

Sales & Use Tax Returns Outsourcing

Vertex Answers Your Questions

Overview

Processing monthly returns for sales and use tax can be overwhelmingly complex today. According to Vertex tax research, there are over 99,000 laws your business may need to comply with in the U.S. alone. Moreover, the tax laws themselves are also constantly changing; from 1998 to 2008, there have been 2,859 net-new sales tax rules implemented in the U.S. and 5,341 sales tax changes. From a compliance perspective, all this makes it extremely time consuming and difficult for internal tax teams to double-check tax calculations and process and pay monthly returns on time where a company has established nexus.

But Vertex can help – with Vertex® Managed Services for Sales and Use Tax.

If you're considering outsourcing, you're not alone; the number of companies outsourcing their sales and use tax returns preparation to third parties is increasing nearly 15% per year.¹ In this article, Vertex answers key questions to help you understand how Vertex offers the right combination of tax expertise, returns technology, and client service to meet your outsourcing needs.

1. What does the Vertex service include? Do you outsource any part of the process?

Vertex Managed Services offers more than just sales and use tax returns preparation. Our comprehensive outsourcing solution includes the following:

- Tax Data Set Up and Management
- Returns Preparation
- Returns Filing
- Certification of Filings
- Funds Management
- Tax Jurisdiction Management
- Taxability and Nexus Assistance

Vertex handles the entire tax return process internally at our Chicago area office. Nothing is outsourced or offshored. This allows our tax experts to closely manage and track every step in the process – from data collection to funds remittance. Plus, Vertex's 30-year track record in tax technology enables you to gain a true partner who can consult with you on key tax decisions about taxability and establishing nexus.

A Comprehensive Returns Outsourcing Solution

Additional Vertex Offerings

- Tailored management and trending reports
- User friendly client portal with workflow management
- Tax and tax technology consulting
- Secure individual bank accounts and databases
- Business license support
- Taxability and nexus services
- Proactive credit management
- Experienced client service tax professionals
- Specialized returns (Canadian, Telecom, etc.)
- Tax jurisdiction management
- All processes performed in-house (no outsourcing or offshoring your work)
- Proactive tax notice management



Vertex Managed Services for Sales and Use Tax offers a comprehensive solution for sales and use tax outsourcing tailored to your particular needs.

¹ The Rising Tide: Regulation and stakeholder pressure on tax departments worldwide. KPMG International, 2007.

2. Will you help us prepare for an audit?

Vertex Managed Services will support you through the audit process by providing immediate access to the things you need, including notice reports, archived tax data, returns, and even special reports to meet specific auditor requests. Because we have direct access to all your tax data, we can quickly gather and organize the information and data to support review. Equally important, because we bring extensive knowledge on taxability and jurisdictional requirements, our experts will work with you to ensure you understand all audit issues and how to best substantiate your position with tax authorities. We can even help represent your business with tax authorities regarding the process logic and technologies used for compliance.

3. What's the experience level of your staff? Will our company have a dedicated account executive?

Vertex assigns a seasoned tax professional to each client account. The Vertex Managed Services team is comprised of tax and technology professionals, each with nearly 15 years of sales tax experience. Your dedicated account manager is responsible for directly overseeing every aspect of your returns and payment process, month after month. And even more importantly, it's their job to become intimately familiar with your business, the jurisdictions where you do business, and your sales and use tax trends so they can look at your account holistically and ensure nothing falls through the cracks. In addition, they can arrange reverse audit services to look at your tax transactions in depth and identify overpayments and possible improvements to your company's compliance by looking at the existing technologies and processes to support tax.

Our highly experienced professionals will identify issues early, make strategic recommendations, head off problems, and help you make informed decisions about issues such as:

- Do I really want to apply for a refund here, which will increase tax authority scrutiny?
- How should I best handle credits in this jurisdiction?
- Did anyone notice that we collected tax in places where we don't have jurisdiction? How should we handle this? Should we do a voluntary disclosure for this jurisdiction?

- From a sales and use tax perspective, how should we handle a change in legal entities, or an upcoming merger or acquisition?

