

How to get the most out of your Avalara AvaTax subscription



Disclaimer

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Avalara

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Continuing Professional Education (CPE)



Qualifying for credit

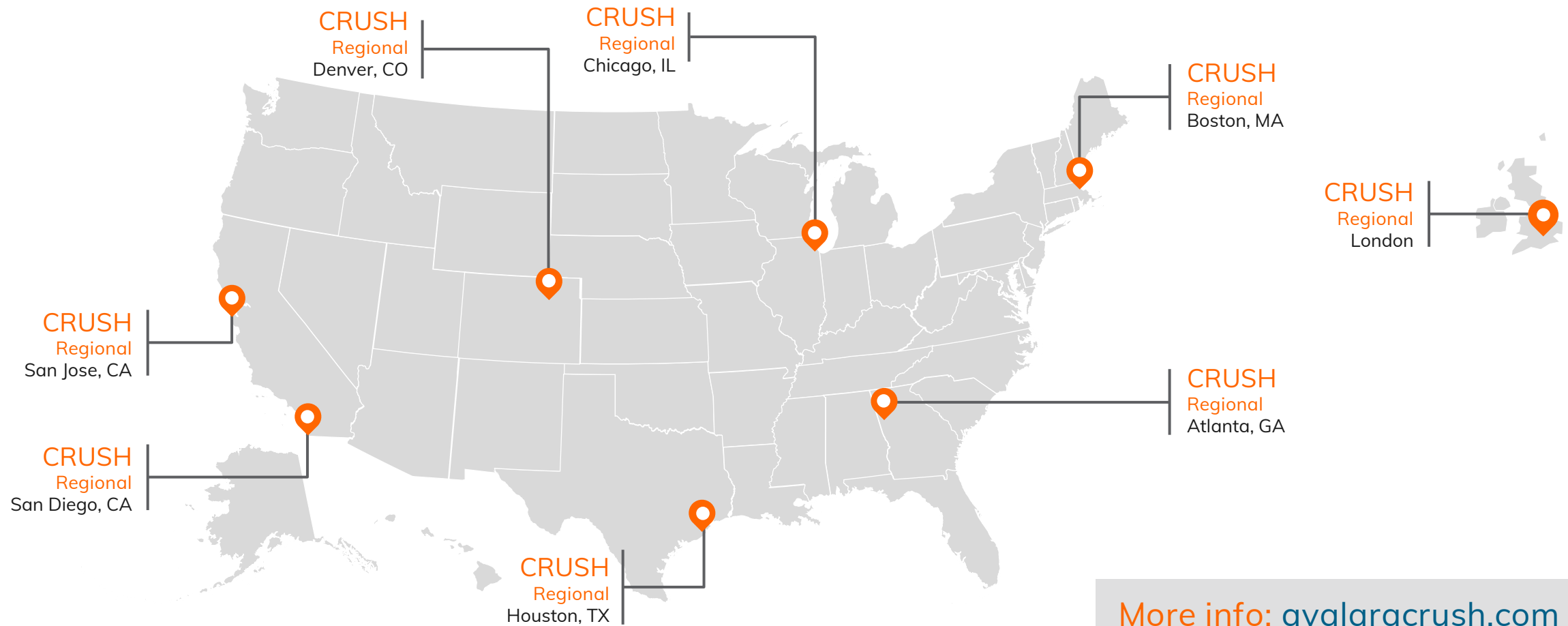
- Respond to 3 of 4 poll questions
 - Questions display for a limited amount of time
 - Select your answer and click submit
- Attend the full duration of the webinar
 - Attend at least 50-minutes to qualify



Downloading Certificate

- Download the certificate once you qualify
 - Find the Earn Certification box
 - Click the icon to download
- Those that qualify will also receive their certificate in a post-event email

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BOSTON – JUNE

LONDON – JUNE

Meet your presenters



Ken Davis

Manager of Customer
Excellence

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Avalara

Ken has been a valued member of the Avalara family for nearly 10 years. Currently, he is a Manager of Customer Excellence. In this role, he and his team provide support to Avalara enterprise customer account managers and Avalara enterprise customers that require assistance with complex service issues and escalations. Ken lives in Seattle and loves travel and great food.



Rose Tweit

Manager of Customer
Excellence

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Avalara

Rose has been with Avalara for 10 years. Currently, she is a Manager of Customer Excellence working with Avalara's core customers. Her team works with our internal and external customers on complex service issues and escalations. Rose lives in Bellingham, Washington, and enjoys spending time outside with her family and reading a good book.

Agenda

- 1 > Best Practices for AvaTax
- 2 > Understanding Nexus obligations, product taxability & exemptions
- 3 > How to manage integrations
- 4 > Using AvaTax's reporting, Returns, and reconciling features
- 5
- 6 > Q&A

Best Practices for AvaTax

What is AvaTax?

Our cloud-based software delivers the latest sales and use tax calculations to your shopping cart or invoicing system at the point of purchase, while accounting for:



Tax rates for each state, county, and city



Laws, rules, and jurisdiction boundaries



Special circumstances like tax holidays and product exemptions



Avalara AvaTax



Reduces risk of exposure



Simplifies tax research and maintenance



Reduces implementation time and cost through integration



Best practices for AvaTax



Understand your roadmap for success. What do you want AvaTax to do for you?

Document your workflow and what piece connects with AvaTax



...with many actively contemplating new taxes...

For AvaTax to provide the best tax calculation, you need to ensure that you are sending the right information



...when will the other shoe drop?

