



Avalara for Southware by Timesavers

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SouthwareAnswers
A service of the Southware Partner Alliance

2020 Digital User Conference

The logo for Avalara, featuring the word "Avalara" in a bold, orange, sans-serif font. A blue checkmark is integrated into the letter 'A'.

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Drawing will be held at the end of Avalara presentation



Agenda

- 1 > The latest on Economic Nexus
- 2 > What should you do
- 3 > Why Avalara for SouthWare
- 4 > Why now
- 5 > Q&A

Avalara

> The latest on
Economic Nexus

South Dakota vs. Wayfair, Inc. *What's that about?*

South Dakota asked the U.S. Supreme Court to overturn its long-standing physical presence rule (*Quill Corp. v. North Dakota*) for determining when a state can make remote sellers collect sales tax.

The Supreme Court ruled in favor of South Dakota on June 21, 2018.

South Dakota is granted authority to impose sales tax obligations on out-of-state transactions.



South Dakota

 wayfair

ECONOMIC NEXUS

WHAT IS IT?

Economic nexus is a tax collection obligation imposed on sellers based on their level of economic activity within a state.

Sales tax compliance is now like income tax, all businesses must address where and when they have an obligation

Unlike physical presence, it is based **entirely** on sales revenue, transaction volume, or both.



“Because the physical presence of *Quill* is unsound and incorrect, *Quill Corp. v. North Dakota*, 504 U.S. 298, and *National Bellas Hess, Inc. v. Department of Revenue of Ill.*, 386 U.S. 753, are overturned.”

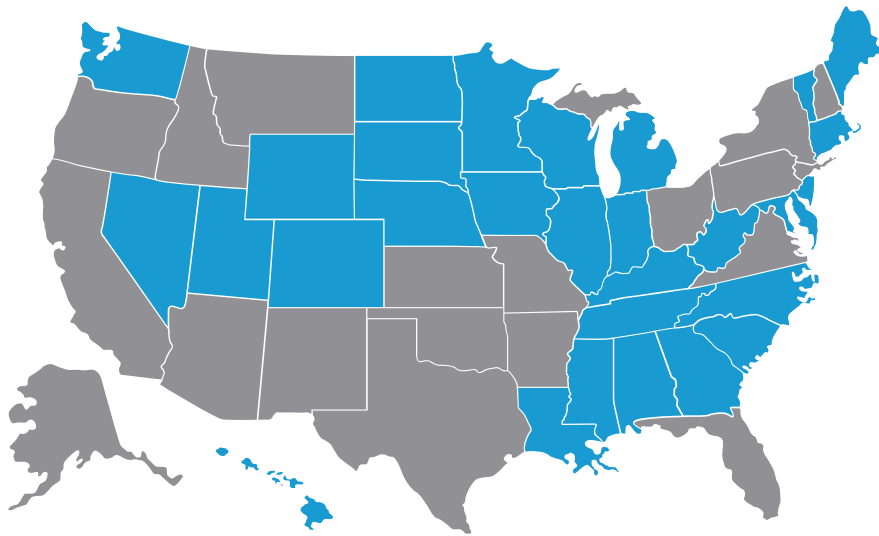
SOUTH DAKOTA VS. WAYFAIR, INC., ET AL.

