The Taxman Cometh
...Are You Ready

Preparing your business for a sales tax audit

The odds that your business will be targeted for a sales tax audit is probably greater than you realize. To make up budget shortfalls, states are increasing the number of auditors on their payroll and the frequency and volume of audits. Should you find yourself facing an audit, the best offense is a good defense.
1. Understand your obligations

Sales tax varies widely by state, industry, even by the types of products and services you sell. This complexity increases as your business grows. To see if your compliance obligations have changed, ask yourself, do you:

- Sell into multiple states
- Operate as part of a supply chain
- Sell products online
- Plan to grow your business including adding locations or remote employees

Any of these activities could translate to new sales tax obligations and could get an auditor’s attention.

2. Assess your risk

It might seem like states select companies to audit at random. In truth, the process is quite calculated. Much like businesses, auditors have “quotas” and look for patterns of non-compliance in order to allocate resources where they’ll likely see the greatest return on investment. Take a quick assessment of your compliance practices to make sure you:

- Understand your filing requirements
- Made accurate tax rate calculations
- Can justify product taxability
- Kept detailed sales records and can easily access them
- Managed exemption certificates properly

The more you know about how to calculate, collect and remit sales tax, the more likely you are to catch any mistakes or oversights and correct them prior to an audit.

3. Be proactive about compliance

There are proactive steps to decrease the chance you will be audited or minimize the likelihood that you’ll be assessed uncollected tax, fees or penalties.

- Conduct a nexus study
- Stay up-to-date with rate, rule, and boundary changes
- Report consumers’ use tax
- Be compliant from day one (especially new businesses)
- Replace manual processes with automation
4. Introduce Automation

For the most part, you could do away with all this preparation by just having one item on your compliance checklist:

- Automate your sales tax compliance

Check this one box and you get:

- **More time:** No more researching rates or building and maintaining tax tables
- **Rooftop accuracy:** Address validation, auto-jurisdiction assignment and geo-location rate calculation
- ** Expedited compliance:** Complete transactional data and reports to mitigate audit risk
- **Greater efficiency:** Complete forms, file taxes and remit payment in minutes
- **Increased profitability:** Devote more resources growing your business and generating revenue

There’s no way to predict whether or not your company will be subjected to a sales tax audit. But with a little proactive planning, you can minimize the impact. More importantly, start thinking about strategic ways you can protect your business long-term. Automating sales tax compliance is a great first step.

Learn more by watching tax expert Dan Thompson, President of Thompson Tax & Associates LLC, as he explains how to prepare for an audit.

[How to Prepare for a Sales Tax Audit](#)

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**About Avalara**

Avalara makes sales tax compliance simple and automatic for thousands of customers every day. Its SaaS-based, sales tax and compliance automation software solutions span the compliance spectrum; each year these solutions deliver billions of tax decisions, manage millions of exemption certificates, file hundreds of thousands of sales tax returns, and remit billions of tax dollars to states nationwide.

Recognized as one of America’s fastest growing technology companies, Avalara is integrated with leading ERP and e-commerce software systems that serve millions of small to medium sized businesses. Founded in 2004 and privately-held, Avalara’s venture capital investors include Battery Ventures, Sageview Capital and other institutional and individual investors. Avalara employs more than 500 people at its headquarters on Bainbridge Island, WA and in offices across the U.S. and in London, England and Pune, India. More information at: [www.avalara.com](http://www.avalara.com)