There should be more than one person familiar with AvaTax at your company

Best practices for AvaTax

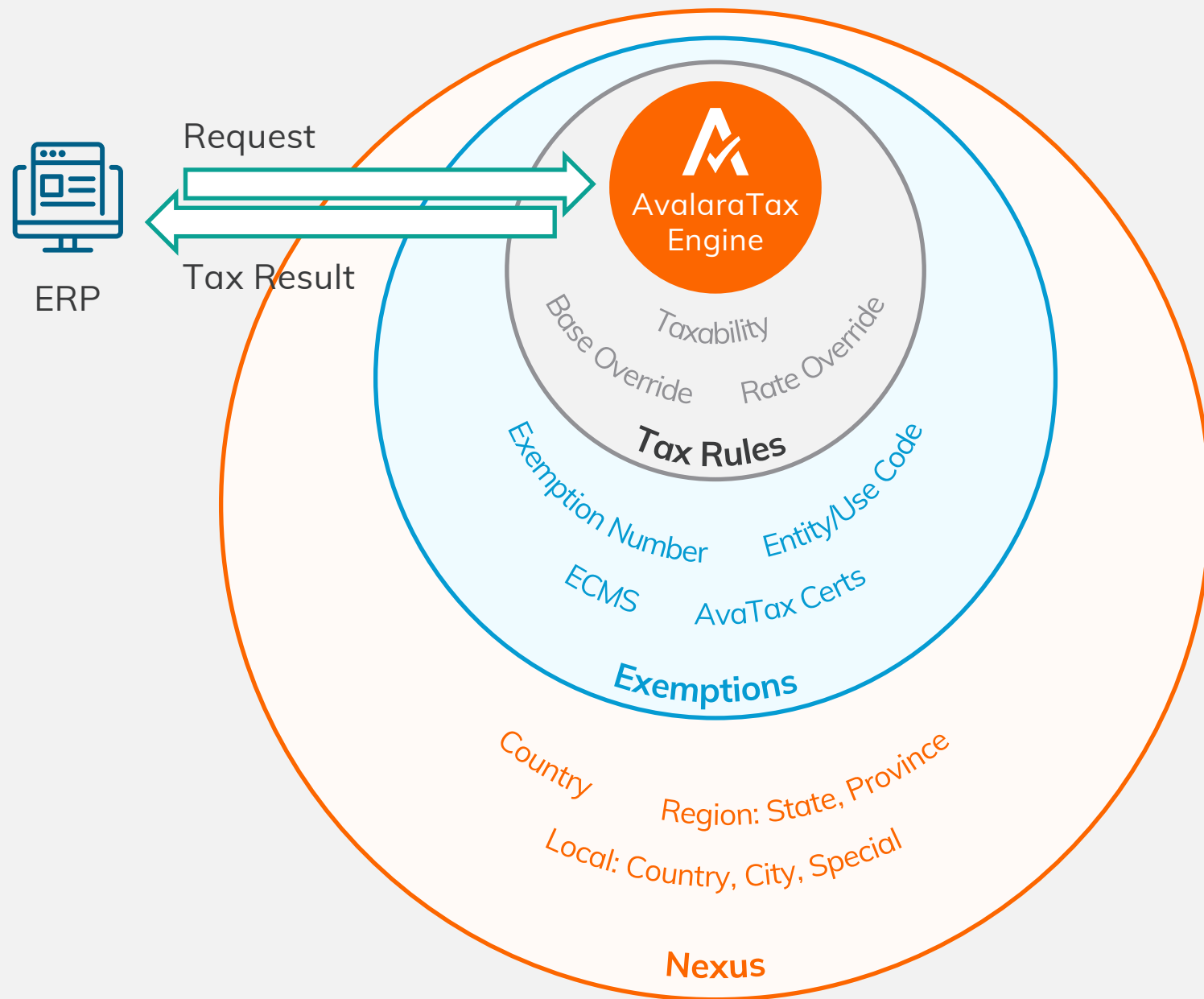
When your company changes, you may need to adjust your info in AvaTax. Review your settings and make the necessary changes. This lets us keep calculating the correct tax for you. Here are some common company changes and the impact they can have on your AvaTax settings.

Company change	Impact	AvaTax settings
Adding or closing a location	Where you collect tax	Add/remove company locations Add/remove where you collect sales tax and sellers use tax
Expanding sales into a new region	Where you collect tax	Add a physical location
Expanding sales into a new marketplace	Where you collect tax	Add a marketplace Add an advanced marketplace rule
Changing inventory	What you sell	Add/remove items Map new items to Avalara tax codes
Adding new customers	Exemptions	Add exempt customers Exempt some of the customer's invoices or transaction line items
Changes in staff	Users	Add/remove users Change access level and permissions
Changes in business platforms	AvaTax account	Connect to a new business application

How does AvaTax work?

Necessary Information for Tax Calculation:

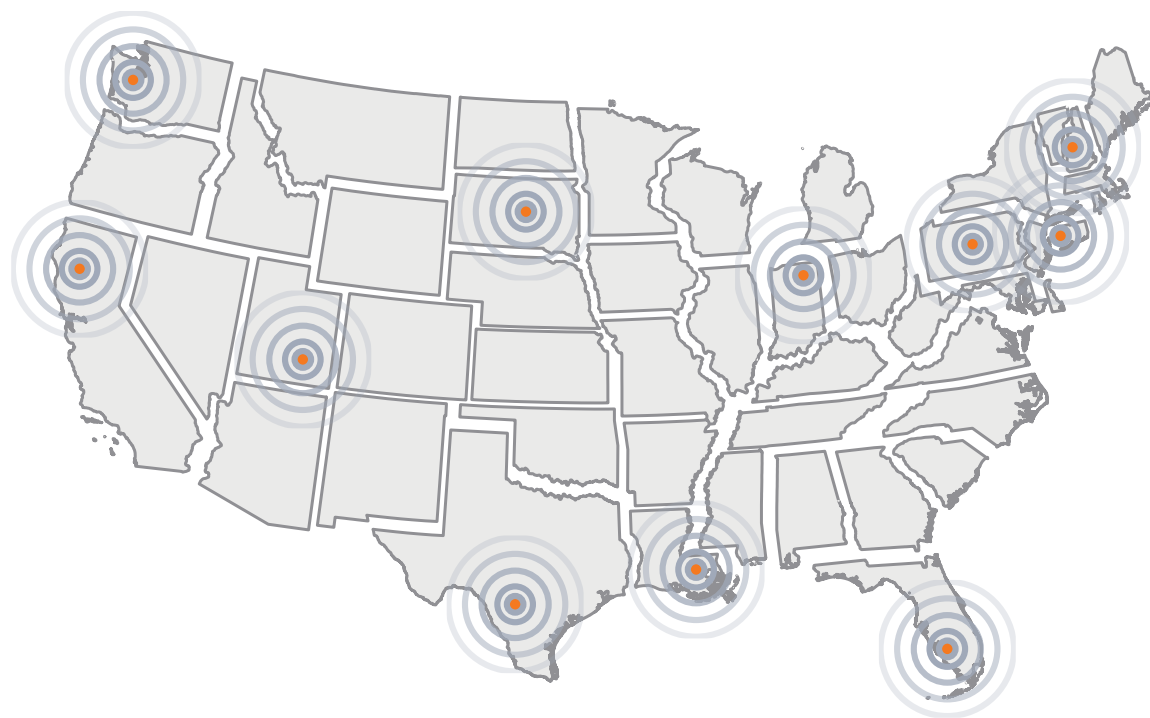
1. Ship-To Address
2. Ship-From Address
3. Amount (Extended)
4. Document Date
5. Exemption Number
6. Entity/Use Code
7. Customer Code
8. Purchase Order Number
9. Item Code (SKU)
10. Tax Code
11. Quantity
12. Tax Calculation Date
13. Discount Amount



Nexus obligations,
product taxability &
exemptions

Understanding Nexus

Knowing where you should pay taxes is the first step



1

STATE

You're required to collect and pay taxes on transactions made in that state.



2+

STATES

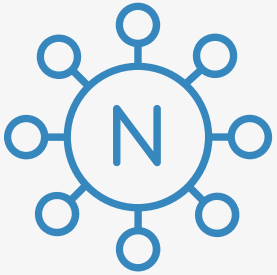
If your company operates and has another physical presence in a state, you likely have to register there and start paying taxes made on transactions in that state.



MARKET-
PLACE

If you sell your products and services in a marketplace to other states, the marketplace is likely responsible for collecting and paying those taxes.