NO. 17-494. ARGUED APRIL 17, 2018 – DECIDED JUNE 21, 2018

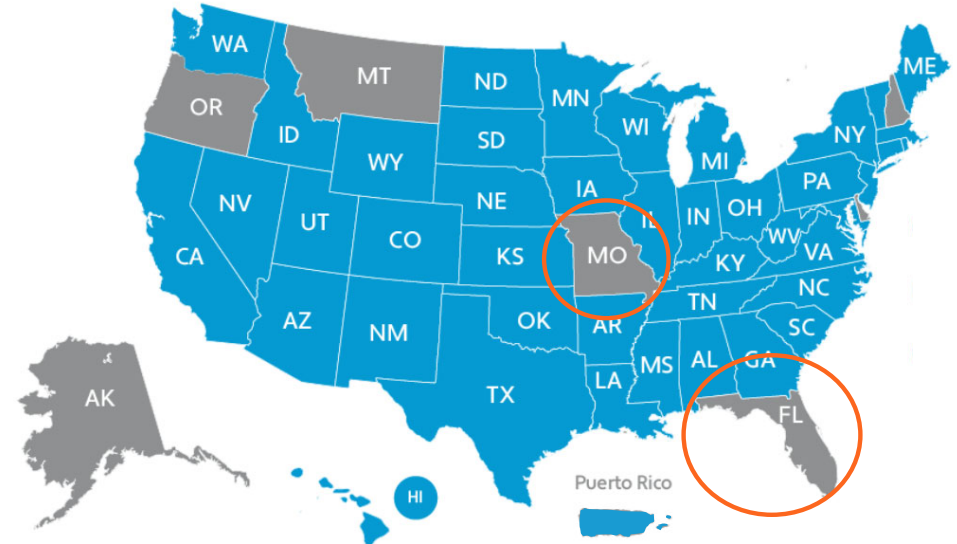
Economic Nexus Expands in 2019

5 states with no state sales tax:

