

Importance of Tax Regulation for a B2B eCommerce Setup: Maria Tringali from Avalara

Introducing Maria Tringali (00:00-01:33)

Welcome to the DCKAP, E-sessions, 2021. This is the one for March. We're going to have a special showcase for Midland scientific and all the work that went behind it, including some of the technology partners that were integrated into the e-commerce site. My Name is Tim Diep. I'm the host for today.

I'm the customer success manager for DCKAP, then with the company for about eight, nine years now. And I've just been leading events on a monthly basis ever since COVID happened, which has been over a year now. And, you know, we've really taken the advantage of, just really hosting these events.

On online rather than onsite now. So today we have a really good session and hopefully you guys are able to take lots of notes and enjoy it like to thank our sponsors for this event. These are the guys that you'll be hearing later today, with a short presentation. So we have Midland scientific.

We have Avalara, we have Nexcess, Magento and DCKAP Cloras. So next I'd like to bring over Maria Tringali from Avalara. She's the Senior Solutions Consultant at Avalara, which provides end-to-end tax compliance solutions for any business, large or small in any industry. As you move your business online, we know there are tax compliance concerns.

She'll be sharing a few best practices. You can leverage this to make this transition easy while creating a seamless customer experience. She's going to be talking about the importance of tax regulations for B2B e-commerce setup.

The basics and diving into tax regulations with Maria(01:34-05:12)

Awesome. Thanks Tim. Happy to be here and thanks Rodrigo for that introduction.

Great overview and Kudos from Avalara. We really enjoy working with you. I'm so happy to be here. Let me share my screen and let's talk a little bit about Sales tax. So, first of all, just a little bit about Avalara. So as Rodrigo

mentioned, he's partnered with us for his tax compliance for all of their business, not just their e-commerce business, but all of their sales and tax compliance.

So Avalara is a global company and we've been in business since 2004. We have over 30,000 customers worldwide. We are a publicly held company. We go to market with integrations and Rodrigo did mention their integration with Magento and with his ERP. So we actually have over a thousand integrations now with different accounting platforms.

So pretty much whatever you're using our platform can integrate with it. We also work with every type of industry. So one of the things is that I work a lot with manufacturers and distributors and B2B businesses, and they sometimes say, we don't charge tax. So it doesn't apply. Well, every business has tax compliance.

Our platform is not industry specific. It is absolutely available to assist you with tax compliance across any type of business that you might be in. Everybody has clients, so let's start with that subject. So what most of us think of it, when it, when we talk about sales tax is the sales tax rates. And that's what we generally see on our receipts. When we buy something, I kind of call it the sexy part of sales tax, because it's what we see. It's the popular part. But the truth is when you're in business, there's a lot of things that a business has to worry about or think about, not worry about cause you have us.

But to think about when it comes to tax compliance. So it's not just the rate calculations and most of us in manufacturing and distribution, or have a B2B component or who sell to businesses who are exempt like the healthcare industry, we don't charge any tax at all. So all those things under the iceberg are things you really need to know about in your business.

And that's one of the things that we can help you with is like Rodrigo said he doesn't know anything about sales tax and he doesn't have to, but you do have to worry about where you're, which means where does your business have the responsibility to collect and remit tax? You need to worry about your exemption certificates, filing those returns, even if there's \$0.

You still have to report to the state, just like if I don't owe any money at the end of the year to the federal government, I still have to report. So people say, Oh, it's \$0. It doesn't matter. You still have to fill out all the forms,

understand your tax compliance, be prepared for an audit. Yes, they can happen.

Also, customer satisfaction is important. We sort of tend to underestimate, and I think Rodrigo alluded to this a little bit. We wanted to make a really easy platform for his customers to buy from him and customer satisfaction is something that we tend to overlook a little bit, especially if you're in a highly wholesale or exempt business, we make them jump through hoops.

We get calls to set up an account, create orders. And our goal here is to help make their process, our biggest customers, our B2B buyers, a little easier, whether it's locally or whether it's online.

Audit and importance of sales compliance for B2B (05:13- 07:19)

Rodrigo was talking about why is this all important? It's important because manufacturers and distributors and B2B businesses are at very high risk for audit auditors, know that getting a sales tax rate wrong is just a little bit of revenue, but not having an exemption certificate on file for a sale.

Can be a lot more money to them. If you had a \$10,000 item that you sold and you did not charge tax and you can't prove why you didn't you'd have to pay the full tax rate to the government, that you did not charge the customer. And believe me, trying to recoup that from your customer is not easy, especially six months or three years post sale.

