

Client: DIRECTV

Solution: Vertex® Sales & Use Tax Returns Outsourcing

## DIRECTV outsources returns to focus on more strategic (and career-building) work.



### Company Profile

DIRECTV is one of the world's leading providers of digital television entertainment services. The company provides a variety of digital video services to more than 30 million customers. They run 4 different billing systems and three different transaction tax calculation systems. And they file more than 4,000 sales and use tax returns a year, in all 50 states, for their 10 entities. Needless to say, it's a complex financial enterprise.

In its early years, DIRECTV managed sales and use tax compliance in-house. "At that time there was a low volume of returns and we chose to manage them internally so we could learn about our business as it was growing," explains Brian Smith, Director of Indirect Taxes.

### The Decision to Outsource

But as the company grew, the business became more complex, the volume of returns increased, and the CFO challenged the tax department to find ways to become more revenue-driven. "So we did a return-on-investment analysis of our compliance process," says Smith. "We looked at our staff costs as well as the cost of licensing returns software. And we considered what we could be doing with the time spent on compliance – things like reverse audits, looking at product taxability issues, ensuring that we were billing taxes accurately. These were things that were more critical to the evolution of our business and to keeping our customers happy." The company made the decision to outsource compliance 14 years ago, and they've been outsourcing ever since. Smith comments, "It was nice to get out of the business of pushing paper and really get into the business of being a tax professional."

### Switching Outsourcing Providers

While they remain confident about their decision to outsource compliance, DIRECTV has switched providers multiple times over the years. According to Smith, when DIRECTV made the decision to outsource, their initial vendor claimed their process was highly system-driven with little manual intervention which, they claimed, would eliminate errors. Over the next two years, explains Smith, they found they were spending too much time assisting their provider on data issues, on accuracy of information, on the returns. In addition, it became difficult to access the past returns needed to support audits. "That's not why we outsourced the returns process," recalls Smith. "We realized we needed to switch providers." The company switched to a second provider, however, they experienced similar issues there, too. There were data issues, service issues, and a significant error that impacted the company's cash.

### Summary

#### Company

- Digital satellite television and entertainment services
- 30 million customers
- 4 different billing systems; 3 different tax calculation systems
- 10 entities
- 13 different tax data files each month
- 4,000 returns/year filed in 50 states

#### Vertex Solution

- Vertex® Sales & Use Tax Returns Outsourcing

#### Results

- Outsourced management of returns preparation & filing, payments, and notices
- Less time spent managing compliance, in-house tax staff focuses on more strategic work
- 24/7 visibility into returns workflow and access to archived returns and data

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– Brian Smith  
Director of Indirect Taxes  
The DIRECTV Group

## Choosing Vertex

When faced with moving to a new provider yet again, DIRECTV contacted their tax colleagues for references, and also spoke to Vertex outsourcing clients. “While we did conduct a formal RFP process,” explains Smith, “I had more confidence in the recommendations and experience of my colleagues in the tax field. And those people steered me to Vertex.”

“We had become a Fortune 100 company, we were no longer a start-up. Our business environment was changing, our product offering was changing, and our systems were changing at a rapid pace. We needed a substantial company with a good track record in the industry. And we wanted to work with someone who would be a partner in our business, not just a service provider” says Smith. “Most importantly, we needed an outsourcing staff with tax experience.”

In addition, Smith outlines the following reasons for choosing Vertex for compliance outsourcing:

- Experience of the Vertex staff provides confidence and results in less time spent managing the relationship and the work.
- A predictable, reliable, and proven process each month.
- Data management aptitude, control mechanisms, and reconciliation reports ensure that data ties exactly.
- Transparency and access to data, returns, and reports via the online portal.
- Flexibility to meet custom needs for reporting and funding.
- A strong reputation with all taxing jurisdictions.
- A partnership approach where the Vertex Returns Processor performs like a member of the tax staff.

### Streamlined Monthly Process

When DIRECTV started with Vertex, one of the key criteria was data management. They had multiple data files from multiple tax systems and multiple billing systems. “We needed to tie out our data sources to our bank reconciliation,” explains Smith. “With Vertex, all the control mechanisms that we needed were put into place for us. And they continue to be part of the monthly process.”