- New Hampshire
- Oregon
- Montana
- Alaska*
- Delaware

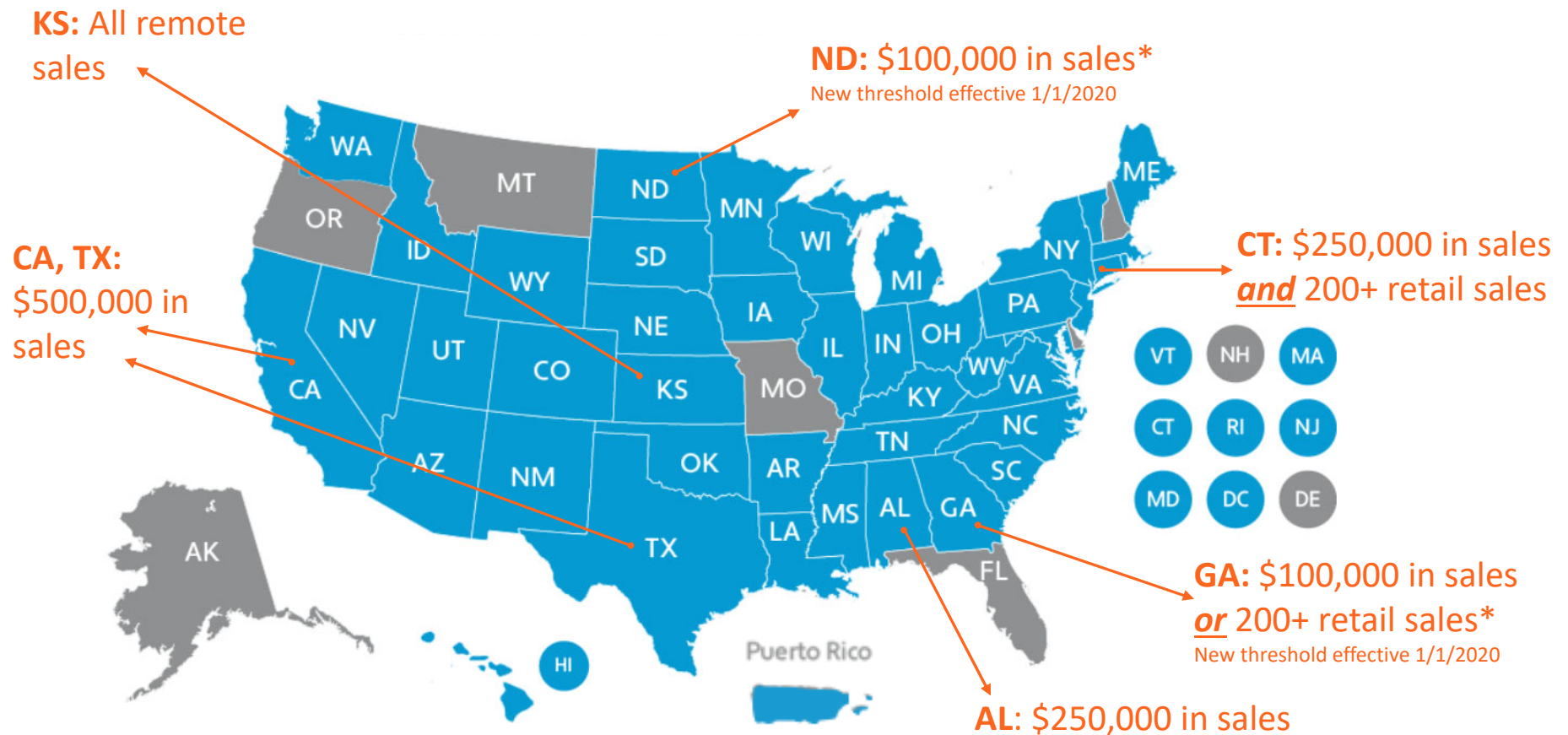


January 2019



December 2019

Economic Nexus Thresholds Vary by State



“But what if my company doesn’t collect sales tax?”

Economic nexus based on economic activity – increased burden to prove exemptions

Case study: Manufacturer in NY

- 99% of sales are to other OEMs or reseller dealers (no tax)
- *Wayfair* ruling increased their burden to prove exempt sales