So it's an industry wholesales and manufactured. Wholesalers and manufacturers are high target industries for audit as well as for use tax are not going to go into use tax so much today. But use tax is something that a lot of manufacturers have to account for, especially if they have multiple locations and States know that businesses generally aren't very good at this.

So they tend to really try to analyze your purchases and what you might've paid or not paid. So we definitely need to think about tax compliance in our world. So, um, as I said, a lot of people are telling me, well, we don't have a sales tax problem because we don't charge it. We're talking about tax compliance here.

We're not talking about just charging retail rates. You do have to charge retail rates to that customer, but there's a lot more to do with tax compliance. And the key things here are a poor process for handling these exemption

certificates or your exempt businesses. Creates a negative customer experience your customers want to buy from you quickly.

Rodrigo said they don't have mobile phones yet. Something they're thinking about. He wants his B2B customers as well as his B2C customers to go on his website and be able to purchase very quickly, very seamlessly without having to worry about providing extra paperwork and being asked questions and pause the sale to have to call them.

Your duty towards your employees (07:20-09:45)

We don't want your employees to have to have the responsibility of knowing what they're collecting. Our credit manager doesn't have sales tax experience. They're not tax professionals. We need to help them understand and guide them through the process of what they're collecting and make sure that it's the right form.

Make sure that it's not the business license. It's actually the sales and use tax license or something like that. We need to make this process easier on our staff. They're not tax experts. So, a lot of people ask us about the economic nexus laws. So you may or may not know that about two and a half, little more than two and a half years ago.

I guess we're heading up three years ago, laws were passed where States are now allowed to ask for essentially a cut of your sales. Any items you ship into their state. So you no longer just have to have a physical presence in a state in order to register and collect and remit sales tax to them.

You just have to ship into that state. When these laws were first passed, they kind of got dubbed as e-commerce laws and only for e-commerce sellers as if e-commerce sellers are the only people that ship something into another state. So that was a big misnomer. And I can tell you over the past year, and it's still happening in 2021, we have so many manufacturers and distributors that never registered.

They are hitting these economic nexus thresholds that you see here on the right side of my screen. If you are selling a certain amount of revenue or a number of invoices, a certain number of orders into a state can definitely

require you. To collect and remit sales tax, even if you've never fully set foot in that state.

So we need to make sure that you have your nexus footprint in line and you are collecting and remitting either certificates or sales tax in all the States where you have a legal obligation to. And this can have a big effect on the number of exemption certificates. So you may have like this example on the left, you may have 75 on file now, but once you've had to register in New States, you may end up with over a thousand.

And these are actually two real cases of customers that I spoke to is we had another national retailer that had 500 on file. Now they're going to have to have 500. How on earth are they going to collect, manage, and track these certificates now? That their exposure is in all these States because of the new laws.

Moving ahead of Excel: (09:46- 13:05)

Excel is no longer a viable way to collect these or a file box or an online share account. File alphabetically. That's not practical when you get up to these higher numbers. So what is a B2B seller to think about? Let's go back to Rodrigo as examples. So he wants to bring B2B online for both his, B2B and B2C business.

So regardless of whether you are B2B or B2C online, you still have to be concerned with nexus. As we just talked about. You have to be concerned with your exemption certificates. How do I collect them? Does my staff know about them? Do I have the expertise to know what I'm collecting? How much time is this taking me?

And of course, that customer experience. So all of these things apply to your local business as well as to your online business. So what does end to end tax compliance look like? What it looks like is that the process needs to start with your customers as, especially if you have expanded next as meaning you're adding, or you have recently registered or you need to register in additional States, or even if you're still in your home state, do I have the right.

First file for that customer. So making sure you're compliant from end to end is making sure that everything that you have on file now, or that you need to have is currently valid and accurate. So you don't get caught in an audit. And then ideally as Rodrigo said, you leverage a platform like ours.

That is cloud-based. And that will allow you to do tax determination in real time. And by determination, I mean, notice it doesn't say calculation tax determination means your platform. And this is what Rodrigo platforms are doing. Both his ERP and his website are checking to see if a customer is exempt.

Before it calculates tax. So it's a check to see that little blue arrow going back to exemption management is first checking the address. It's then checking to see if he has nexus there. And then it checks to see if a customer is exempt. And if the customer is not exempt, then it does proceed finally with the tax calculation.

That is the last thing that it does and then, because we're connected to both the Rodrigo invoice platforms. He has everything he needs for us to file and remit his sales tax returns because all of his transactional data is coming through to this platform. So what you need at the beginning, there is not Excel, but you need a compliance platform for your exemption certificates that connects with your tax determination engine.