AvaTax helps you monitor where your company is approaching economic threshold



The nexus challenge

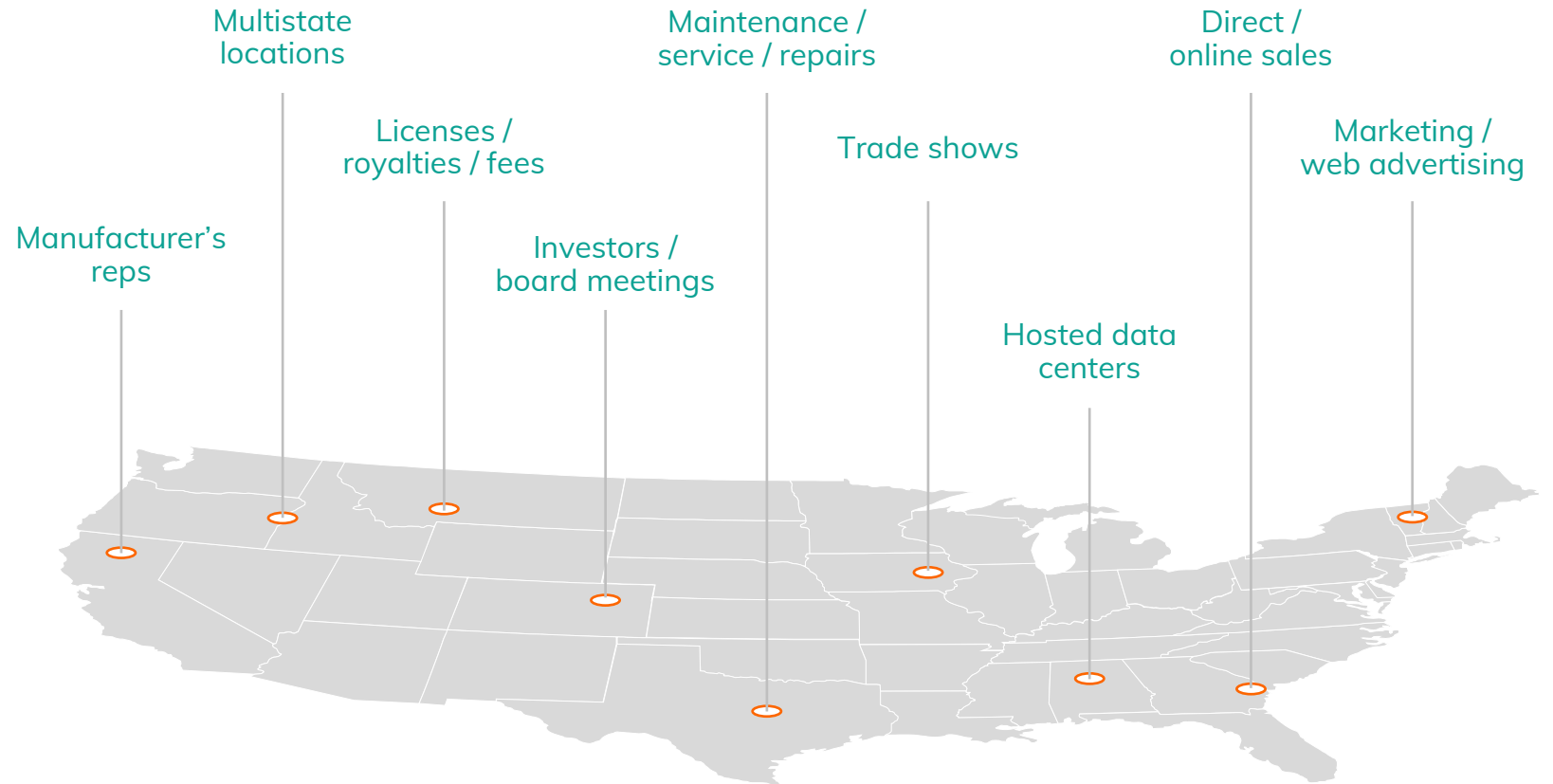
Owned / leased
real property

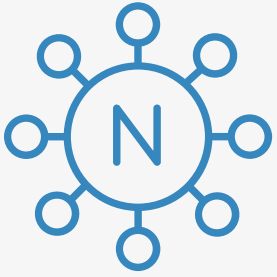
Field sales / service staff

Inventory location

Affiliates

Economic nexus





Nexus-creating activities

A growing list



Affiliates



Trade shows



Commissions to resellers



Investors / board meetings



Marketing / web advertising



Drop shipments



Multi-state locations



Maintenance / service / repairs



Owned / leased real property



Hosted data centers



Field sales / service staff



Licenses / royalties / fees



Direct / online sales



Inventory

What is economic nexus?



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

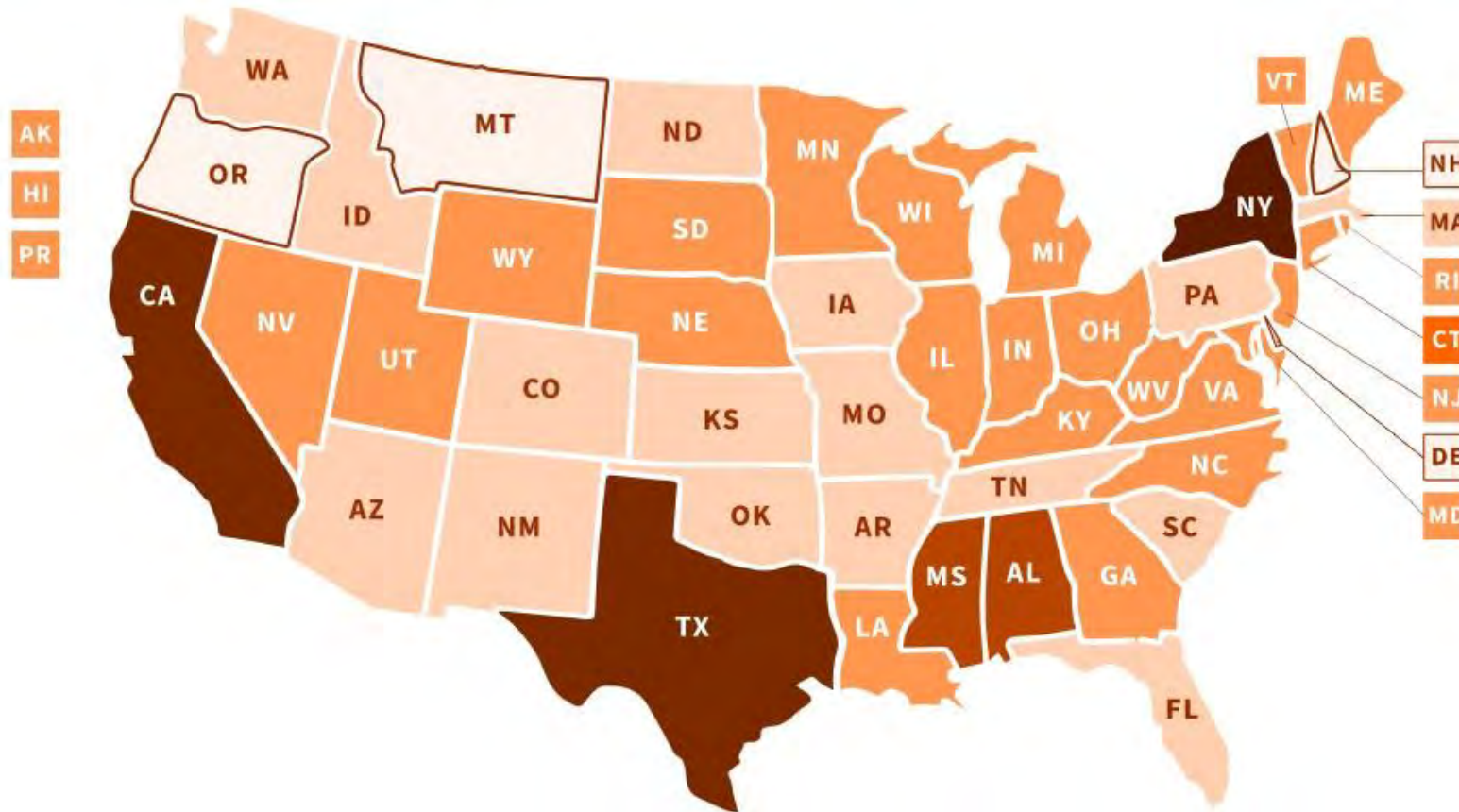


Unlike physical presence, it is based entirely on sales revenue, transaction volume, or both.



