

TaxJar: A Sales Tax Solution

For Busy Accounting Professionals

Information provided by TaxJar
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September 2014





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Overview

More than ever, today's accounting professional hears this from their clients:

"I started out selling my yard sale finds on eBay, then grew my business. I do a little business on my own website selling widgets, and I'm thinking about dabbling in Amazon FBA, too. What do I need to know?"

- These clients are similar to your traditional product seller, with a definite Digital Age spin. The number of people starting small and medium-scale eCommerce businesses is great for the economy, but it also poses challenges (and opportunity) for accounting professionals, especially when it comes to sales tax.
- The low barriers to entry mean eCommerce businesses are more complicated than ever. "Ecommerce" doesn't just mean eBay anymore, even for the smallest businesses
- Every eCommerce channel a business owner sells on creates more necessary reporting and paperwork
- 3rd party fulfillment services create sales tax nexus where there previously was none
- More sales tax nexus means dealing with more state sales tax rules and regulations
- None of this – from pulling sales tax reports from Amazon.com to deciphering sales tax nexus laws in New York – is simple!

But where technology creates a problem, it also creates a solution.

TaxJar is an automated sales tax solution that imports sales tax information from the channels where your clients sell, and then prepares file-ready reports to send to the states.

With TaxJar you can:

- Prepare and file sales tax in minutes, not hours
- Manage all your clients in one place
- Control your billing and create a new income stream
- Access sales tax history in seconds
- Quickly and easily AutoFile sales tax returns

TaxJar helps you solve a major customer problem more quickly and easily than ever before, and even create a new income stream for your own accounting business.

This document will profile the sales tax issues that your eCommerce merchant clients are facing, explore their problems and pitfalls of dealing with sales tax, and demonstrate how TaxJar can help.

Sales Tax Compliance Overwhelms eCommerce Businesses

This is one scenario many of your eCommerce clients face today:

Nikki honed her skills reselling yard sales items on eBay, but quickly realized that she could also make a profit. After a few stumbles turning her hobby into a business, she got serious. She filed for a sales tax license and began collecting sales tax from buyers in her home state, where she has sales tax nexus.

But as she gained experience, she realized that services like 3rd Party Fulfillment would help her grow her business exponentially. She signed up with a service like Fulfillment by Amazon (FBA), which allowed her to ship goods to Amazon's warehouses for resale. With Amazon handling the logistics, she could spend more time sourcing and making a profit.

But a wrinkle cropped up. She realized that storing her goods in Amazon's warehouses created sales tax nexus in those states. Suddenly, instead of only being responsible for sales tax compliance in one state, she became **responsible for sales tax compliance in a growing number of states** (and that number will continue to increase.)

Suddenly, she is overwhelmed with the responsibility of applying for more than a dozen new sales tax permits, tweaking her eCommerce platforms to collect sales tax in new places, complying with varying sales tax due dates, and keeping track of it all... while continuing to find time to run a profitable eCommerce business.

This is when she turns to an accounting professional, and that accounting professional turns to TaxJar.

Problem: Multichannel Selling Creates Extra Paperwork and Reporting

Sellers like Nikki often sell through several eCommerce platforms. They might sell on the well-known platforms like eBay, Amazon, Etsy, or through their own personal websites they have integrated with shopping cart software like Shopify or BigCommerce.

When a seller uses just one of these sales channels, it is fairly simple for them to pull sales tax reports. But as they add more channels to the mix, sales tax gets exponentially more complicated.

Many multichannel online sellers turn to spreadsheets with multiple tabs and formulas. They manually enter the amount of sales tax they've collected through each of their channels. To add to this complexity, some destination-based sales tax states require online sellers to further break down sales tax collected by tax jurisdiction at the time of filing.

In this scenario, one faulty formula or data entry error can mean failing to file the right amount of sales tax with the state taxing authority. In the event of a sales tax audit, your client could end up with big fines for a small mistake.

