



Outsourcing returns enables Air Liquide tax department to work smarter, not harder

Solution: Vertex® Sales & Use Tax Returns Outsourcing

Company Profile

Air Liquide manufactures industrial gases (oxygen, nitrogen, etc.) for use in the manufacturing, electronics, and healthcare industries. In 2005 the company created eight separate operating units to better serve its customers. This resulted in an increased workload for the sales and use tax compliance function – increasing the number of returns from 1,200/year to 5,000/year, plus hundreds of notices, licenses, and audit activity.

They quickly hired additional staff in the tax department, eventually maintaining three FTEs just to manage sales and use tax compliance. “With sales and use tax, you’ve got to be able to react immediately. Once you make an organizational change like that you have to get all those registrations completed and file returns the following month in all 50 states,” explains Chris Ackman, Compliance Lead.

But as time went by, staff turnover presented a challenge. By 2007, when filling another tax staff vacancy proved difficult, Ackman began to consider alternatives to their compliance process. “We needed to find a better way to manage the administrative workload,” says Ackman. “I had started discussing this with some tax colleagues and the option of outsourcing came up.”

The Decision to Outsource

“When I approached our Sales Tax Manager with the idea of outsourcing compliance, he was a bit surprised that I would initiate that discussion. “It did feel like a bit of a gamble since compliance was my responsibility and I was suggesting that we send it out.”

Ackman explains when the decision was made to split into eight separate operating entities it instantly increased the sales tax workload eight-fold. “It just wasn’t something that was considered when the organizational changes were made, but it had a significant impact on the tax department.” They also anticipated the increased audit volume for eight separate entities, and wanted to be in a position to proactively address that volume.

Summary

Company

- + Manufacturer of industrial gases (oxygen, nitrogen, etc.) for use in the manufacturing, electronics, and healthcare industries
- + In 2005, reorganized from two to eight operating entities
- + Files 5,000 returns per year in all states

Vertex Solution

- + Vertex® Sales & Use Tax Returns Outsourcing

Results

- + Outsourced management of returns preparation & filing, payments, and notices
- + Compliance workload reduced from 2 weeks to 2 days
- + Notices reduced from 50/month to 10/month
- + 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

“Outsourcing compliance has allowed us to be more proactive. I like to work smarter, not harder.”

Chris Ackman, Compliance Lead
Air Liquide

Preparing the Business Case

“We definitely spent some time thinking about how to prepare the business case for the Tax Vice President,” says Ackman.

“It was not something he had asked us to do. We were bringing the suggestion to him based on our experience in the trenches of the monthly compliance cycle.” Ackman recalls when they presented to senior management there were a lot of questions, but there wasn’t as much pushback as they expected.

They had conducted a cost analysis of in-house versus outsourced compliance. This analysis included staff costs to prepare the data, complete and file the returns, request and cut checks, and manage the business licenses, notices, and account reconciliations. Their analysis revealed the tax department was spending about two weeks each month managing compliance. “We felt like we were just treading water and never getting to do some larger, more important tasks.”

Re-focusing Tax Resources

According to Ackman, the Tax Vice President expressed concern about increased risk, staying in compliance, and keeping up with notices. “And the next question was ‘Now that you’re outsourcing compliance, what are you going to do with that time you saved?’” Ackman recalls. But their business case had included details about the projects they would be able to address and how they could increase their value to the company in the long term. These included improvements to exemption certificate management, data management, analytics, plus other technology projects that would bring value to the organization.

Evaluating Providers

Once the decision was made to outsource, Air Liquide defined the level of service they wanted. After some discussion they determined they wanted to hand off compliance from start to finish. They wanted a vendor who could handle not just the returns but the other processes that go with that – the funding and payments, reconciliation, and ongoing notices. “Funding was a big part of it. Only a few of the companies we evaluated could provide that level of all-inclusive service,” he recalls.

“Another factor was the idea of outsourcing the outsourcing,” he explains. “One thing we didn’t want to do is provide our information

Requirements for a Returns Outsourcing Provider

Chris Ackman, Technology and Compliance Lead at Air Liquide, lists the key criteria for selecting a returns outsourcing provider:

- + End-to-end service including returns, funding, payments, and notices
- + Longstanding excellent reputation within the tax industry
- + All the work must be done domestically, nothing off-shored
- + Experienced staff (including returns processors)

to a vendor who would, in turn, send it off-shore.” They wanted to hire a company who would do the work themselves, without off-shoring.

When it came to pricing and billing, Ackman found that Vertex provided all-inclusive pricing rather than separate fees for each piece of the process. “And that’s the way we wanted to work.”

