

AUTOMATE TAX CALCULATION

WITH AVALARA AVATAX

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Introduction

Avalara AvaTax helps businesses manage their compliance for sales and use tax all in one platform. Businesses can be audit-ready with a history of every decision across sales and purchases. All tax rules, configurations, and determinations are managed from this centralized system.

Automating tax calculation can do more for your business than help you crunch numbers correctly.

Automation can enable your company to reduce costs, operate more efficiently, improve customer satisfaction, and be better prepared to enter new markets that drive growth.

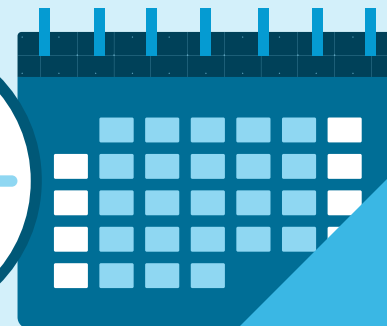
When selecting a tax calculation solution such as AvaTax, consider how it will help solve the following business challenges and benefit your company.

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) 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 organizations 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 can save businesses 34 hours per audit, an 85% efficiency gain. The composite organization was also able to eliminate the need to hire third-party tax consultants, saving \$150,000 annually.



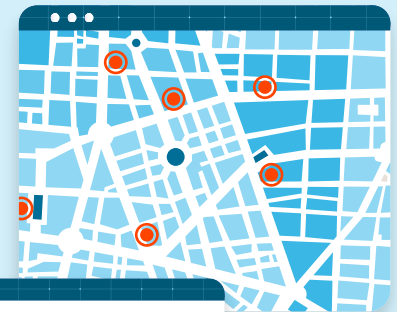
85%
EFFICIENCY
GAIN

Adapt to diverse sales tax rates and rules across the U.S.

Businesses that sell into multiple states face substantial tax compliance challenges. States, counties, cities, and local municipalities have their own sales and use tax rates and regulations, which often change. In 2023, there were 11,192 sales and use tax rate updates in the United States. In addition, there were 85,836 taxability updates in the U.S. and Canada combined. Staying on top of rates and rules can be difficult, but it's necessary to avoid noncompliance penalties.

AvaTax reduces the risk of noncompliance by updating tax information twice monthly to apply the most accurate rates for products and services across all channels and ordering technologies.

Using ZIP codes to determine tax rates is a mistake because tax jurisdictions and ZIP code boundaries don't necessarily align. AvaTax uses geolocation technology to validate addresses with rooftop precision. The solution accounts for state-to-state variations in sourcing rules which determine whether sales tax should be based on the seller's address or the ship-to destination supplied by the buyer.



Keep pace with evolving business requirements

Businesses change. Investing in technology systems that are too rigid to keep up with a company's requirements can lead to business disruptions and a substantial financial loss.

AvaTax scales to support your business as it grows and evolves. When your company creates nexus in new states, AvaTax can easily add tax jurisdictions using the portal.

For every transaction, Avalara determines taxability and tax rates by asking three questions:

- **Do you need to collect taxes here?**

You select where you do business, including where you have a physical presence, employees, or ecommerce sales. Remote sales transactions entered into AvaTax will show up on a map to help you determine where you might be getting close to economic nexus thresholds and need to start collecting sales and use tax.

- **Is the customer taxable?**

AvaTax can manage exemptions based on the business or entity making the purchase, or based on the product or service being sold.

- **Is the item or service taxable?**

AvaTax looks at the line level of the item and tax codes to identify what's being sold and which tax rates apply in a particular jurisdiction.

With AvaTax, your business is better prepared to meet needs now and down the road.

The MiiR logo consists of the word "MiiR" in a bold, black, sans-serif font. The letter "i" is stylized with two dots above it. The logo is set against a white rectangular background.

SUCCESS STORY: MIIR

MiiR sells simple, functional, and appealing drinkware online and through resellers and corporate partnerships across the U.S. A portion of every sale supports projects in local communities.

During the company's early years, MiiR tracked sales and use tax rate changes manually. Updating spreadsheets, then uploading data to the company's point-of-sale system wasn't the best use of the CEO's time. "We'd be confident we were collecting the correct amount, but the reconciliation would inevitably be off," says CEO Bryan Papé.

Adopting Avalara AvaTax and Avalara Returns was a huge help to MiiR, especially as the company expanded. "We save a lot of time and effort by automating all of this. Thank you, sales tax automation," says Bryan.

