

News Brief

Top 5 Ways Tax Is Impacting Retailers' Bottom Lines this Holiday Season

The [National Retail Federation](#) (NRF) predicts a one percent drop in sales this holiday season, putting further pressure on recession-pinched retailers. Now more than ever, retailers must identify new ways to cut costs – including tax. The complexities of tax impact retailers' profits in many ways, and a better understanding of the potential pitfalls can help boost a retailer's bottom line.

John Cowan, Vertex Director of Retail Solutions Practice, provides insight into some of the ways tax can cut into retailers' profits:

At the Register

- Manually entering multiple tax changes is not only time consuming, but fraught with potential errors. If a retailer is under-charging tax, they will have to make up the difference. These mistakes could also lead to class action lawsuits, which are costly and damaging to a corporate brand.

Processing Merchandise Returns and Send Sales

- Tax gets complicated when customers return items to a store located in a different jurisdiction from where it was purchased, purchase an item in-store and have it shipped to another destination, or return internet purchases in-store.

Addressing Multi-Channel Complexity

- Many companies manually enter tax rates into each channel of operation, which may include back office operations, storefronts, eCommerce, catalog, and wholesale business. This requires time and manpower during resource-intensive time of year. There are also many confusing tax implications specific to online retailing, exposing retailers to costly mistakes.

Lowering High Cash Reserves

- Retailers' bottom line profits are reduced when they need to set money aside in preparation for audit penalties or class action lawsuits associated with non-compliance.

Preparing for Audit Defense

- Increasing complex jurisdictional requirement can result in sales tax mistakes and open the door to potential tax compliance issues resulting in out-of-pocket expenses related to costly audits.

In a time when retailers' profits are already under enormous pressure, tax automation is often overlooked as a logical area where money can be saved. Proactively addressing problematic tax complexities can help significantly boost the bottom line.

For more information, please visit [Vertex Retail Solutions](#), or to set up an interview with John Cowan, contact Brigitte Geiss at Brigitte.Geiss@vertexinc.com (484.595.6142) or Cindy Spiecker at cspiecker@gafieldgroup.com (215.867.8600 x255).