- Previous exemption certificate count: <75 on file
- **New count needed: 1,175**

Case study: National wholesaler

- Sells to resellers who sell to end-users; drop shipment is part of their model
- *Wayfair* grew nexus from just their physical HQ in NY to most U.S. states
- Previous exemption certificate count: 500 on file
- **New count needed: 5,000+**

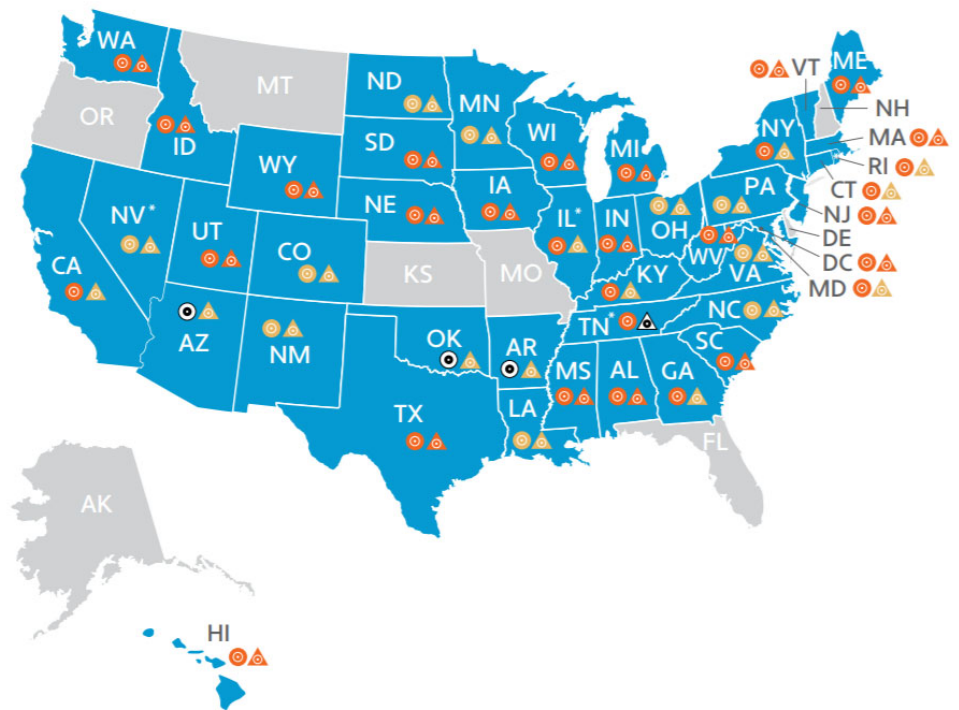
Even if the \$ threshold isn’t met for an economic nexus law, individual transaction count could be.

