Avalara

Automating exemption certificate management to overcome business challenges



Product Guide

Contents

Manage exemption certificates with Agentic Tax and Compliance™ 3

Navigating diverse sales tax rules across states 4

Managing a high volume of tax-exempt transactions 5

Enabling consistent operations across multiple locations and during M&A 6

Reducing sales and use tax compliance audit risks 7

Elevating customer satisfaction 8

Keeping pace with evolving business requirements as your company scales 9

Streamlining vendor exemption management 10

Staying compliant with limited time and in-house expertise 11

Managing tax compliance directly in your business systems 12

Achieve more with Avalara Exemption Certificate Management 13

Manage exemption certificates with Agentic Tax and Compliance™

In today's rapidly evolving business landscape, efficiently managing exemption certificates is more critical than ever. It's not just about sales and use tax compliance; it's about streamlining operations, fostering trust with stakeholders, and staying agile amid the changing tax environment.

A recent global study conducted by Hanover Research found that more than half (53%) of finance, accounting, and tax professionals surveyed still handle exemption certificates manually or mostly manually. Only 8% of companies surveyed use AI to make exemption certificate compliance easier. This could help explain why finance and tax teams were less likely to describe themselves as efficient at managing exemption certificates than other tasks.

Traditional exemption certificate management and cumbersome manual processes can stand in the way of global growth. While many ERP systems offer basic functionality for marking customers as tax exempt, they often fall short when it comes to compliance management. Businesses can increase efficiencies, improve accuracy, and better position themselves to expand into new markets with a centralized solution that automates the entire exemption certificate management process.

Avalara Exemption Certificate Management (ECM) is an AI-first solution that creates, collects, verifies, stores, and applies exemption certificates to help businesses effortlessly manage compliance. ECM uses AI to automatically validate certificates, streamline workflows, and reduce manual effort. By combining intelligent document processing and natural language search, ECM helps businesses process certificates faster, improve accuracy, and stay compliant at scale.

Automating exemption certification using ECM with Agentic Tax and Compliance™ helps businesses handle unique sales and use tax compliance requirements across all states with a sales tax. It also helps businesses reduce audit risk, adapt to ever-changing tax laws, and maintain customer relationships as their footprint expands.

When selecting an exemption certificate management solution such as ECM with Agentic Tax and Compliance™, 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 Exemption Certificate Management and other Avalara solutions.

Prior to implementing Avalara, the businesses that were interviewed said their organizations had difficulty locating certificates during audits. That, combined with the manual effort their teams needed to manage compliance, left them feeling frustrated and inefficient.

Forrester used information provided during the interviews to construct a composite global company and an aggregate financial analysis. The study found that implementing Avalara Exemption Certificate Management to manage exemption certificates and make sure they're completed properly can save businesses 416 hours each year. This reduction in administrative time saved the composite organization more than $96,000 over three years.

Navigating diverse sales tax rules across states

Sales tax compliance is especially complex for businesses that sell into multiple states. It's not enough to know you don't charge tax to a tax-exempt customer. You need proof — a valid exemption certificate, collected at the right time, and stored correctly for every jurisdiction where you do business. It's critical to properly archive certificates and provide them during an audit.

States, counties, cities, and other local municipalities have their own regulations, which vary and are frequently updated. Keeping up with these changes can be difficult and time-consuming but is necessary to avoid noncompliance penalties.

