbon and energy-reporting mandates linked to property tax assessments

Growing scrutiny from auditors targeting exemption documentation

Compliance sits between these realities. Done right, it builds resilience; done poorly, it erodes margins and trust.

Compliance as a catalyst

Compliance used to be something you closed at month-end. Today, it's an operating system for growth. When tax data is unified, it becomes strategic: where we're expanding fastest, which customers buy exempt, which suppliers unlock credits, and how inventory moves across jurisdictions. Manufacturers using automation tell us they gain four advantages on day one:

Working capital
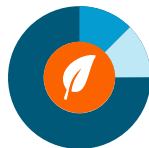
No overcollection, faster refunds

Faster close

No manual reconciliations

Clean integrations in M&A

One auditable engine

Credible ESG

Traceable tax + energy data

"Every manual process in compliance slows down innovation. Automation lets teams keep pace with today's digital economy."

Liz Armbruester
CHIEF CUSTOMER OFFICER, AVALARA

The true cost of manual compliance

Most manufacturers underestimate the financial gravity of compliance. They see the invoices paid, the forms filed, the boxes checked – but not the hidden hours, delays, and working capital tied up in inefficiency.

The **2024 Deloitte study** found that indirect tax compliance consumes up to 25% of total finance function time each month. Avalara's own customer research shows that midmarket manufacturers spend 147 hours and $14,000 per month on tax-related activities. That's nearly three full work weeks per month lost to manual effort – before counting penalties or audit prep.

But time is only one of the four compounding costs of manual compliance.

1 **Time**
THE INVISIBLE BOTTLENECK

Every product code, supplier change, or new shipping destination requires a new tax decision. With more than 13,000 sales and use tax jurisdictions in the U.S., even small configuration changes trigger a cascade of research and re-entry. Finance teams become the administrative backstop for every commercial innovation – the very opposite of agility. The result is an unplanned queue, the business moves forward, and tax catches up later.

2 **Risk**
COMPLIANCE DEBT THAT COMPOUNDS

Missing or expired exemption certificates remain the number one audit trigger for manufacturers. State auditors routinely extrapolate sample errors across annual revenue, turning a handful of missing forms into six-figure liabilities.
On the procurement side, failing to issue valid exemption certificates to vendors can result in overpaid tax, denied refunds, or additional audit exposure. Manual tracking across

MONTHLY FINANCE FUNCTION TIME IS CONSUMED BY INDIRECT TAX COMPLIANCE BY UP TO

25%

Source: Deloitte

147

HOURS PER MONTH SPENT BY MIDMARKET MANUFACTURERS ON TAX-RELATED ACTIVITIES

Source: Avalara

ERPs, shared drives, and spreadsheets magnifies the risk for both outbound and inbound transactions.

Avalara Exemption Certificate Management automates the collection and validation of sales certificates, while Avalara Vendor Exemption Management (VEM) streamlines issuing and managing exemption certificates on the purchasing side – helping manufacturers avoid costly errors and reduce risk across the entire supply chain.

3 Cash leakage
MARGIN EROSION IN PLAIN SIGHT

Manual use tax self-assessment often results in over-accruals or unclaimed credits. Every misclassified purchase order, a spare part tagged as equipment, or a software license treated as hardware quietly erodes margin. Over time, those misclassifications can equal tens of thousands in working capital locked up unnecessarily.

Avalara benchmarking across manufacturing customers shows that automated consumer use tax calculations typically recover 1–3% of total annual purchasing costs, turning compliance accuracy into liquidity.

4 Opportunity
GROWTH DELAYED

Each new market, warehouse, or sales channel brings its own registrations, filings, and nexus considerations. Without automation, the administrative lag can stall product launches or acquisition integration by weeks. Manufacturers who can't register and file quickly lose first-mover advantage in new territories.

The compounding effect

These four costs don't add up – they multiply. Lost hours slow decision-making. Inconsistent data breeds errors. Errors create cash leakage. And the combination diverts focus from strategic work. The result? Finance teams firefight compliance instead of guiding transformation.