Exempt sales in states with economic nexus laws

As of June 15, 2019

Delivery into ship-to states, where a supplier did not have nexus

- **Pre-Wayfair:** exemption certificates not collected
- **Post-Wayfair:** exempt sales count towards economic thresholds and exemption certificate collection required



Are exempt sales or services included in states' economic nexus threshold?	
Exempt Sales	Exempt Services
Included	Included
Not Included	Not Included
Unclear	Unclear

*States that include exempt sales in the threshold count but exclude sales for resale

What should you do?

1. **Don't panic.**
2. **Contact your company's SALT CPA or attorney tax advisor** – seek counsel on all nexus related requirements and laws.
 - Don't have one? Avalara has an extensive directory of tax experts and SALT CPAs who could work with your customers
3. ***If no SALT CPA or advisor, leverage Avalara Tax Advisory Services (TAS)*** - work directly with TAS to:
 - Determine where they have nexus
 - Get ongoing monitoring services to see when new nexus is established
 - Register in new jurisdictions
 - Navigate tasks related to establishing new nexus

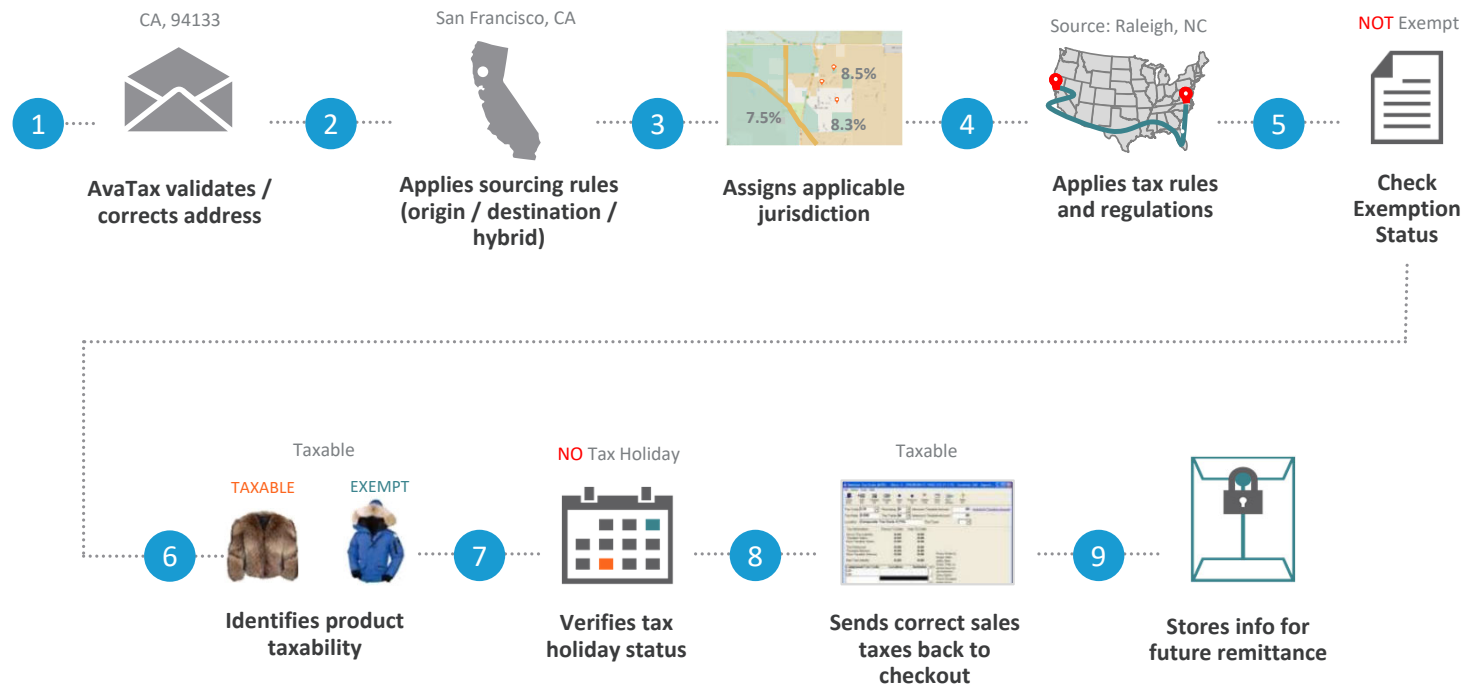
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> What is the Avalara Platform?