4. How accurate is your tax data, and what is the quality of your returns technology?

Vertex brings over 30 years of experience to every engagement and is well-known as the market leader for sales and use tax rate software and calculation engines. We have a 100+ person research team that works full time keeping up with the ever-changing rates and rules in all jurisdictions and industries. Currently, 26 outsourcers – including three of the Big 4 accounting firms – use Vertex software to service their outsourcing clients, as they believe that Vertex returns software is the best option for their clients in terms of accuracy and reliability. Vertex also provides technologies that are well-integrated with ERP systems, which is essential to calculating tax properly. We also offer unparalleled expertise through our professional services to help you integrate systems and enable automatic data collection from your host financial systems.

Why is this so important from an outsourcing perspective? Before we process your returns, we use our tax data and calculation engine to double-check that you are consistently charging the correct tax. In other words, as part of our service, you get the benefit of an expert “sanity check” on your calculations.

In addition, after verifying your tax calculations, your assigned account professional will identify trends and potential errors and fix issues before returns are submitted. Our staff will take the time to understand your business, including your business hierarchies, products and services, and business units and legal entities. Because tax positions and tax business drivers change over time, Vertex is in a unique position to offer fresh, informed insight that you can use to improve compliance and outcomes; changes in any of these areas can directly impact the accuracy of compliance.

5. What security will you provide for our company's data, funds, and communications?

Vertex provides the most comprehensive and effective security in the industry, addressing security in three different areas: funds management, data management, and client access.

Systems integrity for funds management

Vertex uses a separate bank account to hold funds for each client until they are released for payment. Vertex **never** co-mingles funds from clients in a single bank account – or earns undue interest on your money by requiring it well in advance of distribution. For added flexibility, we provide multiple options on how you can pay taxes, including ACH credit, debit, check, or wire. As part of our service, we always notify you when funds are needed in advance and provide detailed reports that support the amounts requested. These alerts help eliminate surprises and help you manage your cash flow accordingly.

Security for client data management

To eliminate accidental errors in filings, Vertex Managed Services assigns each client a secure, separate database for their proprietary information. In addition, we have industry-certified security standards in place for all communications so your company's tax and financial data is kept confidential. For example, we give you control of who has access to the system with customizable levels of permission to view and work with data.

Security for client access

Because using email or an FTP site to transmit tax data is so risky today, Vertex provides clients with a Cyber Trust-certified portal for all collaboration activities and data transfers, complete with step-by-step confirmations at every point in the process. This site leverages SAS 70-audited technologies so that every transaction is monitored and tracked in real time. This means there is never a question about who did what when, and if deadlines were met on time.

Vertex also provides user access controls that you define. For example, you can specify who at your company can view communications, upload data, receive and view proposed filings, access historical data, and more.

6. How much of our data will you store after returns filing? Can we access our data at any time?

Vertex keeps a copy of all tax data provided to us, as well as all returns, payment histories, notices, certified handlings, and communications to and from tax authorities. This allows us to quickly gather and send the data you need for audits, run analyses and sampling to identify potential problems or trends, and provide you with the ability to self-audit. We keep copies of this data for seven years.

Through our self-service portal, you can instantly access all data – both current and historical – in real time, whenever and wherever you want it. You are free to download anything and everything on demand. After all, it's your company's data.

7. How will you manage communication with tax authorities?

Vertex tax professionals are trusted, knowledgeable intermediaries who have years of experience representing clients and working with tax authorities. They are experienced in helping companies negotiate their accountability for past oversights to minimize interest and payments, reducing tensions with tax authorities, and building relationships that will garner the best treatment of businesses. As a result, Vertex clients trust us to:

- Represent their business
- Quickly provide accurate information and reports to prove your organization's compliance
- Proactively handle tax authority notices before they really become a problem
- Certify all filings, payments, and mailings to ensure quick and easy proof can be provided to tax authorities of proper compliance before it escalates into an audit
- Provide service to check with tax authorities proactively on your behalf to make sure your account is in good standing

