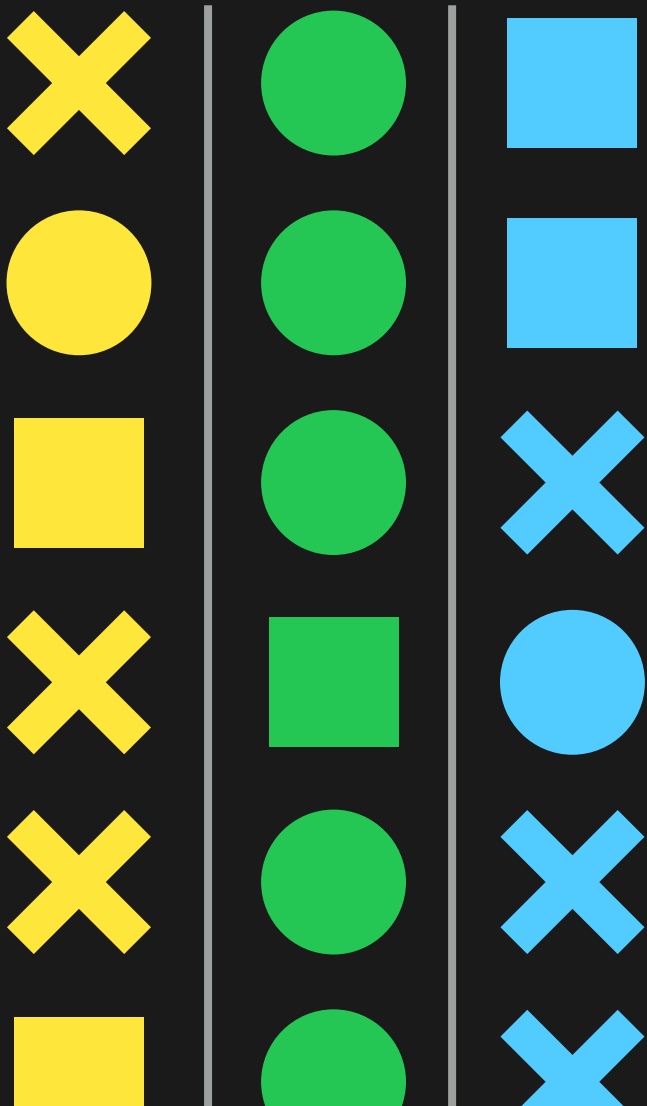
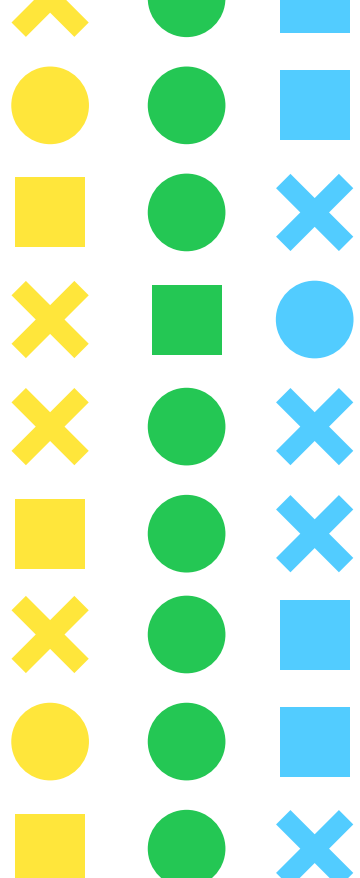


How to Evaluate a Sales Tax Software Solution in 2022



Introduction

Today, there are thousands of taxing jurisdictions throughout the U.S., creating a kind of ‘sales tax labyrinth’ for companies looking to become tax compliant. Not to mention, major events such as the worldwide pandemic have increased consumers’ appetite for online shopping which further complicates the path to compliance for many companies. For instance, in our recently released *Future of E-Commerce* report, 78% of finance leaders say they believe their e-commerce business will continue growing in the future. This growth can unexpectedly alter where companies must collect and remit sales tax.



78%

According to a recent survey from TaxJar,
78% of e-commerce financial professionals
believe their businesses will only grow in
the future.

As you consider new markets, expand into additional e-commerce channels, enter different locations or hire remote workers, new compliance challenges may arise that can take your focus away from your core business. Without a dedicated team of sales tax experts, tackling these challenges alone creates an unnecessarily stressful environment for you and your team. And dedicating experts’ time to the rote work involved in compliance is not an efficient use of their time — or your resources.