How we do it – The sub-second challenge

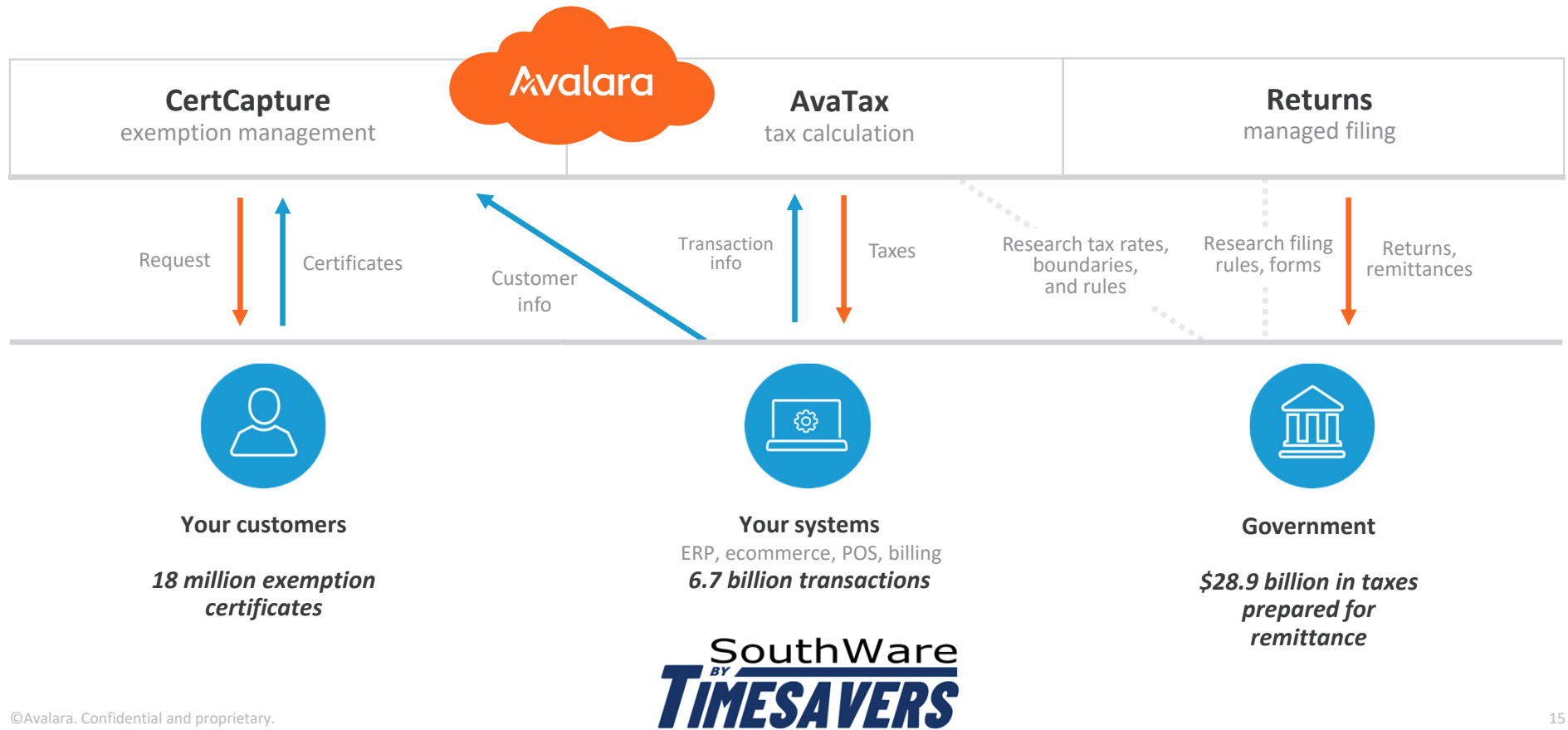


Customer Hits
Purchase



Avalara Sales Tax Suite

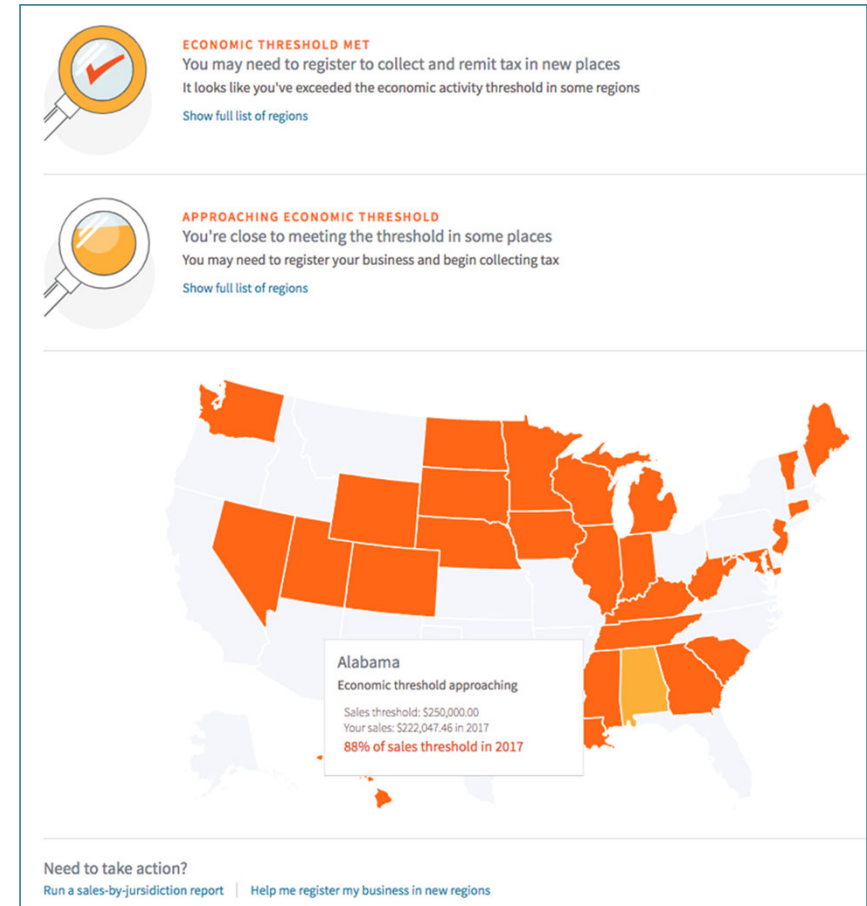
End-to-end sales tax automation



How does Avalara help its customers track economic nexus updates?

Frequent economic nexus updates can get confusing but we have economic nexus insights for our users.