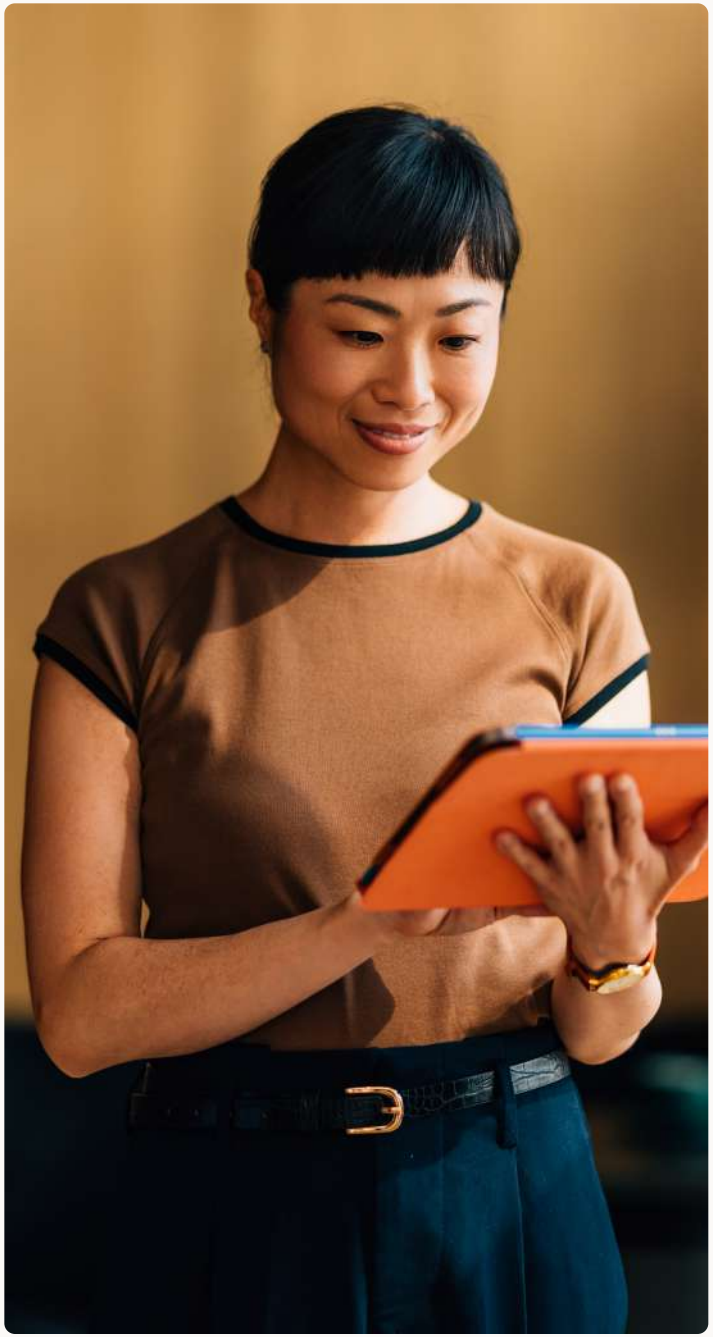
ECM is powered by a centralized compliance content engine that helps ensure every certificate form and rule is regularly updated and jurisdictionally accurate. ECM uses AI and intelligent document processing to automatically ingest, classify, and validate exemption certificates.

It processes valid certificates instantly and flags incomplete or inaccurate ones for review — helping teams streamline compliance and reduce manual effort. The built-in content library serves as a guide to hundreds of thousands of tax regulations across all states. Clear answers let you know whether an item is tax exempt or not. With access to a frequently updated database, you can easily remain informed of sales and use tax changes while freeing up resources to focus on other business priorities. This combination of dynamic content intelligence and automation enables faster certificate collection from customers. With ECM helping you stay on top of current taxability rules, you're more likely to stay compliant while selling.



Stay compliant with ease:
ECM informs you on the latest taxability rules

- ✓ Get clear answers
- ✓ Access an updated database
- ✓ Save time and resources



Managing a high volume of tax-exempt transactions

As your business grows, you need to handle more sales transactions that are subject to sales and use tax or tax exempt.

Trying to manage large volumes of tax-exempt sales transactions manually becomes increasingly difficult. This can lead to inaccuracies that increase risk and shipping delays that erode customer trust.

Avalara Exemption Certificate Management Premium and Avalara Exemption Certificate Management Pro make it easier to manage high volumes of tax-exempt transactions and millions of documents. ECM uses machine learning to match exemption certificates to buyers and transactions, reducing manual work and improving accuracy. Advanced artificial intelligence and optical character reader (OCR) technology scan, read, and digitize data including photos, then populate fields on certificates. The solutions rapidly validate forms and reduce the margin of error by recognizing incorrect forms and entries.

ECM scales to support your business as it evolves and your sales grow. When used with Avalara AvaTax to calculate and collect tax and monitor nexus, ECM helps you comply with customer exemptions in jurisdictions where you may have created nexus and have new sales and use tax obligations.

Enabling consistent operations across multiple locations and during M&A

It can be tough to ensure consistent operations across teams in different departments and even harder when employees are located in different cities or countries. Siloed and inconsistent processes can stand in the way when managing sales and use tax exemption certificates. If they lead to missing certificates or inaccurate or incomplete data, your company could be on the line for audit penalties.

Standardize certificate handling across every team and location with ECM. The solution helps ensure uniformity across the board.

A centralized platform provides a singular method of handling exemption certificates, along with features for businesses with multiple locations. ECM Premium allows businesses to create workflows by assigning certificate review to specific users. Businesses benefit from one governed process with role-based reviews and location-aware rules.