So, it makes sense to automate as much of the process as possible, ensuring your calculations and filings are error-free, and your high-value employees are focused on more strategic work. The next step is finding an automated sales tax compliance solution that works well with your existing tech stack and ERP system.

Whether you are searching for a sales tax compliance solution or looking to switch from your existing vendor, this guide will help you think through the best path forward.

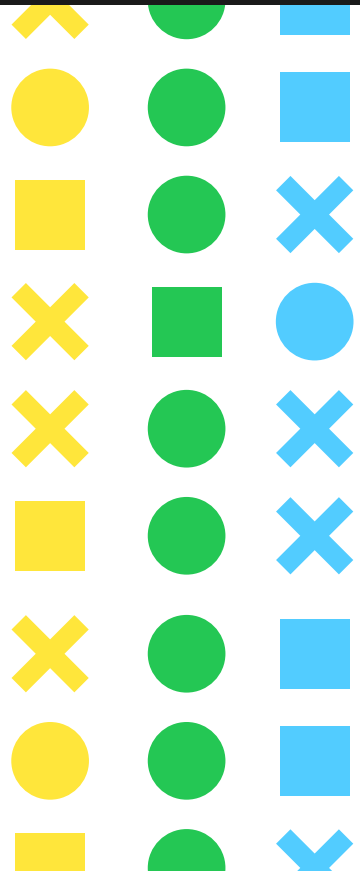


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Understand your business needs

An excellent first step in your software evaluation process is to assess your business needs today and in the future. A sales tax solution that serves you today may not be enough as your business grows so consider the following:

Questions to consider

- Are you expanding into new markets (e.g., geographies, reaching new audiences, expanding product lines)?
- Are you growing your business (e.g., raising additional rounds of funding, IPO, or acquisition)?
- Are more of your employees working remotely?

If your team manually files and remits sales taxes directly to each state or tracks rate changes via spreadsheets, automation could save you time and reduce human error. Pointing back to our *Future of E-Commerce Compliance* report, we found that **45% of financial professionals** felt overwhelmed with sales tax compliance because they weren't made aware of rate changes. Also, **92% of your peers** believe it's the job of your compliance software to stay up to date with tax obligations for each state and jurisdiction. Through automation, you won't have to worry about things like tracking rates or legislative changes on your own. As a result, your team can focus on high-value projects instead of burning hours managing the mundane aspects of sales tax.

If you're switching vendors, consider:

Are you getting the most from your current solution?

To avoid unnecessary software sprawl, you and your stakeholders should consider how your team currently uses the software. The more tools your company adopts, the more challenging it is to track each tool's costs, usage, and overall ROI. Before pursuing a new vendor, it may be worth assessing whether or not your team is getting the most out of your current software solution.

45%

45% of financial professionals felt overwhelmed with sales tax compliance because they weren't made aware of rate changes

92%

92% of financial professionals believe it's the job of your compliance software to stay up to date with tax obligations for each state and jurisdiction

During the self-evaluation process, it's worth aligning with key stakeholders and resources to support a successful implementation. Your implementation plan may include desired outcomes, implementation owners, a risk assessment, a budget, task delegation, and a project schedule with clear milestones. Starting with the end in mind is a great way to ensure that everyone involved (internally and externally) is moving in the same direction. At this stage, consider the following:

Questions to discuss with your team and other stakeholders

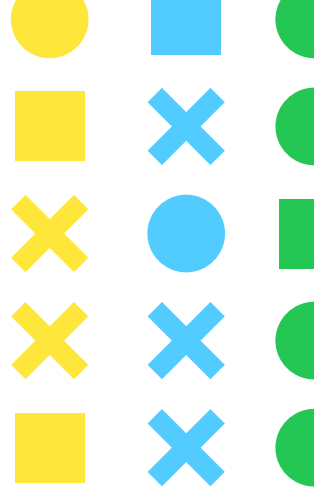
- What challenges are you looking to address with a sales tax solution?
- Can you solve these challenges effectively without a sales tax solution?
- Do you have internal resources to support implementing and adopting a sales tax solution?
- How would you describe a successful implementation?
- Who from your company needs to be involved in this decision?
- What are you expecting a software solution to do for your business—what will change?
- Which teams will be affected once you start calculating tax in new markets?
- Is now the right time for you to consider a sales tax solution? Why are you looking at a tax solution now? (e.g., have you reached economic nexus in new states?)