46 out of the 50 states have adopted economic nexus laws (thresholds vary).

Economic nexus thresholds by state

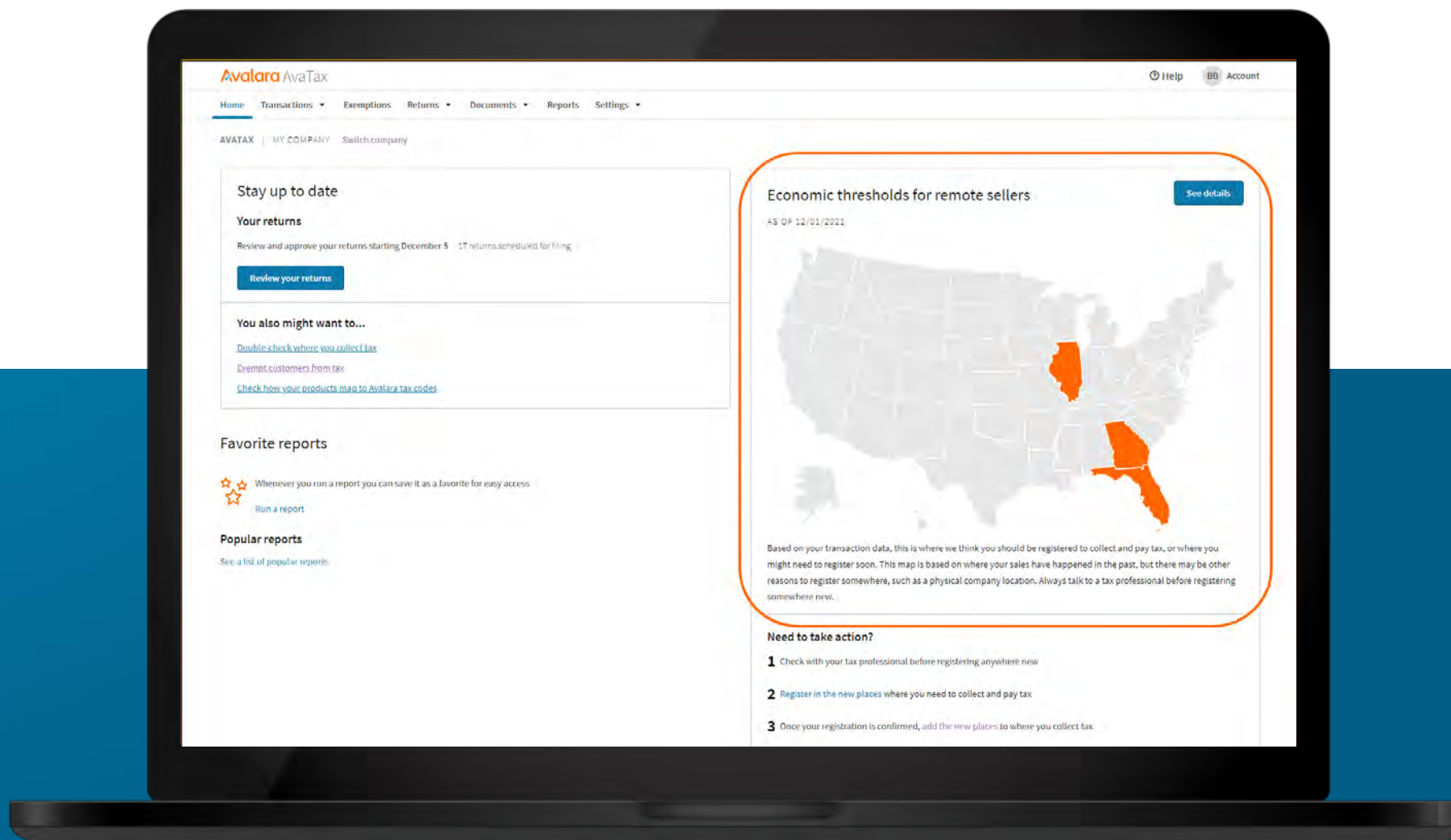


Updated as of 9/30/22

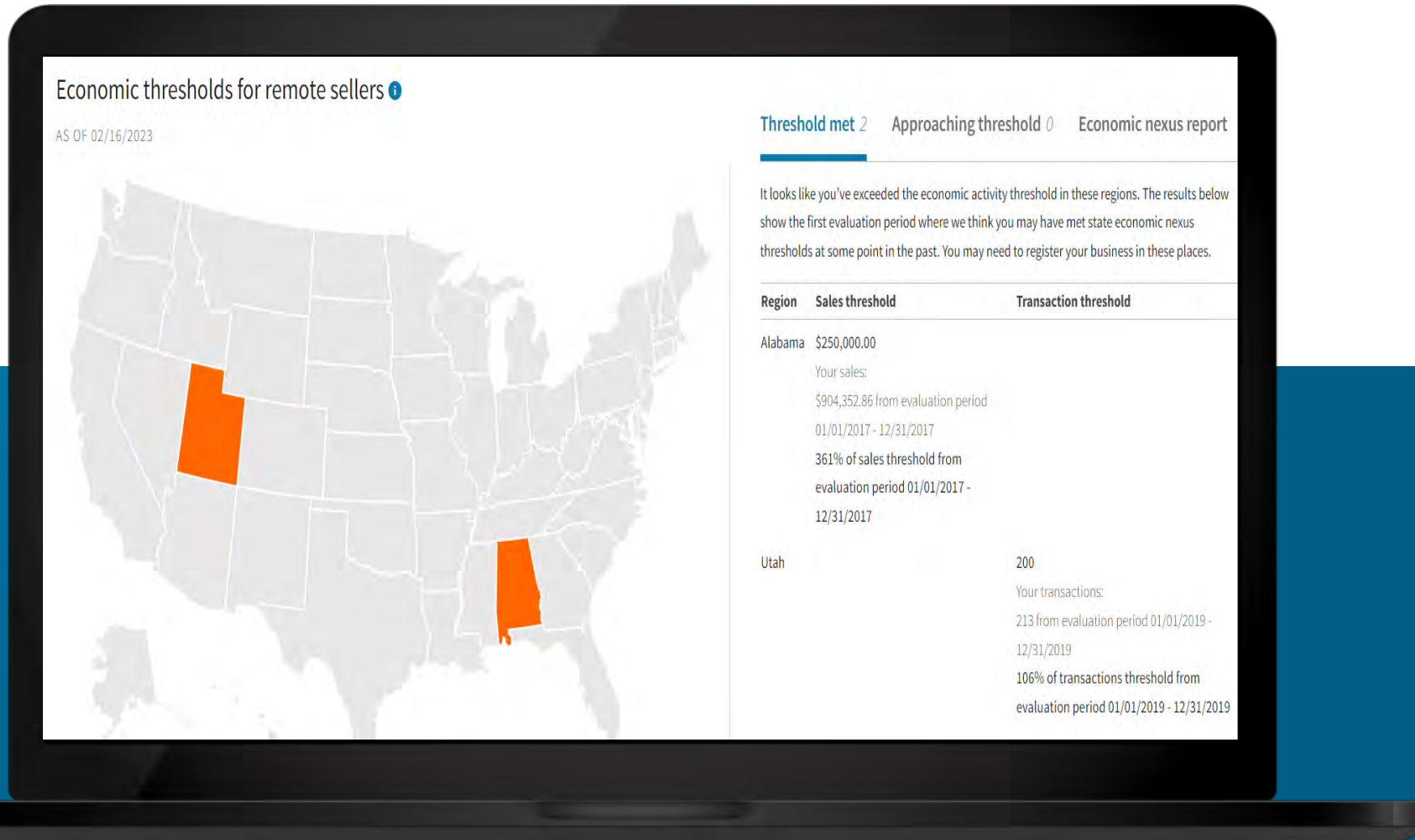
- \$500,000 and 100 transactions
- \$500,000
- \$250,000
- \$100,000 and 200 transactions
- \$100,000 or 200 transactions
- \$100,000
- Does not have sales tax or economic nexus law

