

School supply business improves sales tax compliance with Vertex

Situation

SchoolKidz sells school supply kits and, therefore, must manage an extremely cyclical business. It does most of its business three months of the year during back-to-school season.

- It experiences an average 2,000% increase in transaction volume (and tax workload) during June, July, and August.
- There is no in-house tax expertise. The minimal finance resources must manage tax in addition to all other financial aspects of the business.

Previous approach

Prior to adding a Vertex tax engine, SchoolKidz managed sales tax calculation using native functionality in its Microsoft GP system. This required significant manual effort, and did not address the tax needs of the e-commerce system.

- Excessive time spent identifying and updating jurisdictional rates within the standard Microsoft Dynamics GP tables
- No tax calculation functionality in the e-commerce system; therefore, no sales tax estimate populated for customers at time of order entry
- Manual storage and ad-hoc maintenance of exemption certificates outside the ERP
- Time-consuming, manual effort compiling transaction data for monthly compliance
- Manual generation of reports for audit and management needs

Challenges

The manual, labor-intensive approach to sales tax compliance increased audit risk and limited internal process efficiency.

- Tax determination errors (and audit risk) due to:
 - Latest tax content not updated in the ERP system
 - Exemption errors due to expired certificates
- Lack of ability to populate estimated tax on e-commerce orders limited the ability to provide accurate quotes to customers.
- Monthly transaction reporting for compliance was manual, cumbersome, and error prone.
- Inefficient manual processes and a workload spike during three months of peak selling led to increased audit risk.
- Inefficient manual processes used to generate transaction detail reports affected audit support.



Company

SchoolKidz

- Former subsidiary of Staples
- Develops and sells customized school supply kits online
- Serves 3,000+ schools in 7,000+ cities

Headquarters

Woodridge, IL

Transaction volume

2,000% increase in transaction volume during busiest three months of the year

IT systems

- ERP system: Microsoft Dynamics GP On Premise
- E-commerce system: Hitachi Solutions Order Management Suite

Tax staff

Two-person accounting staff

Implementation

DMA

Solution

With the help of DMA, SchoolKidz implemented a Vertex tax engine to automate sales tax calculation outside the ERP system. DMA integrated the single tax engine to its ERP system and also wrote a custom integration for its e-commerce system to ensure standardized tax calculation and streamlined operations from end to end.



Integrated with Microsoft Dynamics GP and Hitachi



Digital online storage of exemption certificates with tools to track and manage renewals



Real-time sales tax determination in the ERP and e-commerce systems



Standard and custom-developed reports



"Integrating Vertex with our ERP was straightforward and quick. And the customization options were beyond what I expected, allowing us to tailor the system specifically for SchoolKidz' needs."

Joe Grlica
Director of IT, SchoolKidz

Results

An integrated tax engine improved tax accuracy and automated processes. Choosing a cloud-hosted system meant previously manual tax rate updates were automatically applied by Vertex with no effort by SchoolKidz. And the cloud deployment dramatically reduced the IT infrastructure and support needed.

- Consistent tax determination from quote through invoice from a single tax engine integrated to ERP and e-commerce
- Eliminated the need for manual tax content updates in the ERP
- Centralized tax processes outside the ERP and e-commerce systems
- Improved audit readiness with a single system of record and reporting for tax
- Reduced audit risk by improving tax determination accuracy and reducing manual errors
- Increased tax accuracy from automated and streamlined exemption certificate management processes
- Increased value contribution from finance staff who can focus on higher-value work rather than tax error troubleshooting
- Reduced IT support needs since Vertex updates tax content and maintains application updates in the cloud
- Improved scalability of the tax function due to automation of tax processes, supporting growth into new jurisdictions, new product additions, and increased audit activity



About Vertex

Vertex Inc., is a leading global provider of indirect tax software and solutions. The company's mission is to deliver the most trusted tax technology enabling global businesses to transact, comply, and grow with confidence. Vertex provides solutions that can be tailored to specific industries for major lines of indirect tax, including sales and consumer use, value added, and payroll. Headquartered in North America, and with offices in South America and Europe, Vertex employs over 1,200 professionals and serves companies across the globe.

To learn more, visit VertexInc.com.



North America | Latin America | Europe | Asia Pacific