How TaxJar Helps You Help Multichannel Sellers

Add a client

Email

TaxJar will email your clients instructions on how to link their ecommerce platforms to TaxJar. Simply enter an email address.

[Add client](#)

Email preview

Hello,

I'm using a new service called TaxJar to help automate your online sales tax compliance and need your help to get it set up properly. It should only take a couple of minutes.

Here's how to get started:

1. Please accept my invitation at [TaxJar.com](#)
2. Link your ecommerce store to your new TaxJar account. Just follow the instructions on the screen.

That's it. TaxJar will import your order history from the first of the year and email both of us when they're done. If you have any questions, contact me or support@taxjar.com.

Thanks for your help,

my accountancy 1234234234
Powered by [TaxJar.com](#)

Sales tax is no longer a requester service that you have to turn down because it's not profitable. Now you can provide sales tax filing to a growing amount of ecommerce sellers and do it profitably!

TaxJar integrates with eBay, Amazon, Etsy, Shopify, BigCommerce, PayPal, Square and an increasing number of platforms or all of the above – and automatically pulls in all of the sales tax your client has collected.

This information is compiled and reported by state and jurisdiction so the report is return-ready. There's no dealing with spreadsheets or spending hours looking up what jurisdictions apply to certain zip codes. And remember, TaxJar will even **AutoFile** for you in a growing number of states.

We've set TaxJar up so that you can white label the service and bill customers accordingly for your time and expertise. Your customers never have to deal with a TaxJar invoice.

Or, if your client is already a TaxJar user, all you have to do is invite them through your own account.

Tax Settings Overview

TaxJar’s “**Detailed sales tax analysis**” feature also helps you determine whether your clients collected the correct amount of sales tax. Nipping a sales tax collection problem in the bud early can prevent big fines and penalties later down the line.

Detailed Sales Tax Analysis						
January		2014	TO	May	2014	Change Clear
	Total Sales	Taxable Sales	Actual Sales Tax Collected [Ⓢ] Amount (Avg rate)	Estimated tax you SHOULD have collected [Ⓢ] Amount (Avg rate)	Difference	
Arizona <small>Nexus: October, 2013</small>	\$7.44	\$0.00	\$0.00 (0.00%)	\$0.09 (9.09%)	(\$0.09) Under-collected	
Kansas <small>Nexus: December, 2013</small>	\$125.00	\$0.00	\$0.00 (0.00%)	\$10.50 (8.40%)	(\$10.50) Under-collected	
Michigan <small>Nexus: January, 2014</small>	\$60.55	\$0.00	\$0.00 (0.00%)	\$3.63 (6.00%)	(\$3.63) Under-collected	
Pennsylvania <small>Nexus: April, 2014</small>	\$27.50	\$0.00	\$0.00 (0.00%)	\$1.65 (6.00%)	(\$1.65) Under-collected	
Texas <small>Nexus: January, 2014</small>	\$9.62	\$0.00	\$0.00 (0.00%)	\$0.79 (8.21%)	(\$0.79) Under-collected	
No Nexus						
Florida <small>Nexus: None</small>	\$251.50	\$0.00	\$0.00 (0.00%)			
New York <small>Nexus: None</small>	\$39.70	\$0.00	\$0.00 (0.00%)			
Oklahoma <small>Nexus: None</small>	\$3.67	\$0.00	\$0.00 (0.00%)			
Total	\$524.98	\$0.00	\$0.00	\$16.66		

*TaxJar’s “**Detailed sales tax analysis**” can also be a marketing tool for your sales tax service. As an accounting professional, you can use this feature to quickly, easily and visually explain your sales tax offerings to new clients.*

Problem: 3rd Party Fulfillment Services Create New Sales Tax Nexus



States with Amazon Fulfillment Centers. Your clients may be dealing with nexus in all of these states.

In addition to selling through multiple channels, eCommerce merchants are increasingly turning to 3rd party fulfillment services. These services have always existed, but exploded in popularity as technology made them more accessible.

Independent sellers have been using Fulfillment by Amazon since 2006. The Amazon Marketplace consists of more than 2 million Marketplace Sellers of all sizes worldwide, with 65% growth in 2013.