- > Connecticut's threshold is gross receipts of \$100,000 and 200 retail transactions
- > New York's threshold is \$500,000 and 100 transactions
- > Missouri enforcement date is January 1, 2023.

Economic Nexus Map



Economic Nexus Map Report



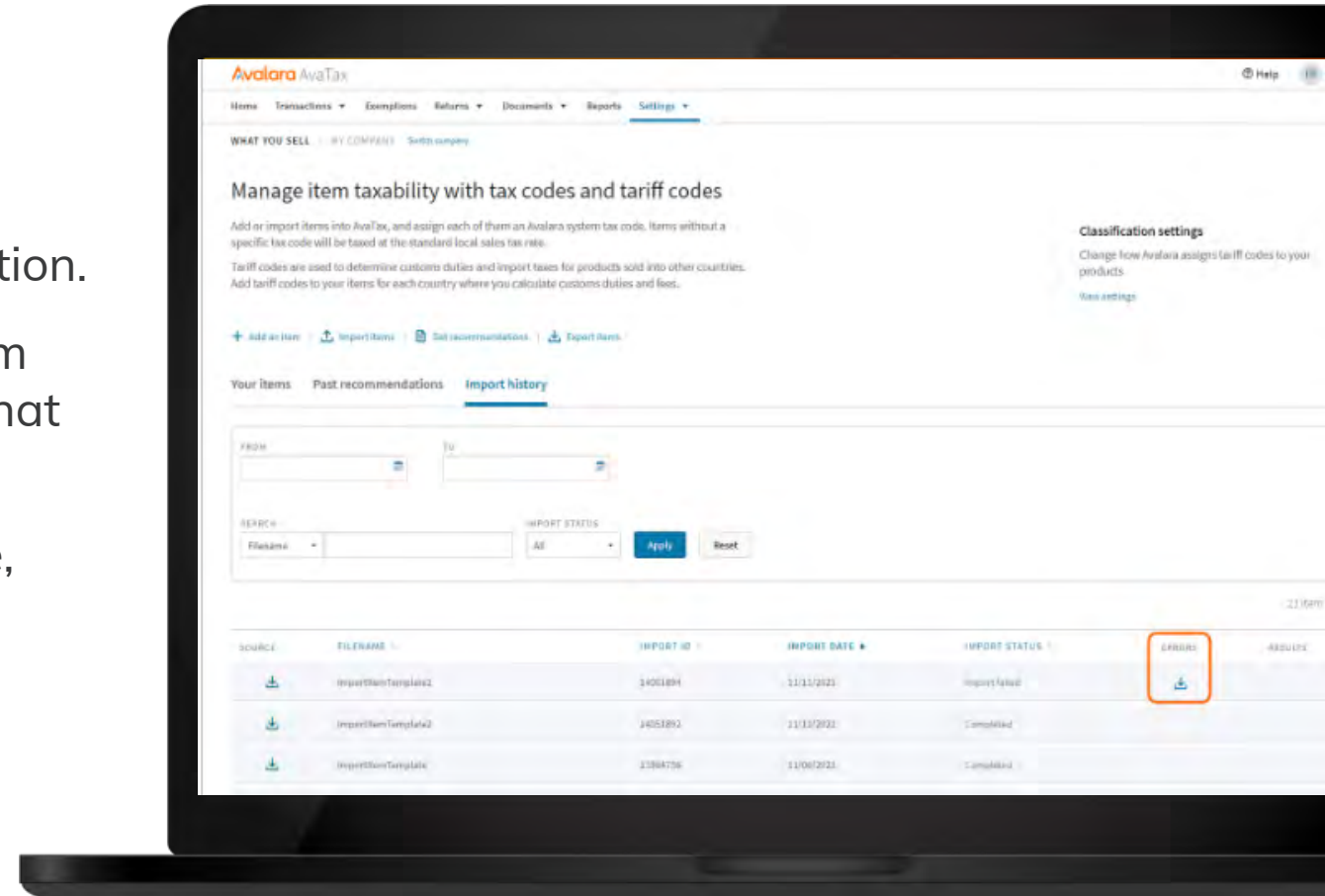
Nexus Obligations – AvaTax Tools & Best Practices

- To calculate tax transaction with AvaTax, you need to know where you are registered to collect sales and use tax
- Avalara periodically reviews your transactions and will alert you if sales activity approaches and economic threshold
- Sales that do not flow through AvaTax requires manually checking to see if you met any thresholds
- Economic Nexus Map – tool to help you determine if you should register to collect sales and use tax
 - Talk to a tax professional to decide if you should register to collect and pay tax there
 - Need more details, request a Sales Tax Risk Assessment