Automation reverses that spiral. Integrated tax engines and intelligent certificate management convert human touchpoints into system triggers, creating accuracy that scales.

They also surface insight: dashboards that warn when nexus thresholds approach, alerts when rules change, and real-time reporting that transforms tax from a black box into a performance indicator. When compliance becomes continuous, manufacturers reclaim more than time – they regain momentum.
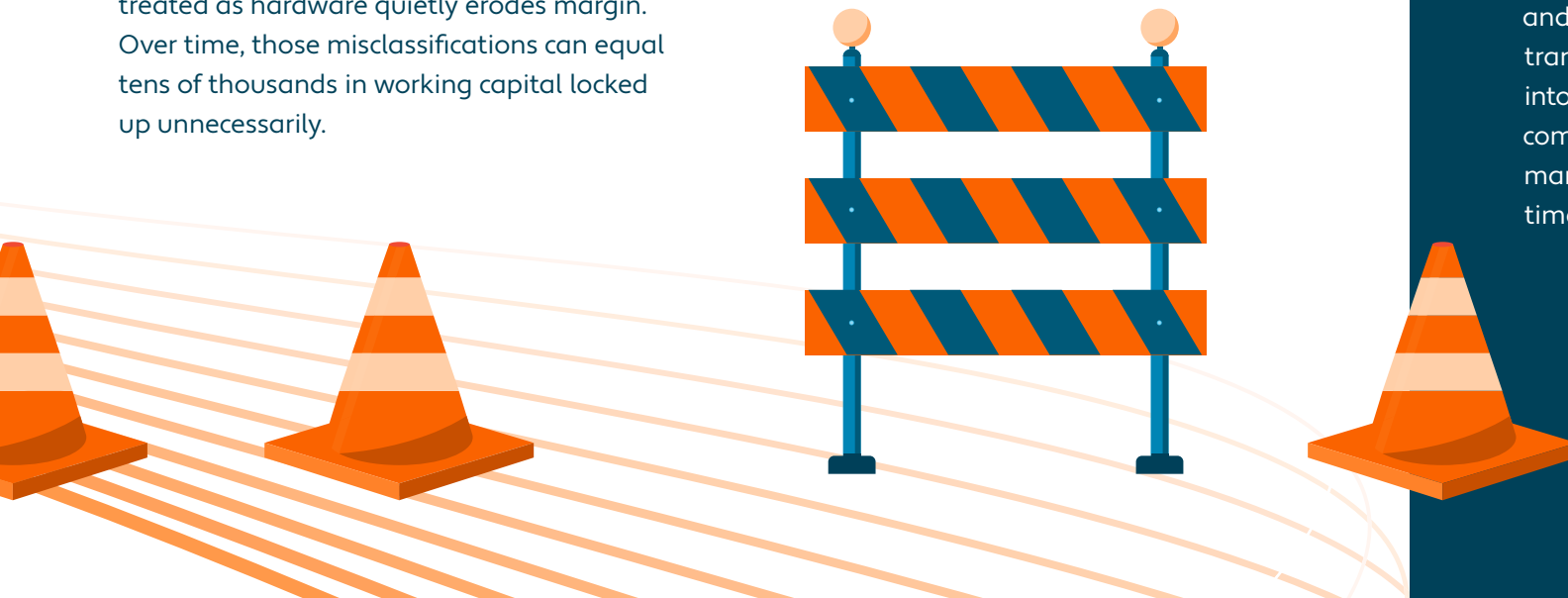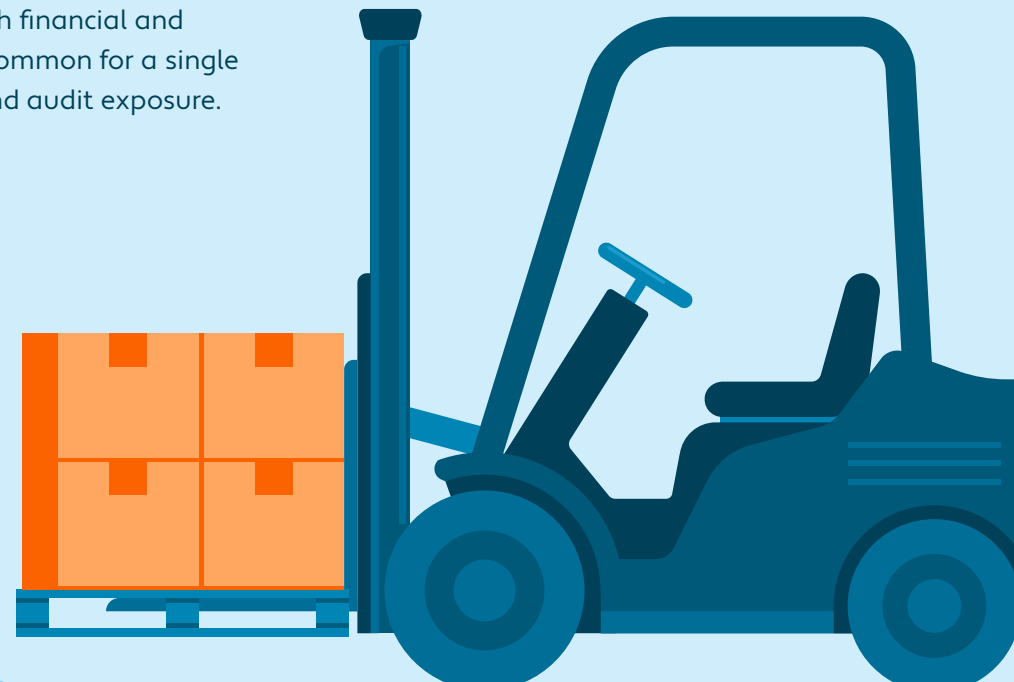
The tax complexity manufacturers can't ignore