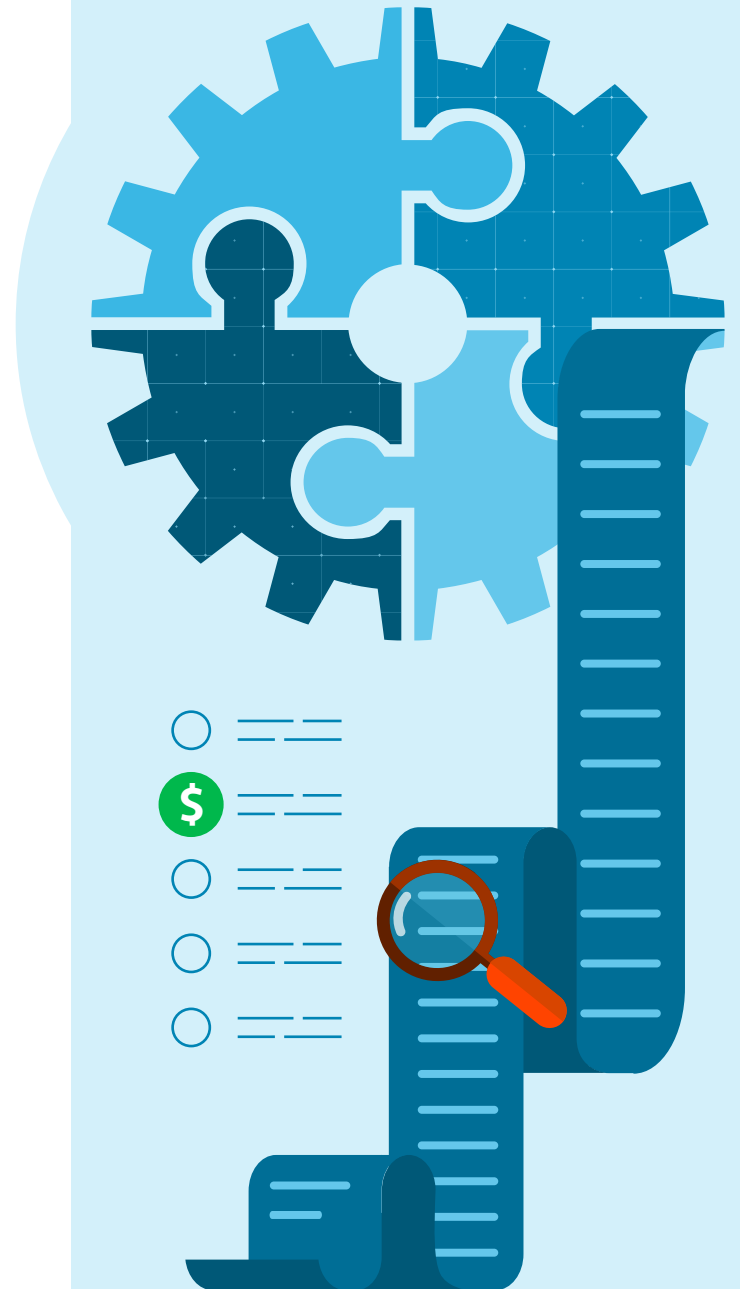
[Read the full story and watch the interview](#)

Automate use tax compliance

Avalara AvaTax for Accounts Payable leverages prebuilt integrations and API capabilities, allowing businesses to connect to their procurement or accounts payable system to automate the use tax compliance process for their purchases. There's no need to rely on complicated or customized integrations for use tax determinations.

With AvaTax for Accounts Payable, businesses are given the tools to identify and take action on overpayments and underpayments of vendor sales tax.

In addition, they can use AvaTax for Accounts Payable to manage their vendors and assign rules to automate the use tax review process. Users of Avalara Vendor Exemption Management get the added bonus of being able to provide vendors with their exemption certificates.



Reduce sales and use tax compliance audit risks

Businesses that fail to get sales and use tax compliance right face the potential of costly and time-consuming audits. Given the complexity of managing tax compliance, it's easy to understand why even the savviest business professionals may feel anxiety.

From your sales to your purchases, AvaTax reduces audit risk with more accurate sales and use tax determinations. Regularly updated tax rates and rules help ensure more accurate tax calculations for every transaction. An optional add-on feature to AvaTax helps catch vendor errors that lead to either overcharging or undercharging use tax before they become your business's liability.

AvaTax seamlessly integrates with [Avalara Exemption Certificate Management](#) (ECM) and [Avalara Returns](#) to provide a complete tax compliance suite. 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 filing.



SUCCESS STORY: ZILLOW GROUP

Zillow Group is a power player in real estate. The company serves consumers in renting, buying, selling, and financing homes and operates one of the most popular real estate mobile apps.

For many years, Zillow got by using old-fashioned, manual processes to manage its sales tax obligations. But when the company acquired Trulia in 2015, its potential exposure increased.

"Your exposure only grows as time goes on. Our business was expanding, and we could see that it was just going to increase. We knew we needed a better solution," says Jason Heckel, Senior Director of Tax.