Each month DIRECTV turns over 13 different data files for their various entities. Their Vertex Returns Processor downloads the data from the online portal, prepares the monthly returns, and provides them for approval along with a funds request. “It’s very predictable,” says Smith. “I’m never sending things back for changes.” Vertex manages all filings and payments, as well as notices. “Getting clear reconciliation reports and not having to deal with notices makes the month-end accounting close go much easier.”

This improvement in workflow, data management, accuracy, and transparency has yielded tangible benefits to the tax department. With their previous outsourcing provider, DIRECTV still required two in-house FTEs to manage the

process. With Vertex Returns Outsourcing, Smith states they now have one person working on returns who only spends about 60% of his time on it each month.

### Experienced Staff

One of the key issues with previous outsourcing providers had been around staffing. They had experienced a high degree of turnover with their account contact. But what was more important, according to Smith, was the expertise of their representative. “With our previous vendor we were working with business people, but not tax people. We learned from experience that you really need someone with tax returns experience to manage your compliance. It’s not just a clerical function.” Smith emphasizes that the experience of the returns preparer is critical in selecting a provider.

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### Centralized Archives

Smith adds that access to information is also important. Like all Vertex clients, DIRECTV has access to all their data, returns, and reports via an online portal. Smith appreciates the fact that he can easily download what he needs for an audit or an internal project without waiting. “The data is always there and it’s accessible,” he states.

### Managing Reputation Risk

Another more intangible criteria for choosing an outsourcing provider is reputation. Smith cautions “The provider’s track record for accuracy and timeliness of payments with the taxing jurisdictions reflects on you.” He continues, “And we feel confident in Vertex’s reputation with the DORs.”

## The Benefits

Smith summarizes the benefits of Vertex Returns Outsourcing in two ways: the benefits to the company, and the benefits to the individual tax professional.

### A Higher Value Tax Department

“When you initially consider outsourcing you typically think about how much you’re going to *spend*,” says Smith. “But for us, the decision to outsource enabled us to actually *contribute* to the bottom line.” He explains that the time previously spent on compliance is now focused on work

## The Benefits (continued)

that makes a more strategic contribution to the company. “I’ve been able to get more involved in our mergers and acquisitions, our due diligence. I’m more involved in our legislative policy and reviewing language with new tax bills,” says Smith. “My team is looking at new tax technologies, new reporting tools, and focusing time on things like migrating a billing system. Everybody is working on these all-encompassing projects that are key to our core business.”

### Making a Stronger Contribution

Smith goes so far as saying that outsourcing sales tax compliance has had a direct impact on company earnings. “Instead of compliance, the tax staff is working on reverse audits which generate return back to the company in overpaid taxes,” he explains. “It’s a lot better to be viewed as contributing resources to the company rather than just an expense of the company.”

### Professional Development

He continues, “For me, personally, outsourcing compliance meant I got out of the paper-pushing business and deeper into the tax business. I’ve been able to grow my career and so has my staff. They’re working on more involved tax issues, not just tax returns. They’ve increased their knowledge of our company’s products and services. They’re gaining experience in tax research. They’re broadening their expertise which enhances their career.”

The reason DIRECTV can do all this, according to Smith, is because they’re not managing returns every month. “We have a level of confidence in our Vertex relationship that allows us to focus on everything else. It’s truly a partnership, they’re another member of our tax team.”

## A Confident Choice

Smith summarizes his experience, “Switching to Vertex was a smooth transition. We just felt confident. And that was (and is) attributable to the Vertex team. They understand the tax business. Working with them is like dealing with someone in my own department. It’s not like dealing with an outside vendor.”

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## About Vertex Managed Services

Since 2007, Vertex has offered outsourcing services for companies who choose to outsource the administrative tasks of compliance in order to re-focus in-house resources on higher value work. A team of experienced professionals in our Chicago-area facility provide an extension of your in-house tax staff, focusing on:

- Sales & Use Tax Returns Outsourcing
- Exemption Certificate Outsourcing

## About Vertex

Founded in 1978, [Vertex Inc.](#) is the leading provider of corporate tax software and services to automate, integrate, streamline or outsource tax processes for companies of all sizes, from small to medium-sized businesses to global multinationals. Vertex provides solutions for all tax types with industry-specific solutions for retail, communications, hospitality and leasing industries.

### Locations

North America  
King of Prussia, PA

Latin America  
Sao Paulo, BR

Europe  
London, UK

Asia Pacific  
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