These services warehouse an eCommerce merchant’s products, and deal with the logistics of order fulfillment, freeing up the merchant’s time to source more product.

Unfortunately, this rise in 3rd party fulfillment services has created a sales tax compliance nightmare for unwary online sellers.

Often 3rd party fulfillment services warehouse sellers’ goods in a different state. This, of course, creates sales tax nexus for the seller where previously none existed.

Most states with a sales tax have some kind of broadly written rule that can be interpreted as “storing goods in a warehouse creates sales tax nexus.”

Washington change

Gross sales 0 **\$285.95**

Year 2014 - (Jan 1 - Dec 31)

Filing Period: Annually (change)

Last updated:

	Total Sales	Taxed Sales	Local Sales Tax Collected
AUBURN (1702)	\$235.95	\$235.95	\$0.00
BELLINGHAM (3701)	\$25.00	\$25.00	\$0.55
MOUNTLAKE TERRACE (3113)	\$25.00	\$25.00	\$0.00
Total Sales:	\$285.95	Taxed Sales: \$285.95	Local Tax: \$0.55
			State Taxes: \$11.79
			State + Local Taxes: \$12.34

Sales tax payments made: 0 \$0.00

File & Pay Sales Tax **Estimated Sales tax due Feb 2, 2015: \$12.34**

Just like selling through multiple eCommerce channels creates a paperwork headache, so does filing sales tax in multiple states.

Your clients must secure sales tax permits in each state. Some states charge a fee for this, while some others require your client to renew their sales tax permit manually every few years.

How TaxJar Helps You Help Sellers with Nexus in Multiple States

The screenshot shows the TaxJar dashboard with the following sections:

- Dashboard:** Includes navigation links for Dashboard, Transactions, Payment History, Account, and Sign Out. A notification states "You have 1 linked account. Last Updated: Oct 10, 12:26 PM UTC".
- 2014 Summary (YTD):**

Gross Sales:	\$2,827,408.42
Taxed Sales:	\$273,572.01
Sales Tax Collected:	\$20,785.18

Are you collecting the right amount of sales tax? Want to see state by state totals? [View Detailed sales tax analysis.](#)
- Your States with Nexus (Change):**
 - Pennsylvania:** Your Q4 2014 return for \$1,529.60 will be filed and paid by **Jan 20, 2015**. AutoFile (change)
 - Tennessee:** Your Q4 2014 return for \$802.07 will be filed and paid by **Jan 20, 2015**. AutoFile (change)
 - California:** Your Q4 2014 return for \$5,398.57 will be filed and paid by **Feb 2, 2015**. AutoFile (change)
 - Virginia:** Next filing due: **October 20, 2014**. Sales tax collected: **\$516.90**. Current Filing period: Sep 1 - Sep 30. Filing frequency: Monthly (change). [Sales Tax Report](#)
 - Kansas:** Next filing due: **October 27, 2014**. Sales tax collected: **\$165.72**. Current Filing period: Sep 1 - Sep 30. Filing frequency: Monthly (change). [Sales Tax Report](#)
 - North Carolina:** Next filing due: **October 31, 2014**. Sales tax collected: **\$1,565.47**. Current Filing period: Jul 1 - Sep 30. Filing frequency: Quarterly (change). [Sales Tax Report](#) [Enroll in AutoFile](#)

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TaxJar’s automated sales tax solution pulls in every cent of sales tax that an online seller collects.

If a client finds that they now must file a sales tax return in a new state, all they have to do is start collecting, and all you have to do is activate that state within TaxJar.

From there, TaxJar is able to create file-ready reports for multiple states just as easily as for a single state. And TaxJar’s AutoFile feature will file sales tax reports for many states automatically.