Avalara AvaTax and Avalara Returns help Zillow mitigate risk.

"Sales tax, because it's based on revenue, is the elephant in the room. If you're not compliant, it can get real ugly, real fast. Avalara, in that regard, helps me sleep better at night," says Jason.

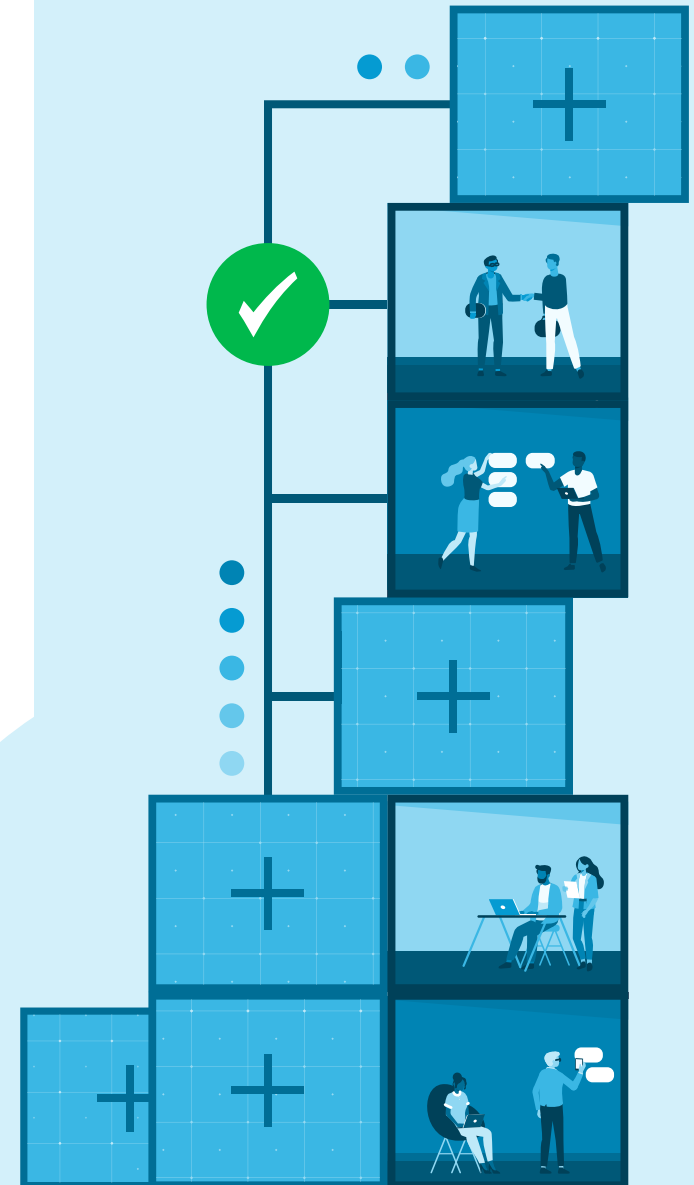
[Read the full story](#)

Enable consistent operations across multiple departments and locations

Ensuring consistent operations across teams can be tough when employees are located in different departments or even different cities. Siloed and inconsistent processes can lead to conflicting data and inefficiencies when managing sales and use tax.

Collaboration is easier with AvaTax. The AvaTax portal allows your business to drive tax policy across companies and divisions. Companies are able to control tax rules for different parts of their business. As your business expands, you can easily add new jurisdictions in AvaTax. Centralizing this information helps report taxes more accurately.

Businesses that have gone through acquisitions can add the new company to their existing AvaTax environment. They're seamlessly able to extend standardized tax codes for products they sell to the newly acquired company.



Support efficient use of business resources for managing tax compliance

Trying to keep up with tax obligations often competes with other business priorities. As your business grows and expands into new markets or jurisdictions, tax compliance becomes more difficult and time-consuming. The burden is greater if you're still calculating tax manually.

AvaTax allows your business to allocate human resources to where they're most needed – performing strategic and high-value activities.

By addressing tax compliance with technology, your company can reduce overhead, improve margins, operate more efficiently, and ultimately gain a competitive advantage.



SUCCESS STORY: THREAD WALLETS

Thread Wallets offers revitalized form and function to wallets and other accessories. The company, based in Provo, Utah, sells its products on its website, through popular online marketplaces, and through retailers across the U.S.

In 2018, the U.S. Supreme Court decision in *South Dakota v. Wayfair, Inc.* triggered new nexus obligations for Thread Wallets. Keeping up with ever-changing tax rates and rules, as well as marketplace facilitator laws, across a growing number of jurisdictions was hard.

“It’s very tedious and difficult to pull multiple tax reports from Amazon. Then there’s the very manual process of meshing them together and reconciling them for filing. That was a huge headache,” says Mitch Sanders, the company’s COO.