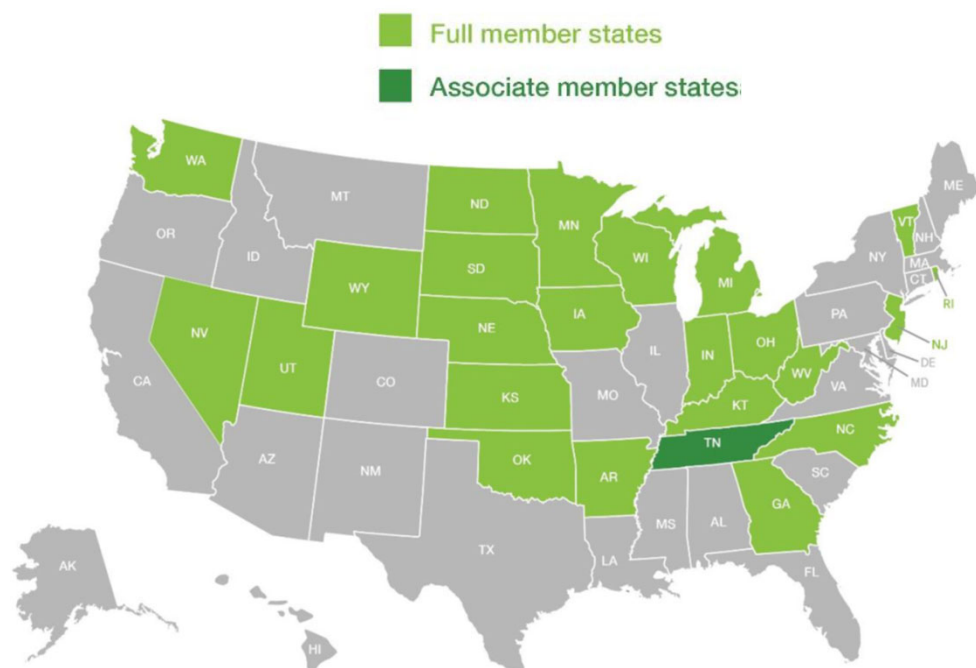
- Shows states where a company is approaching (80% shown in yellow) or exceeding (100% shown in orange) an economic threshold, by comparing AvaTax committed sales invoices to the state thresholds
- Points customers to the sales by jurisdiction report and online registration as next steps
- Shows on the AvaTax Update landing page for all accounts that have triggered a notification



How we do it – Streamlined Sales Tax (SST)

- SST member states simplify sales tax with uniform rates, rules, registration, remittance, and exemption certificates
- Avalara is an SST Certified Service Provider
- SST volunteer status member benefits with Avalara
 - Uniform definitions and rules
 - Free SST registration in all 24 SST states*
 - Free tax calculation transactions in SST states*
 - Free prep and filing in SST states*
 - Audit protection*

* Applies to states where a business qualifies for SST volunteer status.



How we do it – Avalara Professional Services

When tax challenges require a specialist, Avalara provides professional services that work in conjunction with Avalara technology to solve complex tax compliance issues.