Manufacturing is unlike any other industry when it comes to tax complexity. Unlike retail or software, where transactions are discrete, manufacturing spans a continuous flow – from raw materials to finished goods – each step governed by its own rules, exemptions, and jurisdictional nuances.

Taxability doesn't just depend on what you sell, but how, where, and why it's used. A forklift purchased for production may be exempt in one state and taxable in another. A maintenance contract might qualify as a manufacturing input in Texas, but as a taxable service in Florida. And as manufacturing converges with technology – adding software, sensors, and connectivity – the line between a "product" and a "service" gets thinner by the quarter.

This is where complexity turns operational. Tax decisions are made not quarterly, but constantly – embedded in procurement, maintenance, and logistics. Each one carries both financial and reputational stakes. For multi-entity or multi-plant organizations, it's not uncommon for a single compliance misstep to ripple across inventory valuation, vendor payments, and audit exposure.

LIFECYCLE STAGE	PROBLEMS (WHAT CAN GO WRONG)	AVALARA SOLUTIONS
1. Operations (overall supply chain exposure)	- VAT, GST, and sales and use tax rules change frequently - Manual tracking of obligations increases risk - Inventory movements create exposure	**AvaTax**: Accurate, real-time multijurisdictional tax calculation **Managed Returns**: Automated filing **ATR + Avi agent**: Deeper research and regulatory guidance
2. Sourcing (raw materials, vendor purchases)	- Errors in tax charged on raw materials - AP teams miss accruals on MRO and capital equipment - Missing resale/manufacturing exemptions	**AvaTax for AP**: Detects vendor invoice errors and calculates correct use tax **ATR**: Research for AP teams **VEM/ECM**: Provide exemption certificates automatically to vendors
3. Production (WIP, assemblies, intercompany transfers)	- Sub-assemblies and transfers create use tax confusion - Intercompany transfers often trigger hidden tax - Jurisdictional differences	**AvaTax**: Ensures correct taxability for transfers **ECM**: Collects and validates exemption certificates **Property Tax**: Automates reporting on assets and inventory
4. Inventory and warehousing management	- Storage of finished goods creates property tax obligations - Frequent asset changes cause over/underpayment - Inaccurate tracking leads to missed deadlines	**Property Tax**: Automates asset lists, valuations, and filings **AvaTax for AP**: Ensures correct tax on warehousing equipment, tools, and supplies
5. Sales and distribution (final goods, customer delivery)	- Taxability depends on buyer, location, and use - Exemption management critical to avoid audit risk - Cross-border shipments require accurate HS code and VAT handling	**AvaTax:** Automates product- and customer-specific tax **ECM**: Manages exemption certificates **Returns**: Automates filings and produces audit-ready reports **Cross-Border + HS Classification**: Ensures landed cost, tariff rules, and customs documents are correct