After a merger, acquisition, or ERP change, consolidate legacy tax exemption compliance data fast and keep approvals consistent





Reducing sales and use tax compliance audit risks

Discrepancies in exemption certificate management can lead to unfavorable sales and use tax audit findings. Studies by Potentiate and Aberdeen Strategy & Research both found that missing exemption certificates are among the top five reasons businesses incur audit penalties.

Preparing for sales and use tax audits and ensuring every aspect of tax compliance is in order can save your business from fines and reputational damage. With ECM Premium and ECM Pro, businesses transform exemption management into a risk control function.

> Automated certificate collection and AI-assisted certificate validation help ensure companies have their bases covered.

ECM flags expired, invalid, or missing certificates, helping compliance teams address issues before audit season rolls around. Built-in dashboards and configurable alerts allow you to track exposure by customer, geography, or document type — providing a robust defense against audit-related challenges.

Elevating customer satisfaction

In the business world, customer experience is crucial to retain trust and loyalty. Even minor errors or delays related to exemptions can cause credit or rebills, resulting in supply chain issues that can jeopardize your company's relationship with customers. Without a reliable exemption certificate management system in place, customers may be charged incorrect amounts, leading to disputes or frustration. Worse, they may choose to no longer buy from your business.

The customer-centric ECM portal is designed to improve user experience and prevent rebilling.

Automation enables your business to quickly and efficiently request, track, and manage exemption certificates for thousands of customers. Intuitive tools and real-time, AI-assisted validation enable your customers to easily complete and upload the right certificates at the point of sale. Plus, the solution automatically reminds customers of upcoming expirations, meaning less work for your customers and your team.

SUCCESS STORY

Bartlett Bearing Company

Bartlett Bearing Company distributes bearings and other power-transmission components to motor-repair shops throughout the United States.

Exemption certificate management became a huge challenge for the growing company.

"The vast majority of our customers are tax exempt. Storing certificates and keeping them updated and organized was a mountain of work," says Sarah Musser, President at Bartlett Bearing.

Sarah found that automating tax compliance with Avalara provided both peace of mind and a higher level of accuracy.

"Having these processes automated is vital as we grow. And the Avalara calendar gives us notice well in advance when a customer's certificate is set to expire, so we can get ahead of it with the customer. … I can't imagine going back to the way we did it before," says Sarah.

Read the full story

Bartlett Bearing Company, Inc.

Keeping pace with evolving business requirements as your company scales

Businesses change and evolve. As they do, their exemption certificate management systems must be flexible enough to adapt to their requirements and also anticipate how they'll operate in the future. Many companies grapple with tools that are too rigid to meet their distinct needs. This rigidity can lead to inefficiencies and inconsistent processes resulting in problems like order delays and rebilling.

ECM is designed with adaptability in mind.

Businesses can customize the platform by adjusting the default exemption forms and adding data fields to fit their specific requirements. This level of configurability helps ensure that as your business refines operations, your exemption certificate management process remains in lockstep. ECM also offers custom user roles tailored for teams with hierarchical structures. This helps your teams, regardless of their size or complexity, to have an efficient approval workflow in place. Businesses can confidently shape ECM to align with their unique needs, ensuring they are able to meet challenges now and down the road.