Ask the right questions upfront

Deciding on new software is a huge responsibility that impacts multiple departments and employees. Companies that purchase the wrong software or improperly deploy the 'right' software could cause headaches down the line. The following questions should provide a good baseline of information as you research potential vendors.

Questions for potential vendors

- Do you have experience with my industry, product, service, company size?
- If so, can you provide relevant case studies or customer references?
- Is your demo up to date, or can you show me a live demo that's reflective of the unique challenges my company faces?
- How much do you know about the regulatory landscape of my industry (e.g., for highly regulated companies such as healthcare)?
- What sort of education/resources can you provide to help fill knowledge gaps on my team?
- Will you be with us at each step of the implementation process? At what point will we be left to our own devices?



Keep an eye on accuracy and performance

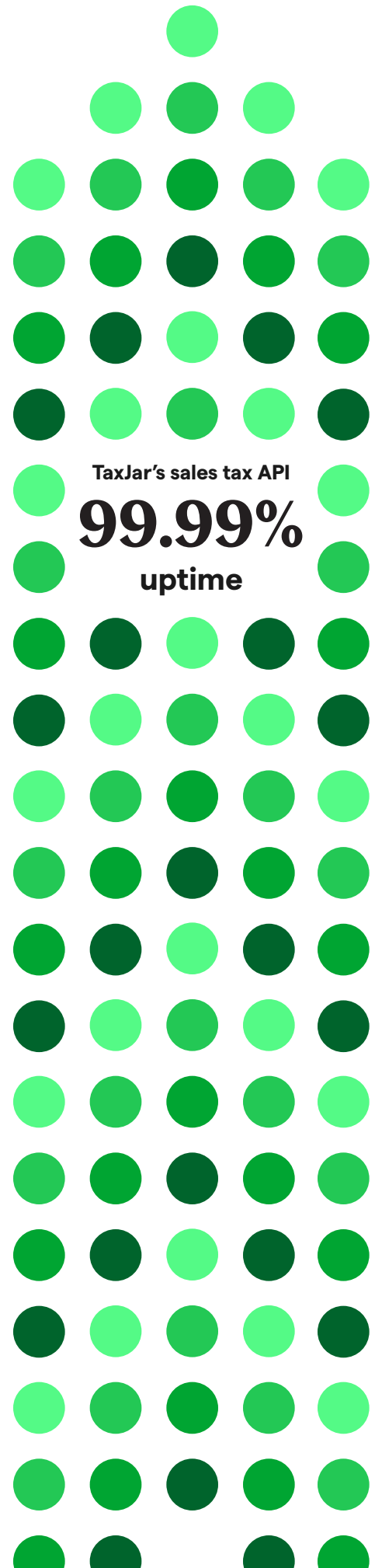
With thousands of sales tax jurisdictions across the U.S., the best sales tax solutions seamlessly provide **real-time, rooftop-level rates** at checkout. Part of this means dedicating resources to keeping sales tax rates across states and localities up to date, which is challenging without a system or strategy in place. Additionally, a fully dedicated research team provides **product tax code** content to help you determine the taxability of your products to ensure you're charging the most applicable tax rates at checkout.

In addition to rate accuracy, system performance and reliability are significant factors in choosing a sales tax vendor. For instance, you'll want to make sure there's a way to keep up to date on outages and scheduled maintenance. Speaking of performance, **TaxJar sales tax API clocks in at 99.99% uptime**. Rate accuracy, system reliability, and speed are must-haves, especially for **e-commerce retailers**.

Imagine your customer seeing the wrong sales tax rate at checkout or not being able to complete their transaction because the sales tax calculation times out your shopping cart page. A poor sales tax experience at checkout could lead to lost revenue for your business. To get a handle on a vendor's accuracy and performance, start with these questions:

Questions about performance

- How do your sales tax calculations work, exactly?
- Do you rely on zip codes or full addresses?
- Do you validate addresses?
- How does your team keep sales tax rates and product tax codes in your database up to date?
- What are the average uptime and average response time of your API?
- Can you send me information where I can see real-time status of your platform's performance?
- If you don't have a status page, why not?
- What happens if your service is unavailable?