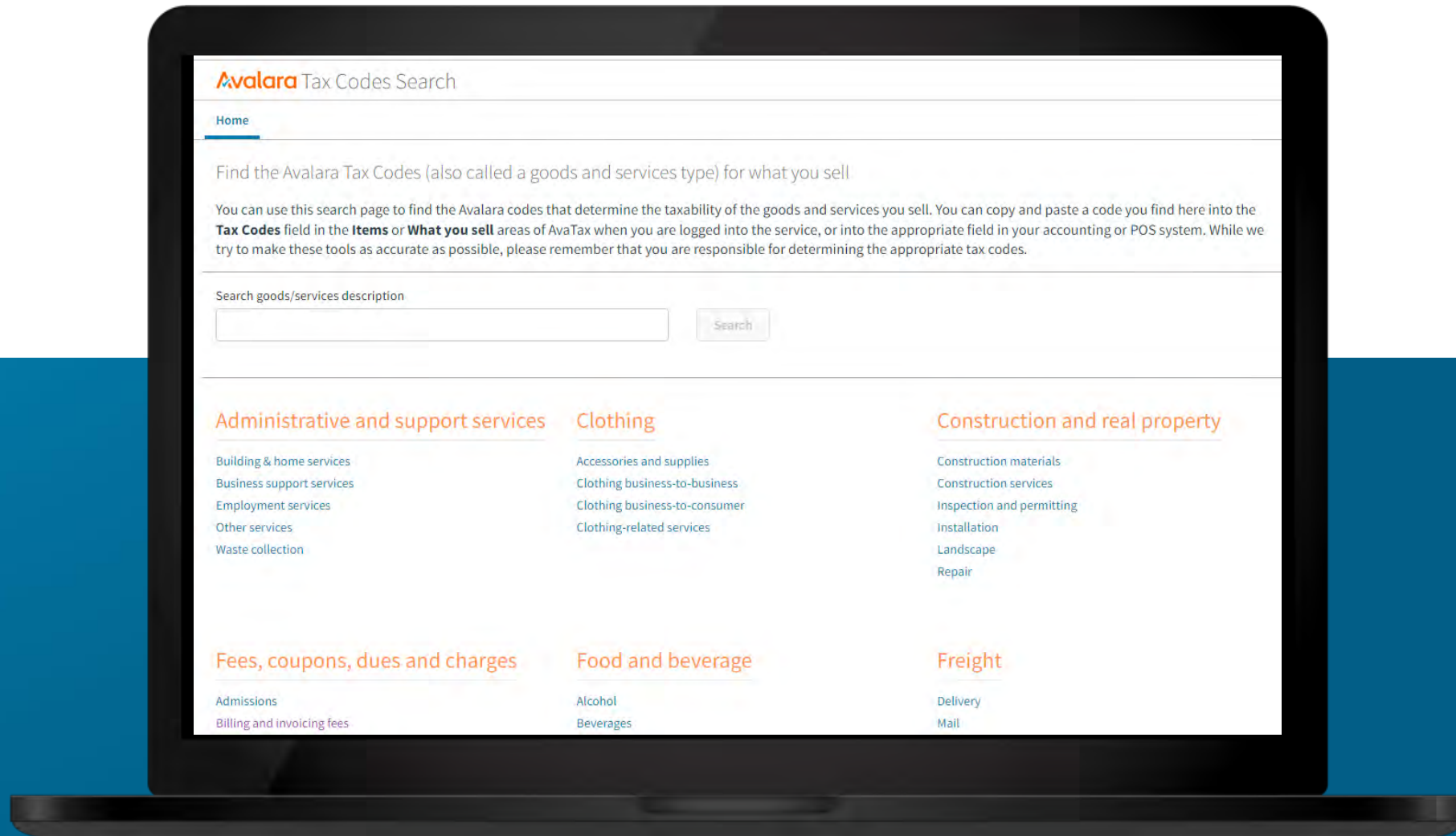


Product Taxability – Best Practices

- To use AvaTax, you need to tell us about the products and services you sell
- Map the items you sell to Avalara tax codes in AvaTax or in your connected business application.
- AvaTax gives you the ability to create a custom tax code you are unable to locate a tax code that matches the item you sell
- If an item isn't mapped to an Avalara tax code, we'll assume:
 - It is fully taxable at the normal rate
 - It is tangible personal property



Map your products to Avalara Tax Codes



Managing exemptions

Create a plan to help you collect, store & manage exemption certificates

Determine how your exemption needs to be applied to an invoice in AvaTax. Here are a few ways to help you exempt an invoice in AvaTax

- Enter an Exemption Certificate number in the exemption certificate data field in AvaTax or your business application.
- Enter an Entity Use Code – a value that can be passed at the document or line level of a sales tax request and identifies the customer within a group as exempt. See [Avalara Exempt Reason Matrix](#)
- Avalara Tools to help you store and manage exemptions
- Avalara ECM – a powerful AvaTax product add-on for businesses that want to capture and store certificates electronically while tracking expiration dates. It is a subscription-based service in the Avalara platform.
- AvaTax Exemptions – an ECM lite solution available within AvaTax that leverages the core of the exemption certificate engine.



Managing integrations with AvaTax

AvaTax Integrations

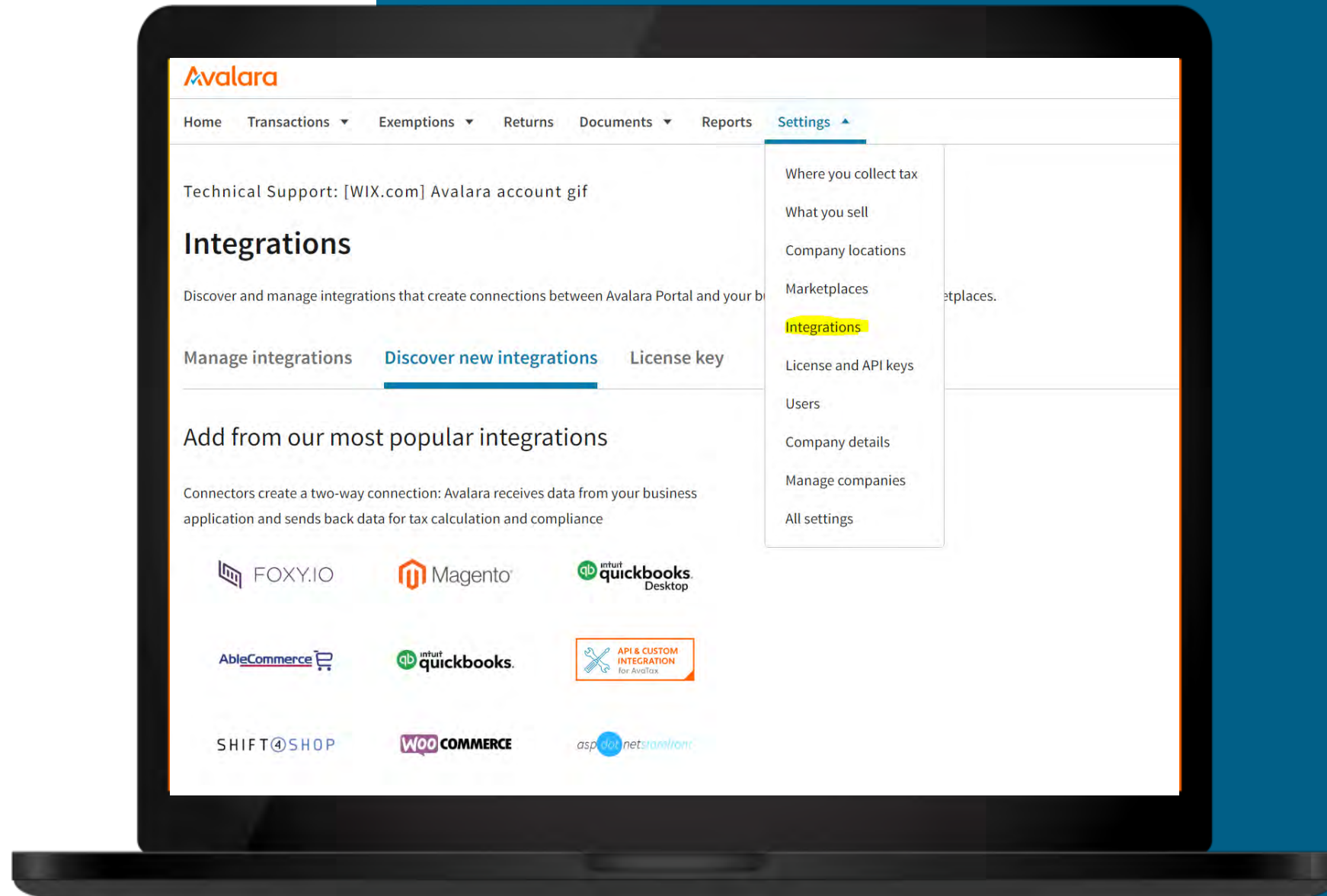
1,200+ signed partner integrations and counting

- Avalara has hundreds of pre-built connectors to integration your systems and our partners have hundreds more
- Avalara API are available to build your own connection to AvaTax
- There are 2 types of integrations:
 - Integrations that only import your transactions
 - Integrations that provide real-time tax calculations



AvaTax Integrations

How can I look up what Integrations I'm using?