Avalara AvaTax and Avalara Returns integrate with the company’s Shopify Plus and Amazon channels and sync sales data.

“Avalara has saved me tons of time and lots of headache. I have a lot of other things I need to work on, and I don’t want to spend more time on sales tax. With Avalara, I just set it and forget it for the most part,” says Mitch.

[Read the full story and watch the interview](#)

Manage international tax compliance from a central platform

Selling internationally comes with complex challenges. Regulations for VAT, GST, and customs duty compliance are different than sales and use tax. In 2023, there were 337 international rate updates and 6,779 international taxability updates.

AvaTax supports cross-border tax compliance with tax content for 190+ countries. **Avalara AvaTax Cross-Border** allows online sellers to calculate or estimate customs duties and import taxes in real time for consumer products, identify the lowest tax rates by taking advantage of treaties, and seamlessly populate cross-border taxes into the customer's shopping cart. Select the countries you sell into and AvaTax calculates and collects duties and tariffs upfront to reduce customs delays and improve customer satisfaction. It will also automatically check for costly errors or oversights. AvaTax integrates with other Avalara solutions including Avalara Tariff Code Classification and Avalara VAT Reporting to provide end-to-end global tax compliance in a single platform.



Comply with tax obligations for specific industries

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 solutions designed to meet the needs of your industry. Choose a comprehensive product suite for end-to-end compliance or start with AvaTax for calculation and scale up later.



COMMUNICATIONS

Avalara for Communications is designed specifically for the communications industry to automate and manage the complexities of tax compliance. To accommodate the ever-changing needs of the industry, the Avalara for Communications suite of products has evolved to support more than traditional telecommunications companies and expand across multiple segments. This solution delivers full tax calculation and handles the preparation and filing of communications tax and sales and use tax returns.



LODGING AND HOSPITALITY

To best serve the distinct needs of the lodging and hospitality industry, Avalara offers multiple products to choose from.

Avalara MyLodgeTax Pro simplifies the management of short-term rental tax compliance for property managers, property management companies, and online travel agencies. The solution streamlines the calculation of occupancy and sales and use taxes, helps complete and maintain tax-related lodging registrations and permits for clients, and manages end-to-end tax returns, remittance, and payments for required jurisdictions.

Avalara for Hospitality was designed to simplify hospitality tax compliance by efficiently navigating regulatory requirements while helping reduce compliance risks. The suite of products streamlines the calculation of sales and use and occupancy taxes as well as manages the end-to-end tax returns and remittance process. Businesses are able to focus on guest experience and customer support.



BEVERAGE ALCOHOL

Avalara for Beverage Alcohol simplifies the ever-changing license, product registration, and tax compliance requirements for wineries, breweries, distilleries, importers, alcohol retailers, alcohol marketplaces, and alcohol delivery apps. The solution calculates sales and use tax, state and local excise tax, markup tax, and liquor-by-the-drink tax. Avalara for Beverage Alcohol also streamlines registering and maintaining alcohol licenses, registering products, and managing the end-to-end tax returns and remittance process.



ENERGY

Avalara for Energy helps companies solve energy excise tax compliance challenges. Designed for the largest oil, gas, or chemical companies to the smallest fuel distributors, energy traders, and mobile refuelers, the solution automates tax calculation and returns.



TOBACCO AND VAPE

Avalara for Tobacco and Vape helps businesses save time and money while navigating excise tax, sales tax, business licensing, and PACT Act requirements. Companies are able to offload the burden of tax calculation and returns.

Create reports for in-depth analysis

AvaTax provides robust reporting tools. A comprehensive library of common sales and consumer use tax reports are available that summarize and display historical transaction data.

These reports help your business to reconcile transactions in AvaTax with your accounting, ERP, ecommerce, or POS systems. Companies can review their tax liabilities with jurisdictional reports that drill all the way down to line-level details. And AvaTax provides the tax calculation information to complete standard sales and use tax returns.



Achieve more with Avalara AvaTax

With Avalara, your business can get ahead while staying compliant. From complying with state-specific sales tax rules to driving efficiency to growing your company, AvaTax can help your business meet significant challenges and position itself for success.

Let Avalara be your guiding partner in this journey. Connect with your Avalara representative to explore the return on investment your business can expect from choosing Avalara.

[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 helps businesses of all sizes get tax compliance right. In partnership with leading ERP, accounting, ecommerce, and other financial management system providers, Avalara delivers cloud-based compliance solutions for various transaction taxes, including sales and use, VAT, GST, excise, communications, lodging, and other indirect tax types. Headquartered in Seattle, Avalara has offices across the U.S. and around the world in Brazil, Europe, and India. More information at avalara.com.