Explore sales tax reporting and automated filing

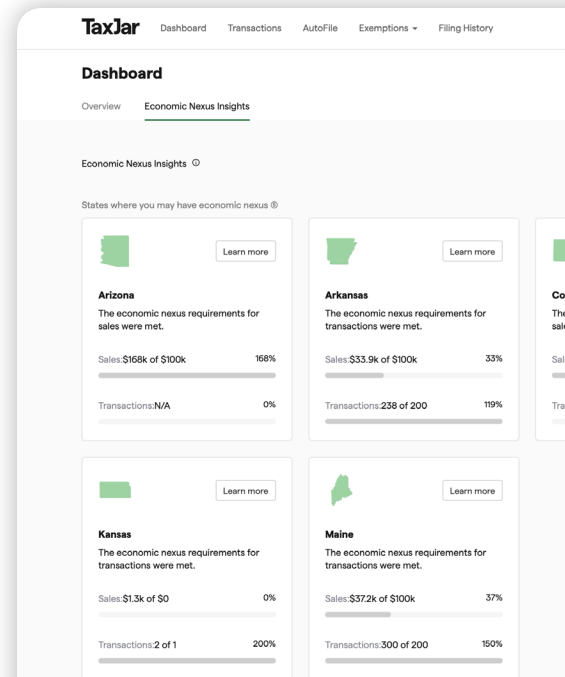
Once you've collected accurate sales tax rates with an API that doesn't slow down your website, knowing where you're obligated to file and collect sales tax is critical. An effective sales tax solution will compile your information into a single dashboard that shows you how much sales tax you're collecting across states, track where you're approaching tax thresholds (i.e. **economic nexus**), and filing deadlines.

With some uniformity, filing frequencies vary across states and are typically driven by how much your business generates in sales and how much sales tax you collect. To remove the burden of filing from your team, consider a vendor that offers an **automatic, easy to enroll, electronic filing service** to help you prepare and file state returns and remit payments. In addition, as your business grows, automation lets you get ahead of filing errors, allowing you to make better use of your finance team's time. In part II of our *Future of E-Commerce Compliance* report, we found that **64% of financial professionals** who use automation report greater confidence in their compliance than those who do not.

If you could use automation to ensure you're making the right choices in your sales tax workflow, consider asking a vendor these questions:

Questions about reporting and automation

- How does your automatic filing service work, and what are the fees associated?
- How hands-off is the service?
- Roughly, how much time do most customers save through automation?
- What happens if I receive a tax notice?
- How do I enroll in AutoFile?
- When can I access my sales tax reports to reconcile my transactions?



“There really isn’t an option not to automate if you want to be compliant.”

Lydia Chen
SVP of Operations, TaxJar

Dive into the technology

Technology is at the heart of any modern sales tax solution. As your business demands fluctuate, you'll need a solution agile enough to meet your performance and scalability needs at each stage of growth or in response to seasonality.

Traditional, on-premise solutions can have high upfront costs and take months to implement compared to a cloud-based solution. On-prem solutions are not ideal for small to midsize businesses for those two reasons. For example, TaxJar's market leading, **cloud-first approach** ensures it's built to scale without slowing down performance. Our modern **APIs with 99.99% uptime** and automated filing use **robotic process automation and rule-based automation** capabilities.

When working with cloud-native vendors, it's essential to understand the advantages and disadvantages of their software architecture. Also, to ensure the company aligns with your short and long-term strategic visions, having a general understanding of any product or solution investments or innovations is vital — both today and in the future. Here are a few things to look out for as you get started on your journey:

Questions about the technology

- What type of APIs do you use? RESTful? SOAP? GraphQL?
- How can our developers get hands-on with the vendor's offering (e.g., sandbox)?
- How easy is it for non-technical users to use the product?
- How do you enable scalability? How does your software handle fluctuations in demand or seasonality? Are your core services built and deployed as containerized microservices?
- Can you speak to any AI or ML components of your solution?
- If you price by consumption, how do you track usage?
- Does your plan include a sandbox, or is that an extra fee?
- What languages do you support?

If you're switching vendors, consider:

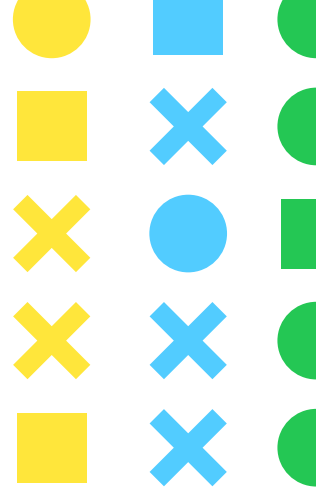
Ensure success by making the right internal changes

Making a move to a new sales tax software vendor is challenging enough. However, making a third change can be exhausting for your company and team. The following can help ensure the second time's a charm:

- Are there any internal process improvements that need to be addressed?
- How many members of your team are involved with managing sales tax today?
- Are there any inefficiencies or redundancies?
- Are you currently registered and collecting sales tax in all states where you have nexus?
- If applicable, are your customer exemption certificates up to date?
- Do you have any potential audit triggers (e.g., filing late in the past)?