8. How can we monitor your work so we remain in control?

Vertex Managed Services uses a robust, Web-based portal that gives you access to comprehensive workflow management, a real-time view into everything that's happening with each jurisdiction and return, and a complete audit trail. Communications are comprehensive and collaborative – for example, our system automatically sends you an email when tax data is due, when we receive your data (to confirm receipt), when you have returns to review and approve, and more. Every communication and action is documented and reportable. We provide you with online access to a wide variety of reports, including:

- Management reports that make it easy to see if everything reconciles correctly by jurisdiction and by date, as well as ties back accurately to your company's general ledger accounts
- Trend reports that make it easier for you to identify errors and outliers – and fix them – before returns are filed
- Reports that notify you if tax has been collected in a jurisdiction where you are currently not registered

Before and After: Understanding the Vertex Difference

To better understand the difference between Vertex Managed Services for Sales and Use Tax and our competitors, consider the following case study based on one of Vertex's customers.

When the tax department of a global car manufacturer moved to Vertex® *O Series*® for Leasing in 2007, they inquired about Vertex's Managed Services because of issues they were having with their current provider, one of the largest in the industry. Specifically:

- The tax department was receiving an ever-increasing number of notices and audits regarding issues ranging from late filings and incorrect credit handling to improperly filed returns. In addition, the provider also outsourced tax authority notice management to India, which caused further delays and mishandling.
- Multiple people and groups within the outsourcing organization handled different functions, which fragmented how tax processing was handled and limited the client's visibility and control.

- The service representatives assigned to their account were not experienced with sales and use tax, so they couldn't bring all the processes together in a timely, accurate fashion.
- Tax payments were being made late or incorrectly, and although their service provider paid the assessments they caused, these incidents consumed the resources of the internal tax department and damaged their reputation with tax authorities.
- Management reports from the outsourcer were too high level and often late. The lack of detail and delays in reporting were negatively affecting the client's monthly financial closing process and damaging the tax department's reputation within the organization.

For the client, these issues resulted in incorrect and late filings, significant penalties and interest, lost refund and credit opportunities, and a tarnished image with tax authorities. In addition, when news of the problems, penalties, and interests were interpreted to be material weaknesses, the issues began to impact the client's market value.

Initially, management elected to stay with their current service provider because the vendor's executives gave them assurances that service would improve. But formal escalations and monthly meetings with representatives from their service provider did little to improve the situation. The "last straw" was a \$300,000 penalty assessment for late payment of one month of California taxes.

Since moving to Vertex Managed Tax Services, the tax department has experienced no penalties or fines, late filings, incorrect credits, or incorrectly filed returns. Vertex assigned highly seasoned sales and use tax experts to the account, and these professionals oversee tax processing from start to finish, month after month, ensuring that the client's taxes are looked at holistically and nothing falls through the cracks. Because Vertex professionals take a consultative approach, the auto manufacturer has also realized other benefits as well:

- The tax department spends far less time following up on notices, as they have confidence that Vertex will follow up in a timely manner and alert them of any issues.
- Because the company uses Vertex O Series, the tax department finds that tax authorities generally trust that

the rates used in their sales and use calculations are correct; using Vertex for returns processing has given the company “added credibility,” according to the client.

- The tax department now has time to audit all data sources and identify and address upstream data issues.

The tax department has also freed up enough resources to begin evolving into a “profit center.” For example, after outsourcing to Vertex, the sales and use tax group now has time to take on the audit defense function, which previously was handled by an audit group staffed by tax generalists: that routinely paid assessments because they lacked the specialized compliance knowledge to challenge them. Since the tax department began handling audits, they have filed \$2 million in credits (the equivalent of 20 times their outsourcing fees) and substantially reduced their assessments.

Taking the Next Step

Vertex has structured its sales and use tax outsourcing solutions to meet the real-world needs of today’s busy tax departments. And as a comprehensive service provider – one that combines tax and technology expertise – we are better able to accommodate your requests and special needs. We’re ready to put our verbal commitments in writing to meet service levels and other standards agreed upon with your tax department.

To learn more about how you can benefit from sales and use tax outsourcing, contact a Vertex representative, or visit us at vertexinc.com/go/outsource.

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