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**If They Audit,  
Your Client Will Pay**

Geni Whitehouse, CPA.CITP  
Even a Nerd Can be Heard



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*To Do:*

- Payroll taxes*
- Corporate Tax*
- Estimated payments*
- Audits*
- Reviews*
- Year End planning*
- Retirement planning*
- Tax research*
- Depreciation tables*
- Employee reviews*
- Staff training*
- Life*

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**Agenda**

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- Why you need to worry about Sales Tax
- Where your clients have exposure
- What to look for in a solution

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**Jackson Hole Daily, Jackson Hole, Wyoming  
November 12, 2008**

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"Teton County's sales tax revenues were *down about 19* percent in September compared with the same month last year.

County Administrator Jan Friedlund said the county received \$1.37 million for this September and \$1.69 million in September 2007.

That's about *\$323,400 less than one year ago.*"

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**November 12, 2008 Arkansas**

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"There's absolutely no doubt it's going to be a leaner budget because of the economy right now," said Rep. Robbie Wills, D-Conway, who will be House speaker next year.

"The national downturn hasn't reached its full effect in Arkansas."

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**Governor pushes for temporary sales tax boost**

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By John Ellis / The Fresno Bee  
11/12/08 12:52:39

"Gov. Schwarzenegger wants a temporary sales tax increase to help close the state's *projected \$11.2 billion* budget deficit, but he's not wedded to it and is open to other suggestions, he said today in Fresno.

*'We have our proposal and we like our proposal,'* Schwarzenegger told The Bee's editorial board."

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### Repair Shop Owner Sentenced For Failing To File Sales Tax Returns

(Rochester, NY)  
Saturday, Nov 15, 2008 @11:39am EST

Commissioner Megna added: "In the past year, the Department has stepped-up its commitment to combating tax fraud as part of our effort to close the tax gap.

Our newly formed Special Investigations Unit is working across the state with local district attorneys to expose and prosecute those who engage in tax fraud. We target cash businesses that underreport taxable sales, defraud customers and cheat honest state taxpayers of sales tax revenue."

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### Scottsdale sales tax collections off 8% in October

The Arizona Republic  
by Jane Larson - Dec. 6, 2008 08:00 AM

SCOTTSDALE - Scottsdale's sales tax collections fell 8 percent in October compared with a year ago, as the automobile and construction industries took more blows from the poor economy.

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### Sales tax vote is considered in Edmond

from NewsOK  
BY JOHN A. WILLIAMS  
Published: December 6, 2008

EDMOND, OK  
The city council could call for a Feb. 10 election for a multi-purpose safety center to be financed with a sales tax increase.

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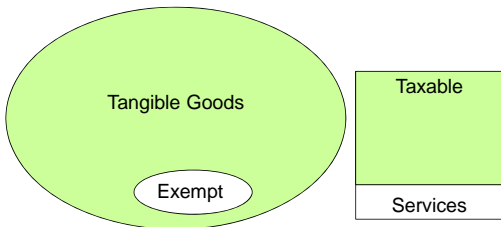
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### An expanded tax base

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### Where might your clients have exposure?

  
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### Begin selling on the web

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Selling *and* buying – sales and use tax exposure

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Packaging material                      Food



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I won't be smiling when I find out I have sales tax liability in this state.

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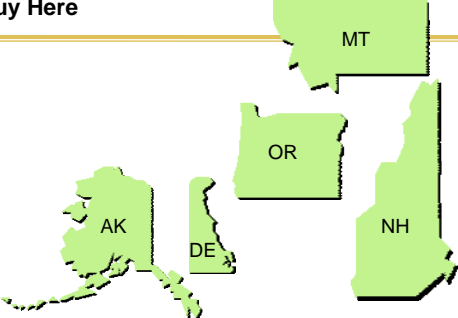
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Buy Here

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**Use Here**

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Rate of tax in state of purchase 0%

Rate of tax in state of use 7.5% minimum – plus local option taxes



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Hiring telemarketers in another state

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**Snack - exempt**      **Baking ingredient**

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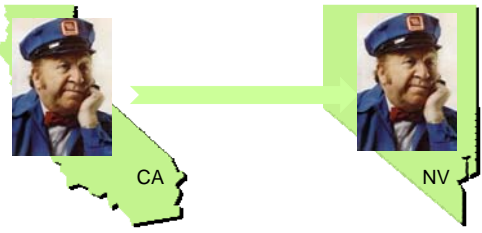
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Sending their repair person to another state creates nexus in most states

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And then there are  
the constant rate changes

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Approximately  
2 rates  
changes every  
day of the year

**Average U.S. Sales Tax Rate Changes**

1995-2000	TOTALS	2001-2006	TOTALS
1995	664	2001	771
1996	653	2002	735
1997	634	2003	954
1998	579	2004	764
1999	598	2005	759
2000	530	2006	689
<b>Avg. Rate Changes</b>	<b>610</b>	<b>Avg. Rate Changes</b>	<b>779</b>

The above charts convey an approximate 28 percent increase in the average number of sales tax rate changes from 2001-2006 as compared to 1995-2000.  
Source: Verisk Inc. ([www.verisk.com](http://www.verisk.com))

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**Jurisdictional lines are complicated**

- Charging the wrong rate can lead to delays in invoice payment and can subject your clients to additional liability.