Consider the implementation process

Implementing new tech doesn't have to be unnecessarily disruptive if you consider upfront how it'll impact existing systems and teams. That's why it's essential to know how a prospective vendor will collaborate with your team during the implementation process. For example, tax software may impact back-office systems (order management, accounts payable, accounts receivable, treasury, expense management, etc.), so knowing how to alter these systems and any impacts is essential. Before moving forward with implementation, consider the following:



Questions about customer support

- How will you support us through the implementation process?
- What about a SLA?
- Does your solution integrate with existing systems at my company?
- Are there any integrations that I need and don't have today for this to work?
- How frequently are you updating the product?
- Will you create and share an implementation timeline?
- How much does it cost to work with your implementation team?

61%

61% of finance leaders said “is secure” is the most important attribute for sales tax compliance software

Prioritize security

Any sales tax solution worth considering takes the necessary steps to **keep your company and customer data safe**. Your solution provider should go beyond the bare minimum industry standards so that you never have to ‘worry’ about security. Security becomes paramount as your company scales and comes in contact with more and more PII.

According to Security Intelligence, security breaches can cripple companies where on average, the **cost of a data breach** was \$3.27 million in 2021 for retail. Additionally, in our recent, *The Future of E-commerce Report*, 61% of finance leaders said “is secure” is the most important attribute. Whether it’s **compliance/security certifications, data encryption, or security monitoring**, the best vendors go above and beyond to ensure you’re safe. To get a handle on the security practices for the vendor(s) you’re considering, here are a few questions that’ll steer the conversation in the right direction:

Questions about security

- What security measures do you have in place to keep my company’s data safe?
- Can you tell me more about your security features?
- What compliance/privacy certifications do you currently hold?

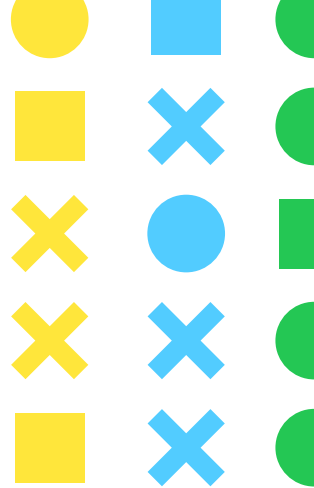
TaxJar compliance/privacy certifications & regulations



Support existing integrations

Most businesses today leverage a combination of online and offline channels to reach customers. For e-commerce specifically, having a seamlessly integrated sales tax solution requires that the solution integrates with your shopping cart and your **ERP software (e.g., NetSuite)** and major marketplaces (e.g., Amazon) and provides the opportunity to customize.

No matter where you sell or what systems you use, your vendor should give you peace of mind knowing you're constantly collecting the right amount of sales tax while providing a single view of your data across multiple channels. And, you can monitor sales tax collected and remitted across channels in one easy-to-use platform. To ensure your **existing integrations** are supported, here are a couple of things you'll want to know:



Questions about integration support

- Do you have integrations with my shopping cart, ERP, or marketplaces, and will it transfer data directly into my sales tax dashboard?
- How do your integrations work, and is there any upfront work on my end?
- If you have multiple sales channels, how do you ensure there are no duplicate orders?

TaxJar Linked Partner Accounts

Partner	Account ID	Transaction Range
Amazon	acct_1F3jsfd81HF81nf	08/29/2021 - 09/02/2021

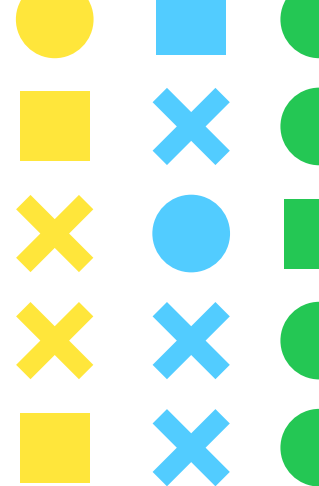
Pricing built for your business

Having a sales tax solution that scales with your business ensures you're getting value commensurate with your investment. At the very least, your vendor should provide transparent pricing that adapts to the increased needs of your business without hiding fees and unnecessary charges. Whether you're a multi-channel merchant with advanced order-to-cash processes or a fast-growing SaaS company, make sure that the pricing model and impact on transactions and API calls are straightforward.