These micro decisions happen daily – thousands each year – and everyone leaves a digital trace that must reconcile across tax, finance, and operations. Without automation, keeping pace with 50 distinct state definitions of "manufacturing" becomes perpetual rework. Lean factories use sensors to prevent defects; intelligent compliance should do the same – detect and correct before risk occurs.

Benchmarking the cost of noncompliance

Every manufacturer learns this lesson eventually: the cost of getting tax wrong outweighs the cost of doing it right. Across the manufacturing sector, audit adjustments, late filings, and missed exemptions routinely total hundreds of thousands of dollars per year – not because of intent, but because of inconsistency.

The **2024 Deloitte Global Manufacturing Outlook** found that nearly 60% of manufacturers experience at least one significant tax or audit discrepancy every two years, most linked to missing or invalid exemption certificates or incorrect use tax reporting. Avalara's own 2025 *State of Finance Report* echoes this challenge, revealing that nearly 70% of finance leaders struggle with fragmented or siloed data systems—conditions that directly increase audit exposure and slow business growth. When you translate those findings into operational terms, the pattern is clear:

✓ Best-in-class manufacturers use automation to file in every jurisdiction within 48 hours of close

✕ Average performers still rely on manual reconciliation and ad hoc research

✕ Lagging firms spend weeks recreating records and credibility when auditors call

The difference between those categories isn't just technology – it's trust. Automation enforces consistency: every transaction validated once, every certificate tracked automatically, every rule applied the same way. That consistency transforms audit prep from a scramble into a routine check, turning compliance from a vulnerability into an advantage.

"Hands down, the most important thing is knowing we're compliant. It helps me sleep better at night."

Julie Meredith
DIRECTOR OF ACCOUNTING, ELETTRIC80

Avalara Customer Story

How real manufacturers are scaling smarter with Avalara

Manufacturers face a complex balancing act: innovate quickly, control costs, and stay compliant – across every jurisdiction, product type, and customer channel. Here's how four leading companies are getting it right with Avalara.

OXBO

After an ERP transition and rapid expansion across 20+ states, Oxbo needed a faster, more consistent way to manage sales tax. Integrating Avalara AvaTax with Microsoft Dynamics 365 automated tax determination and exemption certificate management, eliminating manual workarounds. The result: 40% less time spent processing certificates, 150 hours of sales tax work removed each quarter, and a finance team free to focus on higher-value projects.

150
HOURS OF SALES TAX WORK REMOVED EACH QUARTER

40%
LESS TIME SPENT PROCESSING CERTIFICATES

ELETTRIC80

Multi-entity operations and mounting audit pressure pushed Elettric80 to modernize tax compliance. With Avalara AvaTax and Exemption Certificate Management (ECM), the team gained real-time accuracy and peace of mind – enabling faster returns and audit confidence across the organization.

Faster
RETURNS AND AUDIT CONFIDENCE

HALTEC

As Haltec expanded its U.S. and international footprint, manual tax calculations and certificate tracking became unsustainable. By implementing Avalara AvaTax and CertCapture, the company automated exemption certificate validation and tax calculation across both wholesale and D2C channels – cutting filing time by 75%, eliminating errors, and freeing finance staff to focus on strategic growth.

75%
REDUCED FILING TIME

CRAM-A-LOT

Managing sales tax in 45+ states stretched Cram-A-Lot's finance team thin. With Avalara AvaTax, Avalara Returns, and ECM, the company streamlined monthly compliance, eliminated audit bottlenecks, and reclaimed weeks of admin time every month.

Weeks
OF ADMIN TIME RECLAIMED EACH MONTH

Across the industry, the pattern is consistent: automation reduces risk, increases transparency, and lets finance focus on strategic growth instead of transaction policing.