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Chris Ackman, Compliance Lead
Air Liquide

Reputation Counts

In addition to the details outlined above, Ackman says they looked at the provider’s reputation. “It was important to us to work with a company that was established and had a good reputation,” he states. “I had spoken to a few people who had used Vertex Returns Outsourcing and they were pleased. And as a Vertex software customer, we felt they were a very reliable company.” Ackman summarizes, “Of course we needed to find a provider who could handle our workload. But more importantly, we wanted to find a team we could count on.”

Transition to Vertex

According to Ackman, the transition from in-house to outsourcing was fairly simple. “We conducted some analysis, discussed our business requirements, and handed off our existing databases.” They also reviewed how the multiple data sources were managed to ensure everything was transferred into the Vertex returns system appropriately. And they discussed the reconciliation reports and how to handle credits. “Honestly, in a short amount of time we were up and running,” he states.

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A Staggered Approach

To manage the risk and ensure their confidence in the new process, Air Liquide staggered the transition to Vertex. “We didn’t just hand off all of the entities at one time. We started with a few of the less complicated companies at first. We went through the process of sending the data and reports to Vertex, and they would prepare the returns, and we would review everything to make sure we were confident with the work.”

Within a year Air Liquide had turned over all their entities to Vertex. “We felt confident in the returns filing. We just do the reviews and reconciliation, and some spot audits after the fact,” explains Ackman.

Dedicated Staff

With Vertex Returns Outsourcing, each client is assigned an experienced Returns Processor who handles their compliance each month. Ackman states “We’ve been working with the same individual for five years now. We do spot checks along the way, but we have a high level of confidence in the relationship.”

Benefits Realized

Ackman summarizes the benefits of Vertex Returns Outsourcing to the tax department by stating “Now we work smarter, not harder.”

Gaining Back Time

According to Ackman, the primary benefit of outsourcing compliance is gaining additional time to focus on more important aspects of the business. “I think we spent half the month preparing data, filing returns, doing all the reconciliations, following up with notices. Today it’s much easier. We spend a couple days in the beginning of the month preparing data files, loading data files and reports into the Vertex portal. And at that point we hand it off. We review and approve the returns and the reconciliation sheet, and send the wire transfer for payment by mid-month.”

In terms of notices, Ackman estimates they used to receive 50-70 notices per month. “At this point we may get 10 a month,” he estimates, “and Vertex handles them seamlessly.”

He continues, “We now have the opportunity to be more proactive than reactive. It gives us the opportunity to do some tax planning.” Also, Air Liquide states they can better manage the end-to-end audit process – from preparation to sitting with auditors to explain the returns process and where the data comes from.



Improved Document Management

Air Liquide and Vertex transfer data and documents using the secure online portal. And all the returns, confirmations, and notices are archived on the portal each month for easy access. Once they made the switch to outsourcing, Air Liquide found the portal offered an unforeseen benefit.

“I had been trying to solve our document management problem for a while,” Ackman explains. With the added corporate entities, document management and audit prep had become even more cumbersome. “Too many stacks of paper and overflowing file cabinets. Now the portal provides easy access to all past returns as well as reconciliation reports, payment confirmations, and notice activity. We can finally stop filling up file cabinets. You really don’t understand just how beneficial that is until you use it. I don’t have to worry about archiving returns for future audits. That was a huge benefit.”

Streamlined Audit Prep

In addition to document storage, the Vertex portal provides easy access to archived data to prepare for audits. “You just select the entity, select the returns for a particular jurisdiction, and you download a PDF. When you’re dealing with a high volume of audits, this is a huge benefit.

One-Step Payment

The funding aspect proved to be one of the most unexpected benefits to Air Liquide. Instead of writing and reconciling 500 checks on a quarterly basis, they send one wire transfer for each entity. “That was actually one of the incidental benefits that’s much more valuable than you would think,” Ackman recalls.

A Smarter Tax Operation

Ackman summarizes, “Back in 2007 we had three compliance staff and three staff managing the audits, projects, and use tax. We spent two weeks of every month on compliance. Today we have the same amount of staff, but compliance requires only two days a month, and the staff is able to focus on audits (which are increasing due to the reorganization), special projects, and more important aspects of the business.”

“We were a very reactive group back then. Outsourcing compliance has allowed us to become more proactive. I like to work smarter, not harder.”

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 Services



About Vertex

Vertex, Inc. is a leading tax software and services provider that empowers global commerce. The Vertex mission is to connect customers and partners across all industries to deliver the world’s most trusted tax solutions for businesses to grow with confidence. The company 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.

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