Sales and Use Tax
Registration

Sales and Use Tax
Nexus Study

Voluntary
Compliance
Services

Customer Tax
Recovery Services

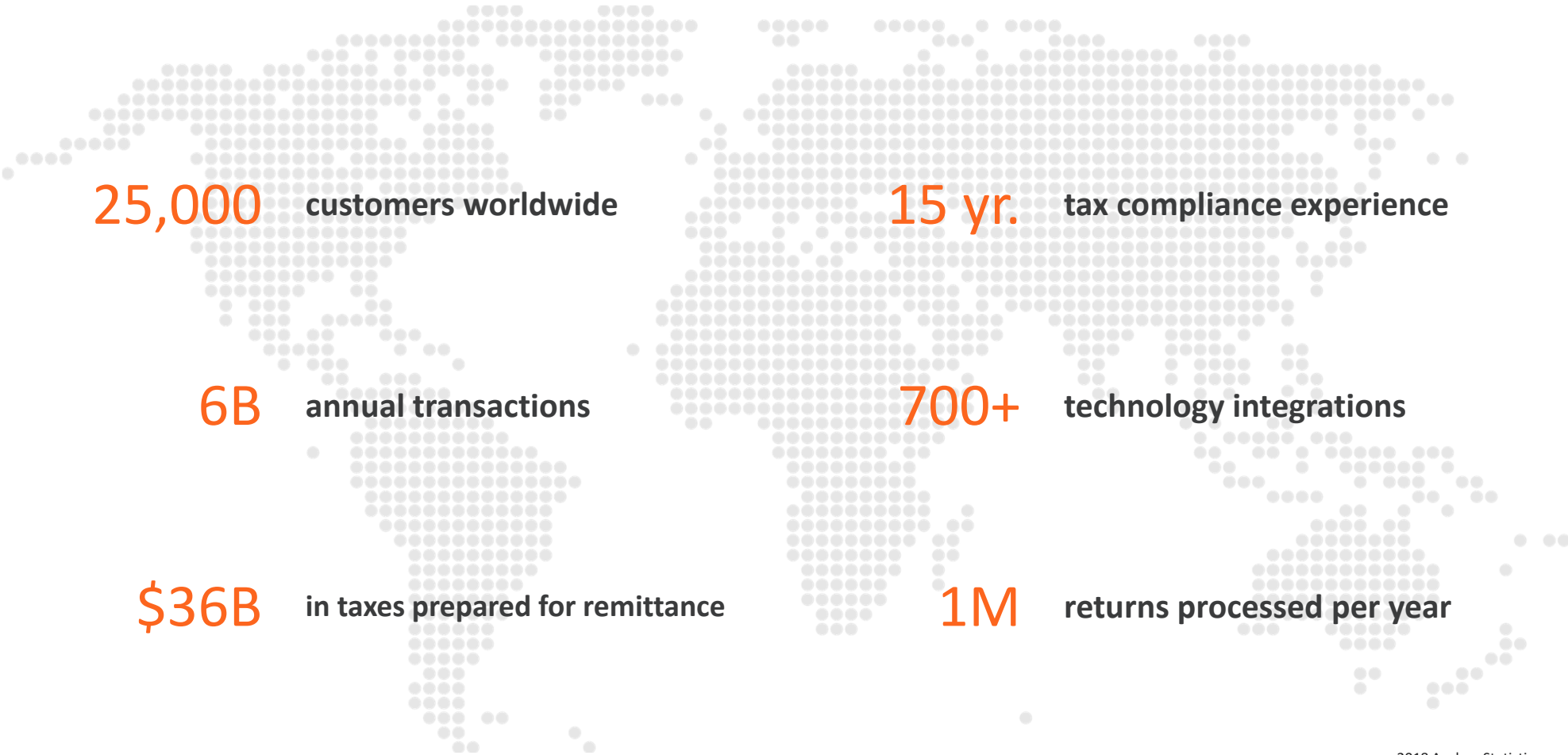
Back Filing
Services

Claim for Refund
Services

Tax Code
Mapping

Sales Tax
Certificate
Management

Avalara helps businesses worldwide achieve tax compliance



Why Now?

Needier, greedier states



Sales taxes are a large part of a state's revenues



\$13B in uncollected sales tax revenue from e-commerce



States implementing new laws / initiatives to collect

- Economic nexus laws
- Marketplace fairness laws
- Use tax reporting laws

Rapid growth triggers tax challenges



Adding new geographies or products



Implementing ERP, e-commerce or other business applications



Mergers, acquisitions, and fundraising



Newly-hired finance executives



Sales tax audit

Avalara

> Q&A

Upcoming Webinar:

5 Steps to Managing Sales Tax

September 23, 2020





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If you have any additional questions, please reach out:

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