



# Trust the Experts When It Comes to Tax Technology Integration

Working with experienced vendors can reduce risk and improve accuracy

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Tax technology is never used in a vacuum; it's typically integrated with multiple other applications that run a business, including enterprise resource planning, order entry, e-commerce, supply chain, point-of-sale, and billing. The functionality and reliability of this integration is a critical consideration when choosing a tax automation solution. The technology that embeds tax functionality in other mission-critical applications must stay up-to-date with enhancements and bug fixes to ensure reliable operations with a minimum of disruption.

The most important function of tax automation is to deliver accurate tax information to the target application in a way that seamlessly integrates with its user interface, functionality and reports. It also adds value in other ways. For example, some solutions employ real-time background tax calculation that integrates with invoicing, point-of-sale systems, CRM and e-commerce systems to apply the latest tax rules, thereby reducing manual work and improving customer satisfaction.

Another value-added feature, integrated address cleansing, cuts down on errors, compliance risk and duplication by fixing address inconsistencies, applying nine-digit ZIP codes, and assigning tax area identification numbers that are useful in calculating jurisdiction-specific taxes. Some solutions also offer compliance reporting options and exemption certificate management.

Keeping integrations current amid frequent changes to both the tax codes and target applications is a complex task. Each line-of-business application is unique and handles tax calculations differently. Developers must work closely with enterprise application providers to understand the features and limitations of each platform, use appropriate interfaces, and adapt quickly to new versions of those target applications as they're rolled out—while maintaining backward compatibility with previous versions.

## Dealing with a dynamic landscape

The tax landscape is also highly dynamic. In the United States, there are more than 11,000 tax jurisdictions that collectively made 335 changes to standard sales tax rates alone in just the first half of 2019, according to the Vertex bi-annual *Tax Rate Report*. The federal tax code also changes every year, as do many state and local rules. Companies doing business outside the United States must also factor in shifting laws in other countries.

Then there are industry-specific considerations. For example, the intricacy of the telecommunications industry combined with rapid technology change and market dynamics has made tax calculation increasingly complex for providers of communications services. The traditional per-line charges and international tariffs that applied to that business for many years have been rendered ineffective by innovations like VoIP. Wireless devices add to the complexity by using a combination of traditional and digital telephony. For service providers, navigating the communications tax rules now requires extensive knowledge of these details to avoid unintentionally overcharging customers.



Tax technology solutions must accommodate changes on a timely basis without downtime or disruption. Integrations need to account for the unique formats, processes and reporting characteristics of each target application. Every change to the tax codes has a potential downstream impact, meaning that developers must be experts in both tax law and the applications with which they integrate.

Not all tax technology companies handle integration software the same way. Some outsource most of the task to independent software vendors (ISVs) or even rely upon their customers to create and share integrations. Both approaches carry significant risk unless managed closely.

When a customer works with a tax technology provider, the requirements of the customer maintaining the integration are minimal, and the matched tax expertise is a stellar component. While working solely with ISVs can be beneficial, it may require managing multiple relationships, which can involve resolving issues around the relationships, rather than focusing on business objectives. The time spent juggling vendors can be allocated toward other aspects of the business such as product development or territory expansion. Additionally, letting the tax technology provider handle ISV management can decrease potential risks.

Relying upon customers to write and share integrations is even riskier, since there is no guarantee that the software will be supported for the long term or even work properly in the first place. Support may be weak or nonexistent and few customers will be willing to bear liability for errors in software that was never meant for commercial distribution.

The more a tax automation solution is woven into the company's operations, the less customers can afford to take a chance on third parties or unregulated software exchanges. The safest route is to work with tax technology vendors who have a long track record of expertise, deep partnerships with the application vendors that are most critical to your business, and integrations that are tested, certified and fully supported.

For more information on integrating a tax automation solution go to: [www.vertexinc.com/integrations](http://www.vertexinc.com/integrations).

## About Vertex

**Vertex Inc.** is a leading tax technology provider that connects great people and partners to deliver the world's most trusted tax solutions for businesses to transact, comply and grow with confidence. Vertex provides cloud-based and on-premise solutions that can be tailored to specific industries for every major line of indirect tax, including sales and consumer use, value added and payroll. Headquartered in Pennsylvania, and with offices worldwide, Vertex is a privately held company that employs over 1,000 professionals and serves companies across the globe.

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