Problem: Individual States Have Vastly Different Requirements for Sales Tax Filing

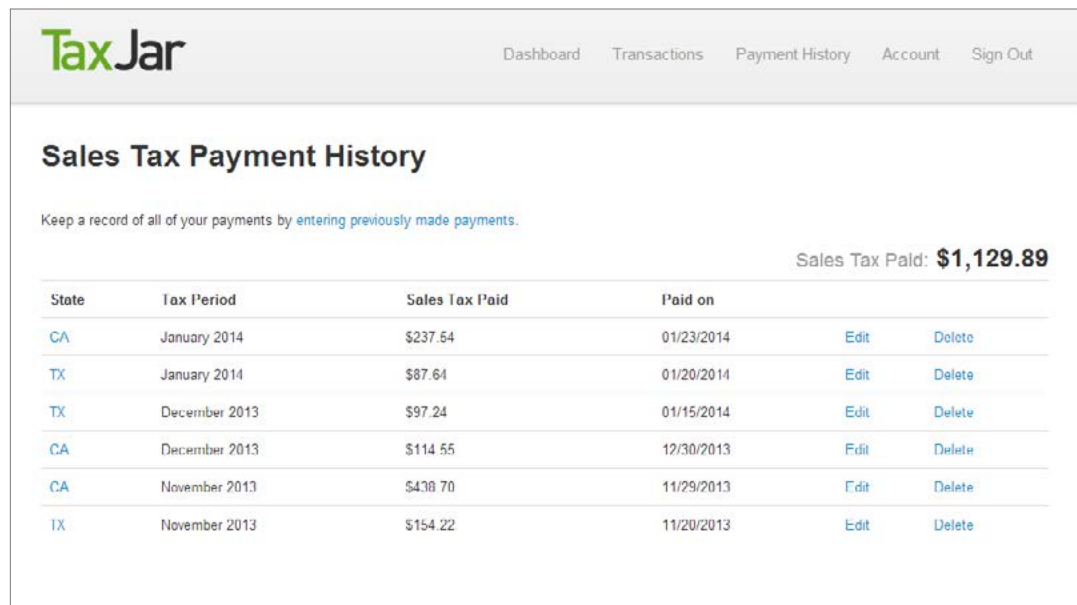
Some states make sales tax especially onerous for an online seller. Destination-based sales tax states require the seller to calculate a sales tax rate based on the address of their individual customers, and then file a sales tax report breaking down taxes owed for each jurisdiction. These nitpicky requirements leave much room for error.

Kansas has almost 1,000 sales tax jurisdictions.

How TaxJar Helps You Comply with Sales Tax Filing Requirements in Each State

TaxJar reports sales tax by state and sales tax region. A few clicks of the mouse is all it takes to see how much was collected in a single jurisdiction, when, and whether that amount has been remitted to the state's taxing authority.

In the past, accounting professionals had to rely on spreadsheets and formulas for information that TaxJar can provide in seconds.



The screenshot shows the TaxJar web interface. At the top left is the TaxJar logo. To the right are navigation links: Dashboard, Transactions, Payment History, Account, and Sign Out. The main heading is "Sales Tax Payment History". Below this is a note: "Keep a record of all of your payments by [entering previously made payments.](#)". On the right side, it says "Sales Tax Paid: **\$1,129.89**". The main content is a table with columns: State, Tax Period, Sales Tax Paid, and Paid on. Each row also has "Edit" and "Delete" links.

State	Tax Period	Sales Tax Paid	Paid on		
CA	January 2014	\$237.54	01/23/2014	Edit	Delete
TX	January 2014	\$87.64	01/20/2014	Edit	Delete
TX	December 2013	\$97.24	01/15/2014	Edit	Delete
CA	December 2013	\$114.55	12/30/2013	Edit	Delete
CA	November 2013	\$438.70	11/29/2013	Edit	Delete
TX	November 2013	\$154.22	11/20/2013	Edit	Delete

Problem: Varying Sales Tax Due Dates are Hard to Track

TaxJar users report that keeping track of intermittent and highly variable sales tax deadlines is one of their most difficult duties.