For example, an **order-based pricing model** considers monthly transaction volume and an API usage model (a ratio of sales tax calculations to orders - ten sales tax calculations equals one order, for example). On the other hand, a percentage-based model takes a fee out of every transaction. Therefore, an order-based pricing model may save you money. Discuss pricing with prospective vendors starting with these questions:

Questions about pricing

- How is your pricing model structured?
- Given our estimated transaction volume, what can we expect to pay monthly or annually?
- Do you offer a free trial to see if the software works for us before signing?
- If I change my technology during my contract, do I need to pay any new/additional fees?



Choose a partner

Implementing a new sales tax management solution isn't always easy, but with dedicated technical onboarding, multiple support channels, self-service learning, and real people by your side, it can be. After all, what good is a software solution if you can't get answers through real people or **easy-to-use resources**? Likewise, if you have key implementations and can't get them working correctly or if your team gets tripped up during onboarding, a good vendor will be there with you every step of the way.

Look for a sales tax solution that offers an **excellent customer experience** from product to person. Whether you want to find an answer on your own or dig into details with an expert, your sales tax provider should offer you options such as clear documentation, online learning, and email or phone support.

A good solution provider doesn't skimp on the details and can get ahead of questions before you know you have them. They've seen it all and are ready for whatever; however, they're not afraid to roll their sleeves up with you to solve edge cases. Your vendor shouldn't only come into the picture when things break and they'll equip you with the knowledge and tools necessary to make **sales tax simple for non-sales tax experts**.

Here are a few questions to ask:

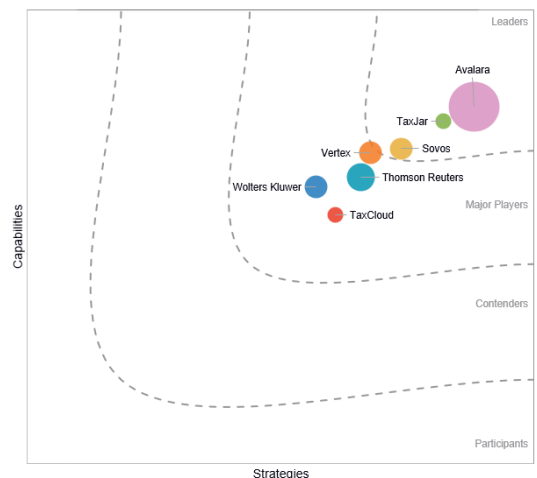
Questions about the customer experience

- What's your service-level agreement (SLA) regarding support questions?
- How quickly will your team respond to an inquiry?
- What's in a basic/free support package?
- Do I have to pay more for a certain level of support?
- Can you share reviews or customer testimonials about the quality of your customer service team?

TaxJar G2 awards



TaxJar named a leader in IDC MarketScape Report 2021



Find the right partner

Whether you're searching for a new software solution or switching from your current one, knowing what to ask upfront will help you vet companies that are the best fit for your business. Doing your homework now will save you time and the switching costs of selecting the wrong vendor. Of course, no two paths towards sales tax compliance are identical, but your sales tax vendor should be able to help you navigate your journey to compliance.

TaxJar works with many growing SMB and mid-market companies, including Curology, Wild Alaskan Company, [Pit Viper](#), Eventbrite, [Plant Therapy](#), and was recently named a 'Leader' in the IDC MarketScape: Worldwide SaaS and Cloud-Enabled Sales and Use Tax Automation Software for Small and Midsize Businesses 2021 Vendor Assessment. We've also processed over 300,000 automated filings for its 20,000+ customers.

If you want to learn more, [reach out to TaxJar](#) for a free consultation to help you assess whether or not we're the right fit for your business.

Why TaxJar

When you need full access to complete sales tax data, a knowledgeable team of sales tax experts, award winning support, and automated filings, TaxJar is here to help.

Built to support businesses with complex sales tax needs, TaxJar was created to simplify sales tax for e-commerce businesses so compliance is never an issue again.

TaxJar

Give us 30 minutes to show you how we can help. [Find a time to talk to our team](#) about how we can help ease the sales tax compliance burden for you.