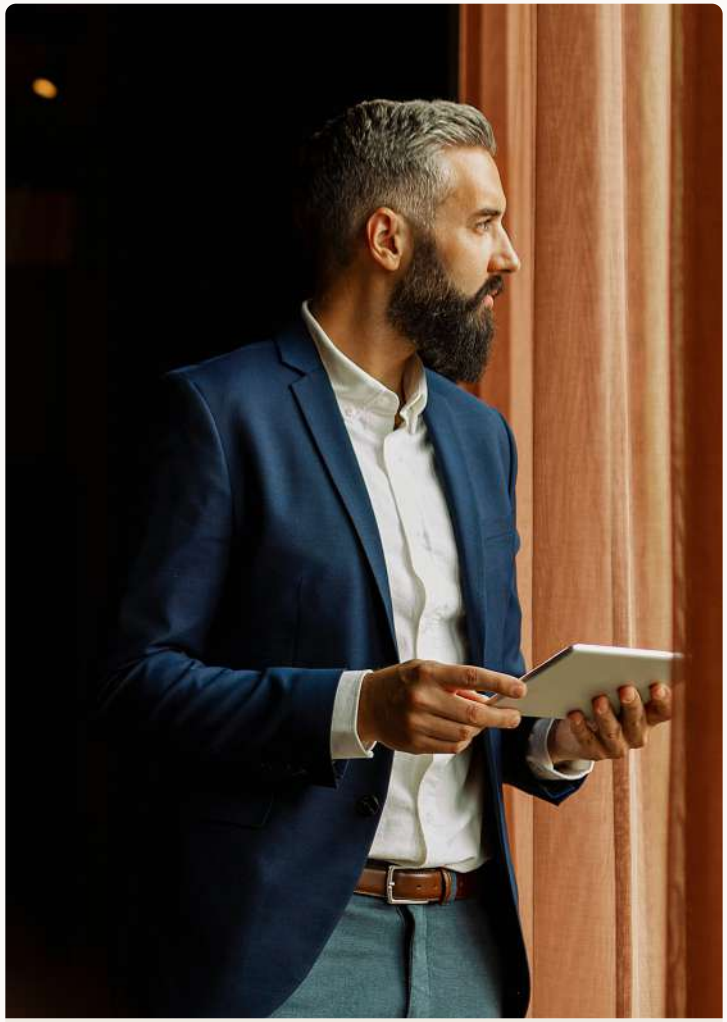
Streamlining vendor exemption management

Companies sometimes struggle with inconsistencies in how they deal with vendors spread out across multiple jurisdictions. A lapse in uniformity can lead to supply chain interruptions and potential compliance issues for your business.

Avalara Vendor Exemption Management (VEM) simplifies the vendor management process by providing a centralized platform for collecting, storing, sending, and tracking certificates. VEM prevents bad data at the source. The solution uses gateway questions and manager approvals to avoid incorrect purposes, then track status across jurisdictions — giving finance teams the visibility to apply use tax where required and reduce liability. This attention to detail not only enhances accuracy but also plays a pivotal role in your business's ability to maintain a clear handle on your use tax responsibilities.

VEM takes a proactive approach to compliance, providing businesses with peace of mind.





Vendors play a crucial role in a business's operations. Ensuring vendors have current exemption certificates is vital.

Staying compliant with limited time and in-house expertise

Managing exemption certificates is a detailed process that requires time and specific knowledge.

Some companies lack in-house tax compliance experts or prefer to free up resources to focus on other parts of day-to-day operations. Outsourcing exemption certificate management can save time and better ensure accuracy and compliance.

Avalara ECM Managed Services Premium is all about expertise. With dedicated support specialists, your business can be confident that every aspect of exemption certificate management from setup to document validation is managed with precision and best-in-industry service.

ECM supports mergers and acquisitions by enabling businesses to consolidate tax exemption data between disparate systems.