AvaTax Integrations

Troubleshooting your integrations

Avalara does not own all Connectors to AvaTax, so we are not able to offer recommendations for some platforms

- You may need to work with a partner to troubleshoot a problem

Avalara is the expert on AvaTax, but you need to be familiar with your systems and your ERP.

To add a new integration to AvaTax, reach out to your [Account Management Team](#)



Using AvaTax's
reporting, Returns, and
reconciling features

Using AvaTax's reporting features

Avalara has powerful reporting features. These reports help you to reconcile data, file returns, and otherwise use information from your transactions.

If you want to reuse a report with certain criteria, save yourself some time by adding that report to your favorites.

Here are a few things to remember about reports:



Each report category has a number of reports that can be further customized to provide you with the information you need.



Reports that you view in the Avalara platform have hyperlinks to other reports and transactional detail.



Reports that you export contain all available information included in transactions, depending on the filters you choose for the reports.

Using AvaTax's reporting features

Start by choosing the type of report you want to run, as well as the report category and name.

Reports

Report data includes transactions up to 04:30 PM today (EDT)

Favorites

Transaction reports

Liability & tax return reports

Exemption reports

Select a report

REPORT CATEGORY

Sales & sellers use tax return filing reports

REPORT NAME

Sales and sellers use tax jurisdiction detail

DESCRIPTION

Shows transactions summarized by individual tax jurisdictions within a state

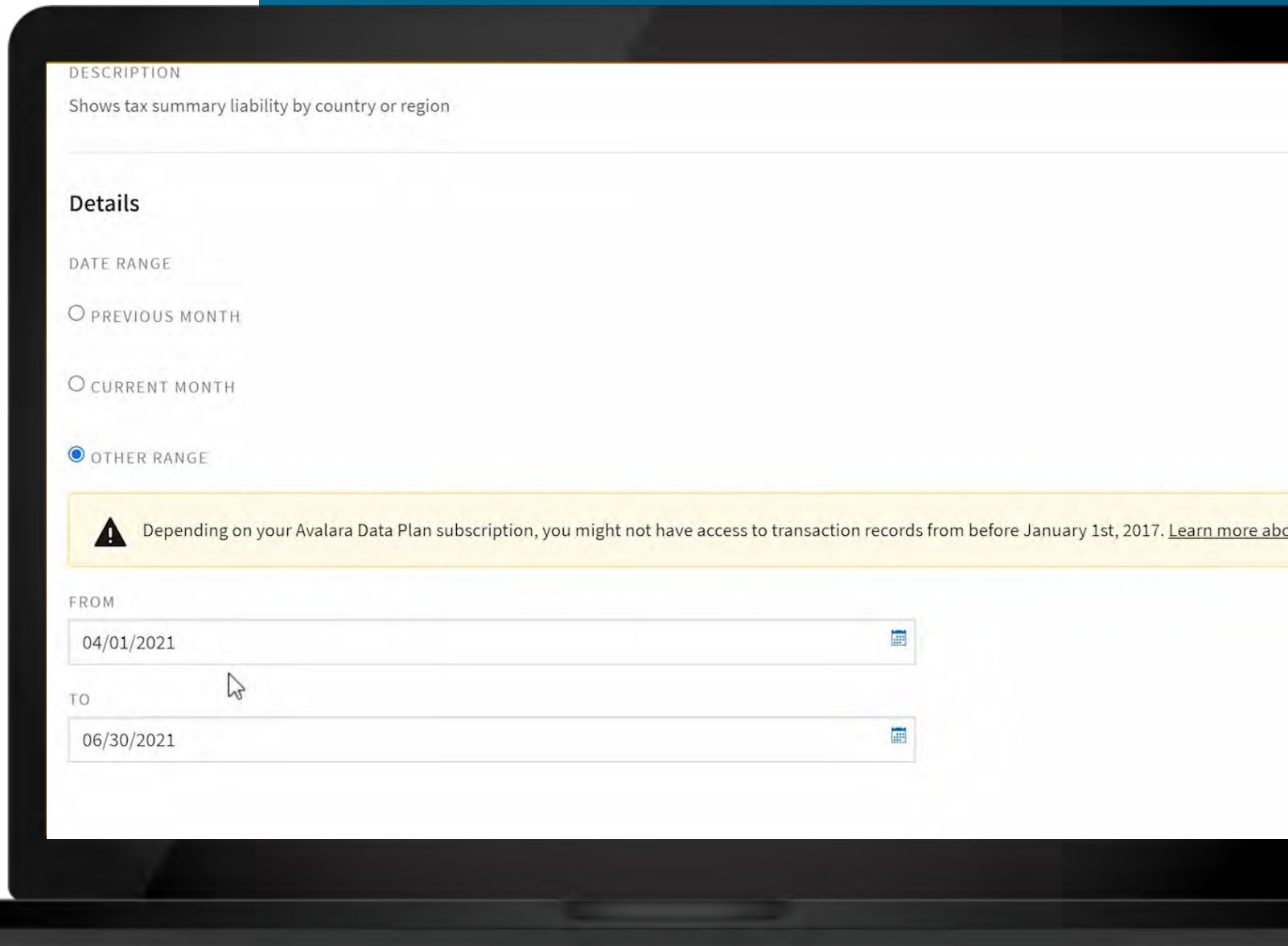
Details

Using AvaTax's reporting features

Depending on the type of report you choose, different filters will appear.

For example, if you file quarterly rather than monthly, you can enter a custom date range. You can also filter by state.

If you plan on running the report again, remember to save it for easy access!



The screenshot displays the AvaTax reporting interface. At the top, the 'DESCRIPTION' section states 'Shows tax summary liability by country or region'. Below this, the 'Details' section contains a 'DATE RANGE' filter. Three radio buttons are visible: 'PREVIOUS MONTH', 'CURRENT MONTH', and 'OTHER RANGE'. The 'OTHER RANGE' option is selected. A yellow warning banner below the radio buttons states: 'Depending on your Avalara Data Plan subscription, you might not have access to transaction records from before January 1st, 2017. [Learn more about...](#)'. Below the warning, there are two date input fields. The 'FROM' field is set to '04/01/2021' and the 'TO' field is set to '06/30/2021'. Both fields have a calendar icon to their right. A mouse cursor is hovering over the 'TO' field.

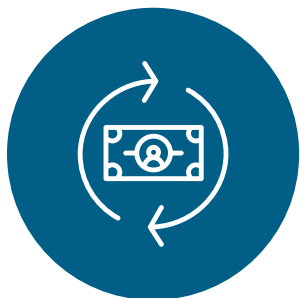
Using AvaTax Reports & Reconciling features

Why Reconcile?

- Reconciliation is the process of finding and resolving unexpected tax amounts before you approve your returns for us to file.
- With AvaTax, you can run reports to find and resolve discrepancies between AvaTax and your business application.
 - Start with top-level reports. If you find a discrepancy, drill down until you find the source of the problem.
- This is a critical step that needs to occur every month even if you file quarterly or annually.