The Avalara manufacturing compliance suite

Connected solutions that turn compliance from complexity into control

Manufacturers operate on precision, and they expect the same from their compliance systems. Avalara's manufacturing compliance suite unites automation, data accuracy, and visibility across every tax touchpoint – from purchasing to production to sales. Each product solves a specific friction point, yet together they form a continuous, intelligent compliance infrastructure built for manufacturing scale.

AVALARA PRODUCTS PURPOSE-BUILT FOR MANUFACTURING

PRODUCT	PURPOSE/PROBLEM SOLVED	VALUE TO MANUFACTURERS
Avalara AvaTax	Automates sales and use tax calculations in real time across 13,000+ U.S. jurisdictions and 75+ countries	Eliminates manual rate tables, ensures rooftop accuracy, supports multichannel (B2B + D2C) sales
Avalara Exemption Certificate Management (ECM)	Automates collection, validation, and renewal of exemption and resale certificates	Reduces audit exposure, eliminates expired certificates, and speeds order release for tax-exempt customers
Avalara Managed Returns	Prepares, files, and remits sales and use tax returns in every jurisdiction	Prevents late filings and penalties; frees finance teams for value-add work

PRODUCT	PURPOSE/PROBLEM SOLVED	VALUE TO MANUFACTURERS
Avalara Consumer Use/AvaTax for Accounts Payable	Automates self-assessment and accrual of consumer use tax on purchases and intercompany transfers	Prevents over- or under-accruals, eliminates spreadsheet reconciliation, and improves cost accuracy
Avalara Cross-Border	Calculates duties, tariffs, and import/export taxes; automatically assigns HS codes	Reduces customs delays and landed-cost errors; keeps global supply chains moving
Avalara Property Tax	Centralizes real and personal property tax data, valuation, and appeals	Reduces overpayments, ensures on-time filings, and simplifies multijurisdictional reporting
Avalara E-Invoicing and Live Reporting (ELR)	Enables real-time electronic invoicing and tax data reporting in global markets	Keeps pace with expanding e-invoicing mandates and continuous transaction control requirements
Avalara Vendor Exemption Management	Automates certificate issuance for exempt or partially exempt purchases to suppliers	Accelerates procure-to-pay and ensures correct exemptions on inputs and raw materials

Avalara's suite isn't a loose collection of tools; it's a single cloud platform engineered for the realities of modern manufacturing. Whether you operate multiple plants, trade across borders, or manage hybrid B2B and B2C channels, Avalara automates complexity so your teams can focus on production, not paperwork.

"Avalara has saved us hundreds of hours a year on tax compliance. It acts like our internal tax department."

Brooks Bezon
CFO, HALTEC CORPORATION

Avalara Customer Story

Why Avalara? Built on the principles of manufacturing excellence

Avalara's approach to compliance mirrors the engineering mindset of the manufacturers it serves.

Precision engineered

Tax content recalibrates automatically from 60,000 data sources each month. Like precision tooling, Avalara AvaTax calculates rates down to the rooftop, not the ZIP code.

Repeatable by design

1,400+ certified connectors embed Avalara into SAP, Oracle, Microsoft, NetSuite, and Workday. Compliance happens the same way, every time, everywhere – creating a continuous digital thread from quote to cash.

Scalable as a production line

A single cloud platform replaces regional tax engines. During Cyber Week 2024, Avalara processed 11,000 API calls per second with zero downtime – proof that resilience is engineered, not improvised.

Continuous improvement built in

Agentic AI, embodied in our AI-powered research assistant Avi, learns from every transaction, predicting where thresholds or errors may arise. It's the compliance equivalent of predictive maintenance.

Human expertise at the core

Avalara's manufacturing tax specialists translate legislation into automation logic. From machinery exemptions to R&D credits, they ensure technology reflects real-world operations.

"Avalara's solutions are purpose-built to meet the growing requirements of tax authorities around the globe. Over the last two decades, our teams have been dedicated to addressing complexity around indirect tax compliance."