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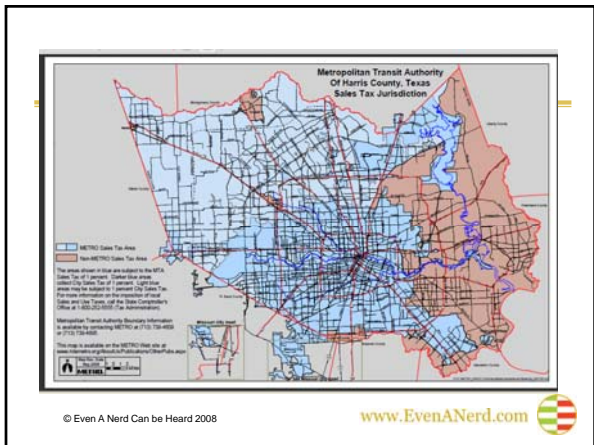
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From Texas sales tax instructions

**“Because many cities in Texas share a common ZIP Code and many ZIP Codes encompass an area both inside and outside a taxing jurisdiction, we do not recommend using this source as a method of reporting local sales and use tax.**

To determine the correct taxing jurisdictions, we recommend ...using a street locator map for larger metropolitan areas, or verifying the address by calling the city in which the sale or delivery was made.”

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### Complexity of sales tax

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- 1. Taxability rules
- 2. Rates and sourcing
- 3. Jurisdictions

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### Streamlined Sales and Use Tax Agreement

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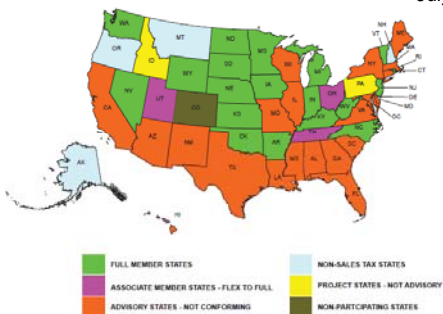
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SSUTA  
Member States  
July 2008



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### SSUTA Goals

- Uniform rules across states
- Simplification for businesses
- Common definitions within a state
- Coordinate timing of rate changes within a state
- Help companies automate
- Simplify the rules for determine when tax is due to a state
- Simplify registration

VOLUNTARY Adoption by Sellers

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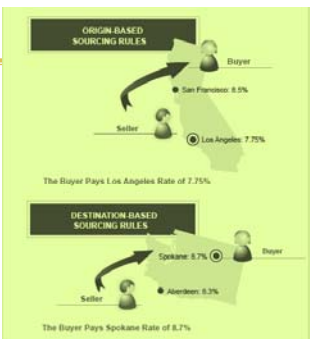
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### SSUTA rules

Sourcing changes – all taxes are computed based on destination state rules.

Origin – where it is purchased.

Destination – where it is shipped.



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### Benefits of voluntarily adopting

1. Amnesty if applicable
2. Funding assistance for certified technology to comply in member states
3. Audit relief in the event of a computational error when using a certified solution.
4. Simplified registration for all member states

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## Old laws and new laws

### How to handle?

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### How are your clients making sales tax decisions?



```
graph TD; Start([Start at Sales Tax Dept]) --> Q1{Is this item taxable?}; Q1 -->|Yes| Q2{Is the customer taxable?}; Q1 -->|No| NoTax[No tax is due]; Q2 -->|Yes| Q3{Is the item being delivered within your state?}; Q2 -->|No| NoTax; Q3 -->|Yes| Q4{Does it fit in taxable in your state?}; Q3 -->|No| NoTax; Q4 -->|Yes| Q5{Determine what state applies to the customer.}; Q4 -->|No| NoTax; Q5 --> Tax[Tax is due to the destination state.];
```

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### Their choices



Ernest in Accounting

Internet – Software as a Service

Local machine updates

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### Why SaaS?

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- Constant tax rate changes
- Complexity and diversity of rules
- Jurisdictional complexity
- Multiple tiers of tax
- Numerous parties to pay
- Multiple decision points

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### What to look for in a solution

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- Integration
- Reporting
- Filing controls
- Accuracy
- SSUTA certification
- Sophisticated centralized rules engine
- Designed for exceptions
- Management tools

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### Help your clients quantify their risk

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Have them complete the questionnaire and forward it to you.

[www.salestaxquestionnaire.com](http://www.salestaxquestionnaire.com)

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**Add more value to clients**

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- Pay attention to these taxes
- Evaluate their exposure
- Help them to automate
- Ask about their Exemption Certificate files
- Consider if amnesty is an option (SSUTA)
- Evaluate the benefits of SSUTA adoption

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**Thank you!**

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