SUCCESS STORY

Oxbo International

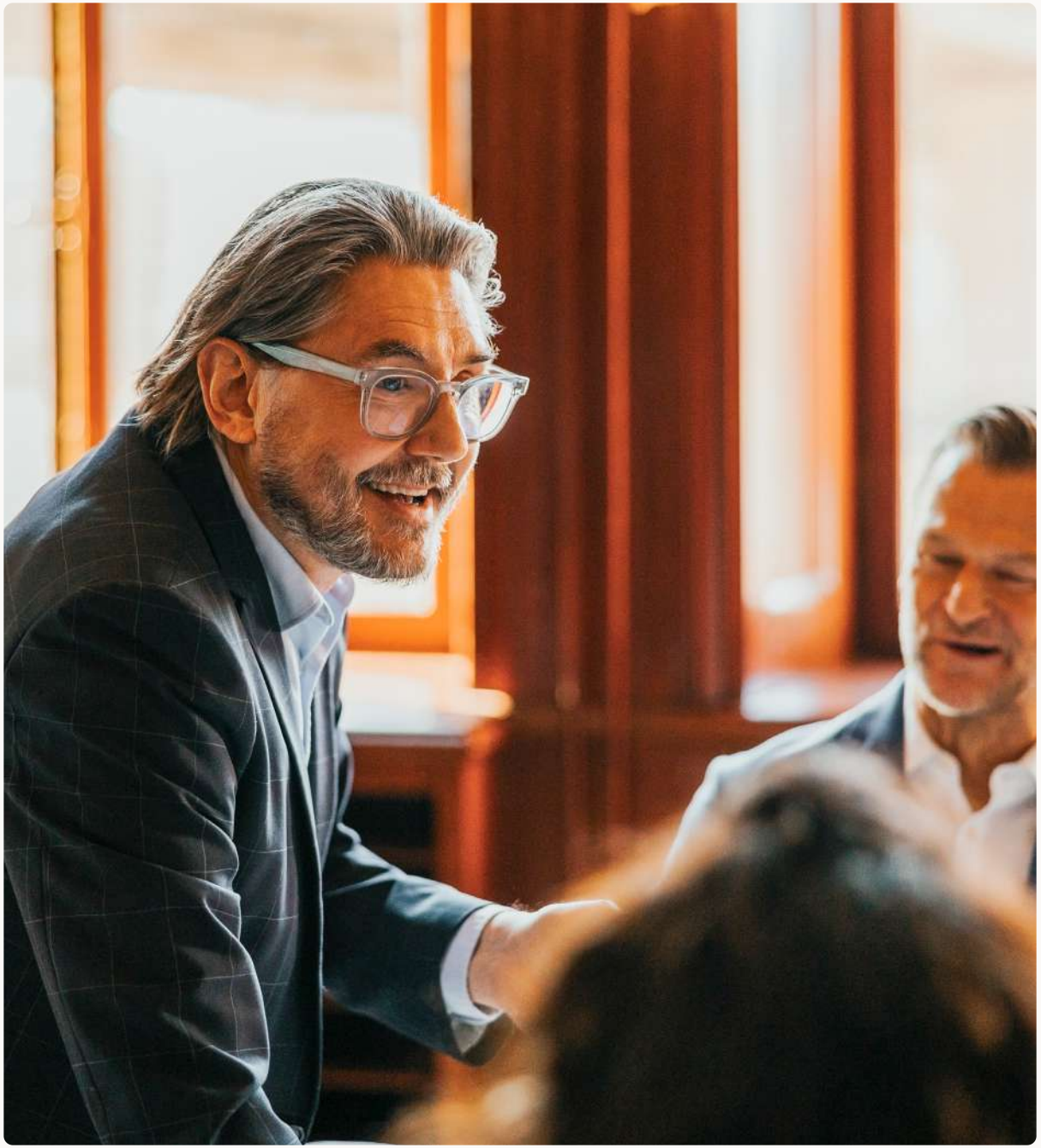
Oxbo International is a world leader in manufacturing and selling harvesting machinery. Headquartered in Byron, New York, Oxbo has domestic operations in seven U.S. states and international activities in Brazil and Europe.

Trying to manage sales tax through the company's ERP system was tedious and confining. Without an automated system to manage sales and use tax exemption certificates, Oxbo struggled with expired and missing certificates. Audits were a problem.

Oxbo turned to Avalara to handle sales and use tax compliance including exemptions and saw numerous benefits.

"When you have companies coming together through mergers and acquisitions, it's nice to know we have one spot where we keep everything. And that's within Avalara," says Barb Mika, Sales Accounting Supervisor at Oxbo.

Read the full story



Managing tax compliance directly in your business systems

Engineered to fit into virtually any financial system, ECM supports seamless exemption certificate automation without custom code. Avalara has over 1,400 signed partner integrations across ERP, ecommerce, procurement, and POS platforms.

ECM connects to the systems you already use and unifies them through a single, AI-powered tax and compliance platform.

Achieve more with Avalara Exemption Certificate Management

Avalara Exemption Certificate Management is built for businesses that want to expand without getting tangled in paperwork, customer disputes, or audit risk.

From complying with state-specific sales tax rules to providing platinum-level customer satisfaction and growing your company across multiple states, ECM can help your business meet significant challenges and position itself for success.

Let Avalara be your guiding partner in this journey. Visit our product page to learn more and choose tthe best ECM solution with Agentic Tax and Compliance™ for your business.

Which ECM product is right for you?

Avalara gives you options based on your business needs.

Learn more about our ECM products and services

ABOUT AVALARA

Avalara is redefining how businesses manage tax and compliance by embedding AI agents directly into the tools, systems, and workflows where compliance occurs, including ERPs, ecommerce platforms, POS solutions, email applications, and web browsers. Backed by a legacy of 20+ years of providing innovative solutions for tax and compliance, these agents don't just assist — they complete tasks and do the work. Using expertise, speed, and precision, Avalara agents calculate taxes, file returns, validate data, and manage jurisdictional rules and global e-invoicing requirements. With one of the largest and regularly updated collections of tax content, Avalara Agentic Tax and Compliance™ supports millions of businesses worldwide.

Learn why at **Avalara.com**.

ECM | Purpose Built for Industries |
Global Compliance at Scale | Built In Not Bolted On

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.