And I won't go too deep into this, but Avalara cert capture does manage all those incoming certificates and make sure that they are current and valid. You can send reminders to those about to expire. It is a platform specifically for managing exemption certificates, which is not document management, document management.

Doesn't do any of these. Things that can maybe track one thing like an expiration, but it doesn't validate documents for you to communicate with your customers, um, provide access to all of your employees, etc. And then vendor exemption management. I wanted to mention this. I don't think that Rodrigo company's using this yet.

Certification collection and Vendor exemption: (13:06- 14:51)

It's actually a relatively new capability of the same platform. So not only can you collect certificates from your vendors? You can also easily send certificates out to collect them from your buyers. Sorry. You can also easily send them out to your friend's vendor. So if you're a distributor and you send a lot, you provide a lot of exemption certificates, because you're going to be reselling their items.

You have a lot of certificates you've sent out to vendors. So the platform also allows you to do that. So now to the fun stuff that Rodrigo was talking about on an online platform like cert capture, actually, we're the only ones who do this, allow you to create a seamless experience on your website and Rodrigo, you talked a little bit about being as good as the competition.

I will tell you these two things here. Our competitive differentiators and you were doing them, which is amazing. We have a lot of businesses that see this experience on a shopping cart where they're buying something and they come to us and say, I want that too. So what we have here is two options. If you're in a business where you want someone to provide an exemption certificate on the fly, in a shopping cart, you can do that.

I've totaled up in my little sample here. I've bought a laptop. And a laptop case, and it says it calculated the tax of \$31 there. And it says, do you want this purchase to be tax exempt? If I do, it will launch a little portal and I can literally submit an exemption certificate in real time that would apply to that sale.

So if I'm a designer and I want to buy just one item on a one-off, I can do that in my shopping cart. What Rodrigo has done is taken that one step further. So this is now I'm logged into my account here. You can see over here on the left. I'm in my customer account. I have my orders and I also can manage my tax exemption certificates.

Understanding the process (14:52- 16:15)

So the same process. Now that I'm logged into my account, I can pop up an exemption certificate and renew it. I could submit a new one. If I have a new ship to address. So what you're doing here, what I love about this is you're pushing the responsibility of collecting the right certificate and providing those certificates gently over to your customer and away from your staff.

Your staff doesn't have to have the sales tax expertise. They don't bill without tax and then get, have to do those darned credits and rebuild. You're putting the responsibility into the hands of your customers to be proactive here. So again, it pops up a portal that can fill these out online in a flash, provided it goes right into your system.

And literally the next order can be tax exempt and you can be comfortable that it's a complaint. So with that, Tim, I'm going to leave you with this little slide for those of you listening, I highly recommend that when you get this slide deck that you print off this one slide, stick it up on the wall in a conference room and take a look at your business.

How many States do we have? Have we registered in or do we need to register in a nexus study that is worth its weight in gold or a sales tax risk assessment. You can do those through Avalara and can do them through an accounting firm. That has assault practice, typically a local firm that wouldn't have this national expertise.

Key takeaways (16:16-18:14)

You need to affirm the as is state and local tax practice, but have someone do a nexus study for you to understand your nexus footprint? Uh, talk about, is that our current processes scalable? Are we adding B2B, Rodrigo? Are we adding our B2B online? Are we moving more B2C online? Do we want to make B2B easier for our customers?

To buy from us. Think about your business and how you've talked. Some clients are affected and can we afford delays? Uh, you know, really, we don't want to have to stop the presses. People want a fast purchasing experience. And I have, uh, another, um, program that I did where we surveyed some businesses and most B2B businesses.

Like 75% of them say it is cumbersome to purchase from their vendors. They want a better experience and tax compliance is definitely part of that. So with that, I'm going to stop sharing Tim and turn this back over to you. Thank you so much, Maria. It's a great presentation and we leave all the tax headaches.

You guys do such a great job, so thank you so much for that. And, thank you again for all the sponsors from Midland scientific, from Avalara, from Nexcess Magento, and CLORAS without you guys, this presentation, this E-session wouldn't be possible so that you guys want to get for, for all your help and your contribution to this.

And then just mark it on your calendars. The next DCKAP e- session will be on April 13th and this would be in regards to ADA compliance. So that's, another hot issue within the B2B market. So, but that's all, that's all I have here. Thank

you guys so much for your time and hopefully, you guys have a great day and stay safe out there.

So we'll see you guys have a good one.