Using AvaTax Returns & Reconciling features



To reconcile and defend against audits, it's important to remember how everything occurs.

When a transaction occurs, it's entered into your business application which sends it to us and then we calculate the tax. At the end of each filing period we use the transaction info in AvaTax to prepare your tax returns.

Make sure all amounts match. If they do, then consider yourself reconciled. If not, you need to figure out why.

1. Run a report to find the source of your discrepancy.

Here, the sales tax top line report is a good place to start.



2. Compare the amounts in the report with the ones in your business application.



3. Double-check the tax calculated matches the amount on your returns

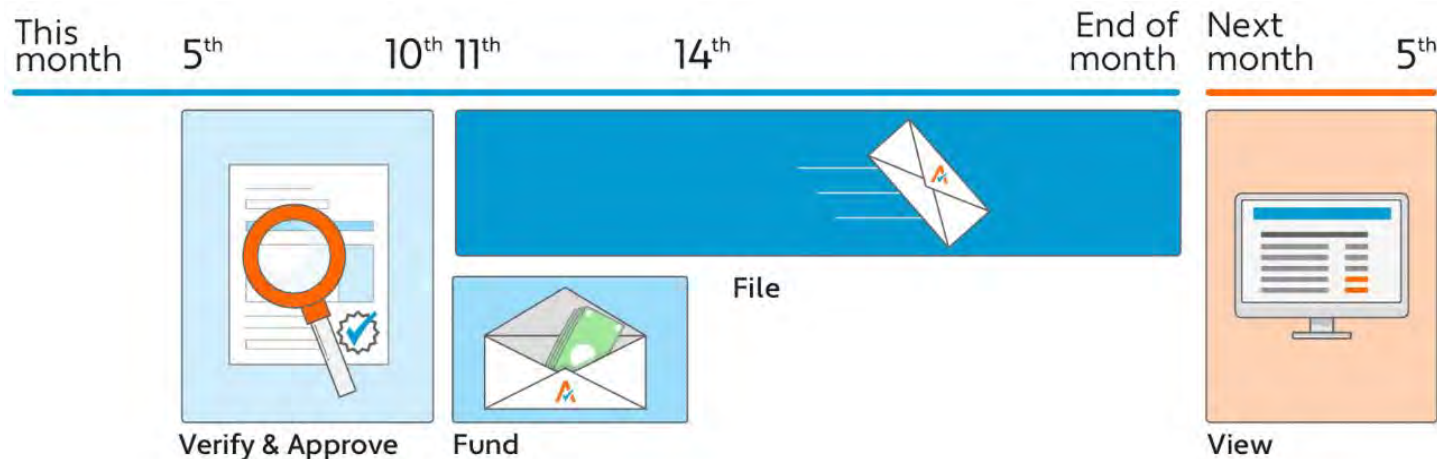


Edit or void amounts until they match

4. Manage and approve returns page to quickly see the total amount due for all your returns

Using AvaTax Returns & Reconciling features

Key Dates to Remember



Key Dates to Remember:

- > 20th – Schedule your new Returns for that month by the 20th to make sure it's included
- > 5th – Avalara generates sales totals and tax liabilities for you to approve
- > 10th – Verify and approve your returns by the 10th of the month, 5:00 p.m. PT
- > 11th to 14th – Avalara makes one withdrawal of funds to cover all the scheduled returns from the bank account listed on your funding power of attorney

Avalara Resources

- › [Avalara University](#)
- › [Knowledge Center](#)
- › [AvaTax code search](#)
- › [State by state economic nexus](#)
- › [Options for exempting customers from tax](#)
- › [Reports to reconcile discrepancies](#)

Questions

Continuing Professional Education (CPE)



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Downloading Certificate

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Upcoming events

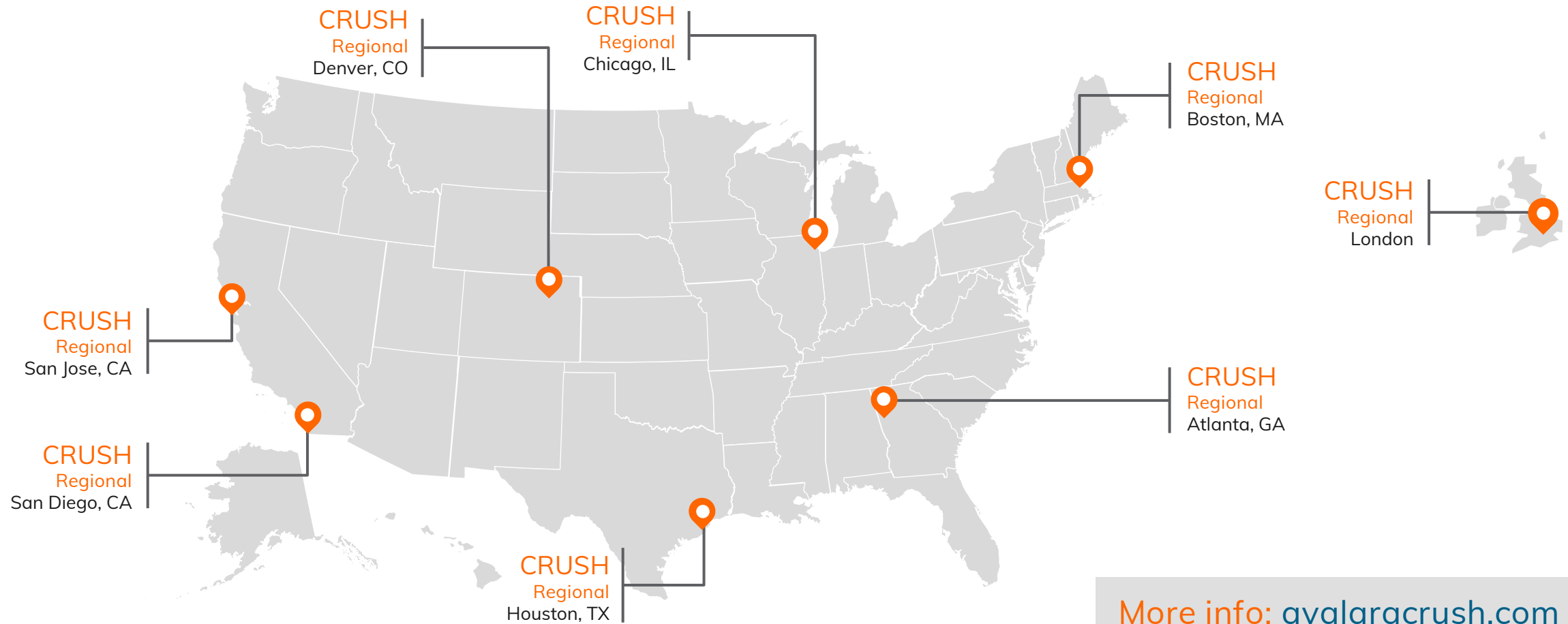
avalara.com/webinars

Webinars

- 2/28 A holistic guide to managing exemption certificates. 1 CPE credit.
- 3/9 Pop quiz! Test your tax knowledge!
- 3/15 How to attack an audit. 1 CPE credit.



Join us in-person



More info: avalaracrush.com

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