

Achieving paper-free status

International surfacing manufacturer, **Formica Corporation**[®], makes a successful transition from paper to digital—supporting a highly streamlined and efficient tax department



Mike Schoster,
North American Tax Manager
Formica Corporation

Stats at a Glance:

Customer Profile:

Formica Corporation, part of the Formica Group of companies, is a leader in the design, manufacture, and distribution of innovative surfacing products for commercial and residential applications.

www.formica.com

Headquarters Location:

Cincinnati, OH

Challenges:

Reduce costs and improve efficiency in managing exemption certificates and W-8 & W-9 forms.

Solutions:

Avalara CertCapture & VendorCapture

Executive Summary

Formica Corporation, an internationally recognized provider of branded surfacing solutions, successfully transitioned their tax department from using paper-based manual processes to an automated cloud solution to manage exemption certificates.

Formica Corporation's tax team implemented Avalara CertCapture and VendorCapture (the add-on module for Forms W-8 and W-9) to manage, validate, and store tax exemption certificates—and they have now achieved paper-free status.

Formica Corporation offers proof that despite a long history with paper, even a company of international scale can make the transition to go paperless.

Challenges

Formica Corporation had been plagued with manual, paper-heavy processes for years. Mike Schoster, North American Tax Manager at Formica Corporation, needed to find a better way to manage exemption certificates. When you run a busy tax department for an international company, time is a precious commodity.

Formica Corporation did not have an exemption certificate management solution in place. The process was manual and solely paper-based. Schoster remembered how time-consuming it could be to locate certificates and how that greatly slowed turnaround time.

"We had to pull certificates on request for audits. Sometimes certificates were expired, so we had to follow up with customers to get them current. It was all very time intensive," Schoster said.

After an initial call with an Avalara sales representative, Schoster sat through a CertCapture product demo where he recognized the immense value. At that point, with a focus on reducing cost and improving efficiency, Formica Corporation was open to a more in-depth conversation about the process for achieving this.

"From what the rep told me on that first call, I thought that CertCapture would be a very useful tool. I immediately talked to a few internal people about it and then set up the demo. After seeing the product in action, I was sure that it could help us improve efficiency," Schoster recalled.

Making the Transition to Digital

Schoster and the Formica Corporation team wasted no time making the transition to digital. The company worked with Avalara's Managed Services team to upload the bulk of paper documents into CertCapture.

Overall, the Formica Corporation team scanned and sent over about 400 certificates. "The uploading of all certificates was relatively quick," Schoster said.

Preparing for a Smooth Audit

With CertCapture up and running, Schoster was proactive in preparing for upcoming audits—running a few queries and taking inventory of certificates. He worked with Avalara to request certificates from customers where either no certificate or an invalid certificate existed on file.

"The work we did up front made the audit proceed much more smoothly," Schoster said. "We were able to update many certificates beforehand. And having an online system to retrieve certificates on-demand during the audits greatly increased turnaround time."

Management of W-8 & W-9 Forms

Formica Corporation also implemented VendorCapture, an add-on module within CertCapture, to support year-end 1099 and 1042 reporting.

"Using these modules, we were able to identify a lot of missing W-8's and W-9's," Schoster said. "We were much better prepared for year-end work. There were significant improvements over prior year-end reporting."

When FATCA (Foreign Account Tax Compliance Act) regulations released in 2014, Schoster was happy to have the W-8 and W-9 modules in place.

"To pay outside vendors, you have to have a valid W-8 or W-9 on file. New FATCA regulations mandate increased compliance and reporting effective July 1, 2014. Avalara's modules helped us achieve compliance."

Cost Savings in Year-end Reporting

Not only has the move to an online solution saved the company a great deal of time, but it has also reduced errors and potential fees from non-compliance.

On the W-8 and W-9 side, Schoster also indicated that the company has saved in outside billable hours. "By giving the outside CPA firm access to our system for year end reporting, the reviewer could get to information much more quickly, so the overall review didn't take as long. That saved us money in billable hours. The system has proven cost-effective on many levels."

Formica Corporation engaged a Big-4 accounting firm to conduct a review on W-8's and W-9's and prepare year-end Form 1099 and 1042 reporting. By giving the firm's professionals access to the system, they could efficiently review files. This made it easy for them to support Formica Corporation in the filing process.

"During this process, the outside firm could also make a determination on entity type to ensure proper reporting on 1099's and 1042's," said Schoster. "This saved us a great deal of work."

Improved Efficiency

"We always want to improve efficiency, and getting rid of paper was a big step in the right direction. CertCapture eliminated paper exemption certificates and all the manual work that goes with maintaining them," Schoster said. "Everything is now within

reach...online. It's so fast and convenient."

Losing the paper and the "digging" that goes with it has most certainly saved Formica Corporation's tax department a lot of time.

Schoster stated, "I would estimate that we've experienced about a 30% boost in time savings since switching from a paper-heavy process to CertCapture. There's no more digging through boxes and filing cabinets to find documents that can now be located with a few mouse clicks."

By building a complete system, including CertCapture and VendorCapture for W-8's and W-9's, Formica Corporation is armed with the tools required to run a streamlined tax department.

"Efficiency will only improve from here," Schoster stated. "The time and money we've saved so far is due mainly to implementing CertCapture." ■

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