



## Newsletter Vol. 64 - Introduction

Softengine News is dedicated to keeping you up to date with the latest information regarding SAP Business One systems, Softengine solutions and Best Business Practices.

### What's New?

#### Spotlight on Products: Avalara AvaTax Sales Tax Extensions for SAP Business One and Magento eCommerce

There was a time when ecommerce was a simple affair. These days, however, hungry states are looking for ways to increase revenue, and online sellers are directly in their line of sight. As federal and state governments turn their attention to capturing more revenue from Internet sales tax, many ecommerce businesses are finding themselves under increasing scrutiny, and they need to look at the impact sales tax may have on their business as they expand into more states. On a national basis, according to a US Census Bureau survey in 2012, as much as a third or more of state budgets are derived from sales tax, which helps state and local governments fund taxpayer services. Internet merchants should understand their responsibilities and liabilities as they do business not just in their own state, but other states or countries.

#### Nexus Requirements

Every state has the right to define who has to collect sales tax, what those taxes are, and any exemptions that may be allowed. However, there are limits to how states can define "nexus." Nexus means a "connection." Ecommerce merchants must have a connection to a state in which a customer resides for the merchant to be liable for sales taxes. But states define nexus in different ways, and this makes it confusing.

#### Nexus triggering events can include:

- Traveling salespeople
- Agents or distributors
- Employees on payroll
- Training
- Trade show attendance
- Inventory / warehousing
- Servicing tangible personal property
- Affiliates

Once you've figured out where your business has nexus, you need to ensure that you are properly set up to collect and remit sales tax within applicable states. To do that, you'll need to register with the state(s) in which you have nexus by declaring your business.

Sales tax needs to be collected on numerous products and services across the country. The list of products and services may vary from state to state. For instance, in Florida, school items are not taxable during school holidays. In New York, clothing and apparel are only taxable when the cost meets certain dollar thresholds (\$110). In California, digital software downloads are not taxable, but the same software bought in a box with a CD is taxable. Clothing and apparel, medical devices, digital media, software, and services are all examples of industries in which product taxability rules apply. These are just a few examples of the kinds of product taxability challenges that Internet merchants face.

### **Audits Happen, Protect Yourself**

Audits can happen at any time, and over the last few years, state enforcement activities have risen dramatically. California and Washington have doubled the number of auditors in just three years. When you are audited, the auditor will want to see documentation of your sales, the sales tax you collected, and sales where you didn't collect sales tax. Most ecommerce businesses do not have a sales tax professional on staff, and companies tell us they can spend weeks finding and preparing the information being asked for, and even more time in the audit review.

### **Automation or Not?**

Not automated? Many small business owners either do their own sales tax remittance, or pay for bookkeeping or accounting help. There is a cost for doing it either way; in time, resources, accuracy and dollars. You may need to subscribe to tax content you can use on an invoice or line item level. You are responsible to know the changes that occur where you have to collect sales tax.

Instead of manually setting up sales tax codes, Avalara AvaTax for SAP Business One automatically calculates taxes during your transactions in real time. This dramatically reduces the amount of time spent on complex compliance processing. AvaTax provides your business with a fully integrated and automated sales tax management solution, which includes functionality to protect against audits, obsolete data, and changing tax laws.

AvaTax provides a complete sales tax compliance solution—from the point of sale to electronic filing and payment, streamlining a cumbersome process and reducing the risk of loss or penalty in case of an audit. AvaTax automates previously manual tasks and works within the systems you already use.

Magento users already benefit from a feature-rich, open-source ecommerce platform that gives complete flexibility in the look, feel, and functionality of their online store. However, setting up the cart to calculate the varying sales tax rules and rates for hundreds of products and services across multiple jurisdictions can be time-consuming and error-prone, depleting valuable resources ecommerce merchants need to spend growing the bottom line.

Avalara AvaTax provides automatic sales tax calculations within the cart. It provides the fastest, easiest, most accurate and affordable way to calculate sales tax within Magento; manage exemption certificates; file returns; and remit payments across multiple tax regions. Avalara AvaTax determines rates based on 100,000+ taxability rules in 11,000+ taxing jurisdictions and instantly applies them to each transaction within your Magento shopping cart.

Using the Avalara AvaTax integration with Magento provides greater granularity and visibility at the transaction level. Transactions within the shopping cart will hit the Avalara AvaTax interface as they occur.

For more information about Avalara Extensions for Magento and SAP Business One implemented to your specific needs, please contact Barry Lederman: 818.704.7000, [blederman@softengineusa.com](mailto:blederman@softengineusa.com).

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