Liz Armbruester
CHIEF CUSTOMER OFFICER, AVALARA

Source: Avalara
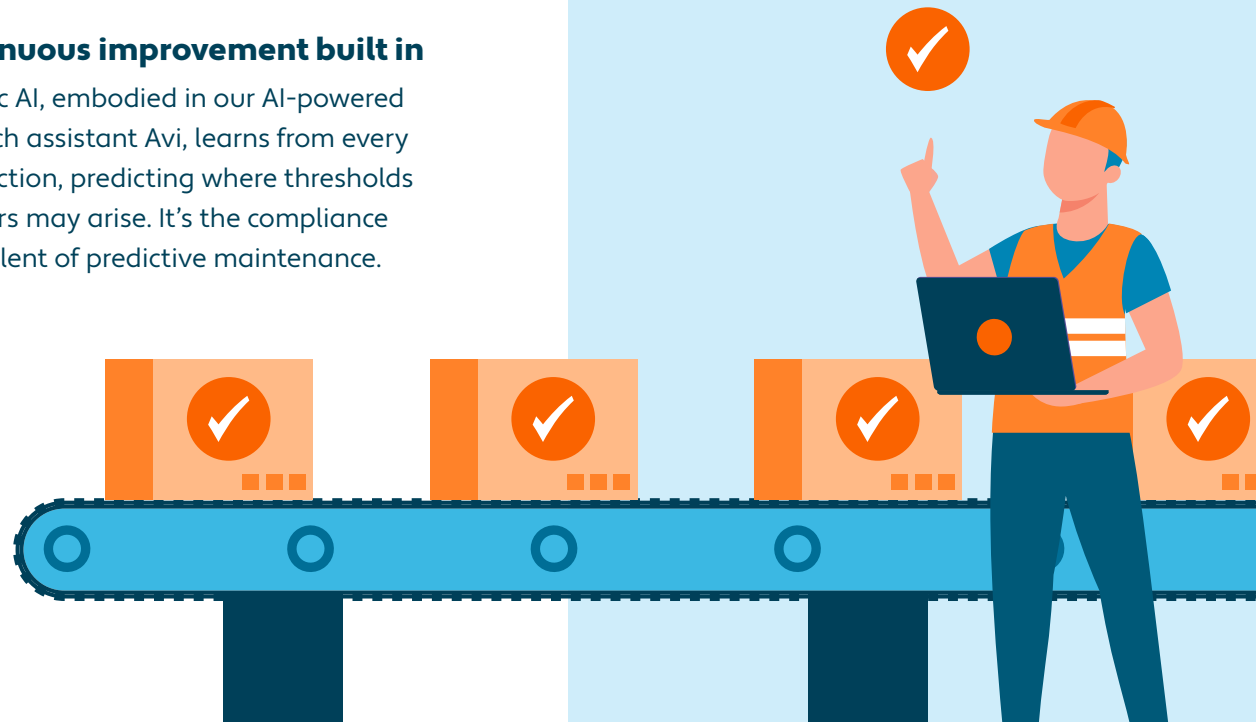
Agentic AI in action – intelligence for industry

The manufacturing industry is entering an age where AI isn't just a tool – it's an operator. On the factory floor, algorithms now adjust production schedules, forecast maintenance, and optimize supply chains in milliseconds. Avalara is applying that same intelligence to the tax and compliance layer – the unseen system that keeps growth moving.

Agentic AI that acts, learns, and leads

Avalara's Agentic AI framework brings self-learning capability and human-like reasoning to tax automation – transforming static rules into living intelligence.

> "Compliance is no longer a back-office burden, but a mission-critical function,"
>
> **Scott McFarlane**
> **CO-FOUNDER AND CEO, AVALARA**
>
> **Source:** Avalara

AVI EVERYWHERE

Avalara's embedded digital assistant observes daily workflows across ERP, procurement, and ecommerce systems, prompting teams when tax setup, nexus registration, or certificate validation is needed – before issues arise.

AI-DRIVEN RULE VISUALIZATION

Tax teams can describe compliance logic in plain language; Avi instantly converts it into executable code and validates it against live regulations.