Each state will assign your client a remittance period based on the state's individualized criteria. Some states will want your client to file once a year while others may want a monthly filing. To make it even harder to track, some states ask for a quarterly filing, but actually set different quarterly due dates, so one state's "quarterly" filing might be due in June while another is due in July.

How TaxJar Helps You Keep Your Clients on Schedule with Sales Tax

TaxJar solves this problem by alerting you when each state's sales tax filing is due for your client.

Simply enter the client's sales tax filing frequency during the on-boarding process and TaxJar takes care of the rest.

TaxJar also keeps track of sales tax filed, so not a penny slips through the cracks.

"TaxJar has made life much easier. I no longer have to go through spreadsheets and reports to determine what was delivered to where. I can go to my clients profile through my linked accountant access and TaxJar tells me what was sold into what taxing jurisdiction. It saves me tons of time, and my clients a lot of money because it takes me less time. "

- George Sleeman, EA, owner of **Tax Man To You**

Problem: Filing Sales Tax is an Arduous Process

Filing a sales tax return manually is difficult and time consuming. You must either login to a state's website or worse, obtain a paper sales tax filing form. From there, you must fill out how much sales tax your client collected within each taxable district and then enter payment information. Even filing the simplest "zero return" requires the effort of periodically logging in and finding the correct forms.

How TaxJar Helps You File Sales Tax for Your Clients – The Easy Way

TaxJar's AutoFile feature has permanently changed the way you file sales tax returns for you clients. After an easy onboarding process, AutoFile will remind you when your client's sales tax return is due and give you time to make any changes before automatically filing the return with the state. No more logging into state websites or dealing with copying and pasting numbers into complicated lists of jurisdictions.

With AutoFile, TaxJar makes it easier for you to take care of the little administrative hassles of helping your clients so you can help them with the big picture.



The Future of eCommerce Sales Tax

There's one final good reason to get a handle on eCommerce sales tax now: online sales tax.

Some big retailers, legislators and state departments of revenue have backed online sales tax bills, the best known of which is the "Marketplace Fairness Act." The United States Senate has already passed this bill, and if it makes it through the House of Representatives, it will be a game-changer for your eCommerce clients.

The Marketplace Fairness Act in its current form would require eCommerce merchants who sell above a certain revenue threshold to collect sales tax on all purchases, no matter what state the buyer lives in.

For some eCommerce merchants, this could create sales tax nexus in all 45 states that require a sales tax.

Your clients will be required to massively scale their internal processes to collect and remit more sales tax, apply for dozens of new sales tax permits, and keep up with sales tax in thousands of local jurisdictions.

With TaxJar's sales tax automation, filing sales tax in a new state is as simple as a few mouse clicks.

For accounting professionals, this means that if the Marketplace Fairness Act or similar legislation passes, you'll be prepared to provide an instant solution to your clients who suddenly find themselves awash in new sales tax requirements.

TaxJar helps you prepare for the future as federal, state and local governments redefine the nature of sales tax and the tax code for eCommerce merchants.

Final Thoughts: How TaxJar Helps You Help Yourself

We've explained how TaxJar helps you solve your clients' eCommerce business problems, but we're here to help your business, too.

- Dead simple on-boarding – you can add clients to your TaxJar account in minutes
- Scale with ease – you can manage sales tax information for multiple clients, all from one dashboard
- Create a new income stream – you can white label our product and pass the expense, plus your expertise, on to your customers
- Continue learning about eCommerce – TaxJar's webinars, blog and many other online resources help you understand the realities of your clients' eCommerce world. Alongside us, get to know the challenges and pitfalls your clients face

TRY TAXJAR

Start your 30-day free trial

(No Credit Card Required)

[Learn More. Watch the Video.](#) 

Sign up for a 30-day free trial of [TaxJar](#) today.

About TaxJar

TaxJar was founded by small business experts with a simple mission: helping online sellers simplify the hassles of tracking and filing sales tax so they can focus on growing their businesses rather than dealing with compliance issues. The customer-driven company has a successful history of developing tax and accounting systems used by tens of thousands of small businesses to solve common operational problems.