Avalara

Transactional Tax Compliance Assessment

Is sales and use tax compliance a drain on your business?

This tool is designed to help you understand if your business is hampered by compliance inefficiency or possibly exposed to risk. Armed with these insights, you can take steps to ensure tax compliance isn't standing in the way of growth and profits.

Two key factors influence the size of your company's tax footprint: the complexity of your business and your go-to-market activities. Business complexity is correlated with additional tax obligations. Go-to-market activities are important because they can trigger the requirements to file taxes in a state in surprising ways.

Answer the following questions to score how your business rates on the scale for these factors:

BUSINESS COMPLEXITY

1. How many products or SKUs does your business sell?

- 100 or fewer
- 101 – 1,000
- More than 1,000

2. How many sales transactions does your company typically complete in a month, i.e. how many invoices or sales receipts do you create?

- 100 or fewer
- 101 – 1,000
- More than 1,000

3. In how many states do you currently file state or local taxes?

- 1 to 4
- 5 to 10
- More than 10

4. What is your annual revenue?

- Less than $100,000
- $100,000 – $1 million
- $1 million - $5 million
- More than $5 million

5. In how many states do you have a physical location, i.e. an office, branch, warehouse, store, etc.?

- 1
- 2 to 5
- 6 to 10
- More than 10

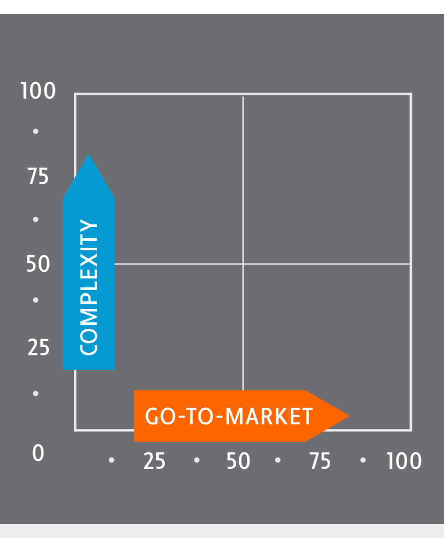
Based on your responses, your Business Complexity Score is: 0 / 100

GO-TO-MARKET

6. Do you engage in any of the following activities? *Check all that apply.*

- ☐ Employ remote or field sales or service staff in more than one state
- ☐ Sell to customers in more than one state
- ☐ Do business with manufacturers, distributors or resellers
- ☐ Attend trade shows out of your local area
- ☐ Have a web store or sell online
- ☐ Use third parties for fulfillment or drop-shipping
- ☐ Have a distribution arm of your business for products sold by resellers
- ☐ Maintain inventory in warehouses in multiple locations
- ☐ Use affiliates for marketing purposes
- ☐ Pay commissions to resellers (1099s)
- ☐ Perform maintenance, service, or repairs
- ☐ Own or lease real property
- ☐ Use hosted data centers
- ☐ Receive fees for licenses or royalties
- ☐ Have investors or board members

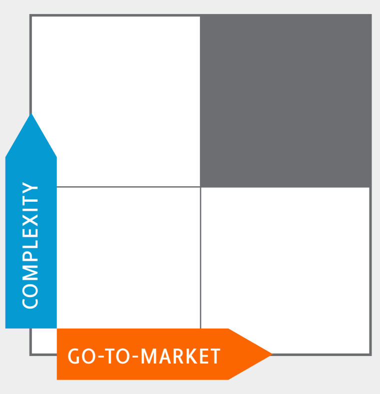
Based on your responses, your Go-To-Market Score is: 0 / 100



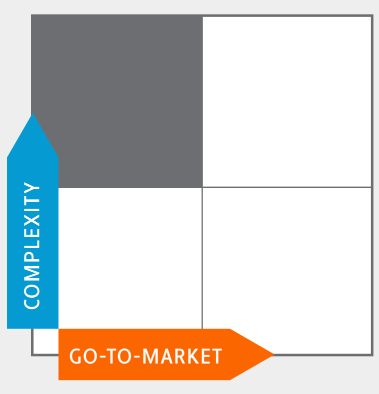
Use your two scores to plot your position.

The combination of your Business Complexity and Go-to-Market (GTM) scores can be used to determine your **Transactional Tax Footprint.** Read on to learn how this affects your business, and potential strategies that may be appropriate for staying on top of compliance.

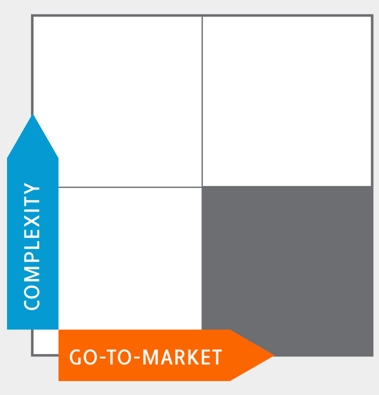
Understanding Your Transactional Tax Footprint.



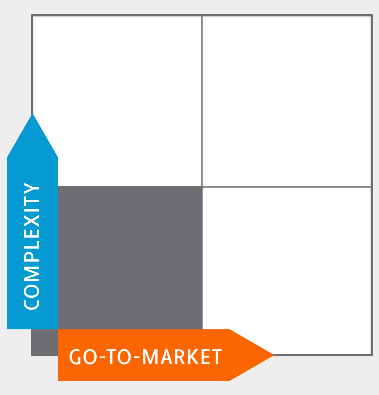
High complexity, high GTM risk – The scale of your business alone means that activities like filing state taxes, managing exemptions, researching sales tax rates and calculating taxability on transactions creates uncertainty and inefficiency. When combined with your go-to-market strategies, these activities are likely triggering the obligation to file taxes in additional states in which you may be unaware you owe. Sales tax is not only a drain, it's creating risk in your business. **According to Wakefield Research, the average sales and use tax audit costs an organization $114,000.** Automating your transactional tax management makes your organization more efficient and eliminates this source of potential risk.



High complexity, low GTM risk – The scale of your business means that it's likely that your business activities are creating tax obligations which may include filing taxes in multiple jurisdictions, managing tax exemptions or exemption/reseller certificates, researching sales tax rates and calculating taxability on transactions. **According to Aberdeen Research, the average annualized cost to manage sales and use tax is more than $63,000 for small companies and more than $393,000 for large organizations.** Even the most expert staff feel uncertain and inefficient performing these tasks. Automating these tasks removes this burden, allowing you to focus on your primary business objectives.



Low complexity, high GTM risk – Your scale may be relatively small today but your aggressive (good for you!) go-to-market activities are likely to trigger the obligation to file taxes in additional states in which you may be unaware you owe. Surprise state audits can bog down your business for months as auditors review your files and processes, and moreover, can result in stiff fines. Automating your transactional tax management makes your organization more efficient and eliminates this source of potential risk.



Low complexity, low GTM risk – Companies like yours are less likely to go through complicated audits. But if you grow or your business becomes more complex, re-assess your transactional tax footprint and consider offloading work like filing state taxes, managing exemptions, researching sales tax rates and calculating taxability on transactions. Or, if you simply want to make sales tax a non-issue, give us a call.