PREDICTIVE RISK ANALYSIS

The system learns from historical filings and external signals to flag anomalies, exposure trends, and approaching thresholds.

CROSS-BORDER CLASSIFICATION

Intelligent mapping assigns HS codes and identifies restricted trade items automatically, cutting customs delays and duty errors.

Leadership through innovation

Twenty years ago, we disrupted on-premise tax engines by moving compliance to the cloud. Today we're doing it again – embedding Agentic AI into everyday workflows so compliance can think as fast as your operation runs. Backed by Avalara's multicloud MCP architecture, models update content, connectors, and calculations in real time, which means your tax posture evolves the moment rules do. Modern leaders move faster. So should compliance.

Agentic AI doesn't replace people – it amplifies them. It gives tax teams foresight, finance teams confidence, and executives a new metric of performance: compliance velocity – how quickly a business can respond to regulatory change and still ship on time.

CUSTOMER OUTCOMES AND ROI

Avalara's impact is measurable and repeatable. In Forrester's 2024 Total Economic Impact study, composite organizations using Avalara's compliance suite achieved:

85
Faster audit preparation: Real-time visibility eliminates manual data pulls

60
Reduction in filing cycle time: Managed Returns streamlines multijurisdictional remittance

$150K
average annual savings on external consultants

$83K
average annual savings in exemption certificate labor costs

3%
reduction in over-accrued use tax, directly improving working capital

Customer proof

Oxbo

Automated exemption management and tax calculation across 20+ states during an ERP transition, eliminating manual tax risk and improving compliance confidence

Elettric80

Streamlined filing and improved audit readiness with AvaTax and ECM, gaining real-time accuracy and peace of mind across multi-entity operations

Haltec

Simplified B2B exemption tracking and validated certificates at scale with CertCapture and AvaTax, reducing risk across wholesale and D2C sales

Cram-A-Lot

Automated returns and exemption management for 45+ states, reclaiming weeks of finance team time each month and reducing audit exposure

Beyond the numbers

The business case for automation is clear, but the strategic value runs deeper:

SPEED

Faster market entry through automated registrations and filings

RESILIENCE

Consistency across jurisdictions even as rules shift

TRUST

Transparent, auditable processes that protect brand and investor confidence

ROI STARTS THE STORY. RETURN ON READINESS FINISHES IT.

The confidence to enter new markets, integrate acquisitions, and launch products without waiting on spreadsheets

Future-ready manufacturing compliance

The manufacturing industry's next revolution isn't just digital – it's regulatory. As governments modernize tax systems alongside industrial AI and sustainability, compliance becomes a marker of competitiveness.

EMERGING PRIORITIES FOR 2025–2030

GLOBAL E-INVOICING MANDATES

More than 80 jurisdictions introducing real-time reporting

Source: OECD 2024

CARBON ACCOUNTING AND ESG DISCLOSURE

Governments link carbon and energy use data directly to incentive programs and tax credits

Source: EPA

CONTINUOUS TRANSACTION CONTROLS (CTC)

Authorities shifting from periodic filings to continuous oversight; systems must validate and transmit tax data at production speed

CROSS-BORDER TRADE AND SUPPLY-CHAIN RESILIENCE

Tariff changes and localization incentives demand automated duty and HS code classification

AI GOVERNANCE AND AUTOMATION ETHICS

As AI spreads through planning and pricing, regulators demand transparent, auditable systems – a principle Avalara Agentic AI is built on

The thread connecting all these priorities is speed, the ability to integrate new rules as fast as they're written. Avalara's compliance cloud was engineered for this world, unifying automation, accuracy, and intelligence so compliance becomes a growth enabler, not a constraint.

Avalara

Talk to a specialist

Your next manufacturing breakthrough could start with a conversation. Avalara's manufacturing compliance specialists can help map your current processes, identify hidden risks, and design an automation roadmap aligned with your ERP and global expansion strategy.

Let's build the next generation of compliant, connected manufacturing – together.

Disclaimer

Tax rates, rules, and regulations change frequently. We hope you find this information helpful, however, this resource is for informational purposes only and does not provide legal or tax advice.