

A BUSINESS LEADER'S 5-STEP GUIDE TO

Automating sales tax compliance

The U.S. ecommerce market offers non-U.S. businesses a lucrative growth opportunity – with an expected revenue increase of \$657.8 billion¹ by 2029. But it also means navigating the country's complex sales tax compliance. Unlike the VAT system, U.S. sales tax varies by state, city, and county, with frequently changing rates and rules. Determining product taxability, especially for digital goods, can be time consuming and resource-intensive.

By adopting automated solutions, businesses can simplify the complexities of tax compliance, allowing them to focus on what's important: growth and expansion in the U.S. market. **Here's a five-step guide to simplifying sales tax compliance.**

STEP ONE:

Identify your U.S. sales tax liabilities

For non-U.S. businesses, it's critical to understand "nexus" – or the connection between a business and a U.S. state that determines your tax obligations. Due to the South Dakota v. Wayfair ruling², even as a remote seller, business activities can trigger tax responsibilities.

Automated tax software can track your sales and notify you when you approach new nexus thresholds. This proactive approach helps you avoid potential penalties and audits that can disrupt your business.

STEP TWO:

Register with authorities to collect and remit U.S. sales tax

Proper registration is mandatory before collecting sales tax. This process varies by state, and additional licences may be needed based on product type.

Streamlined registration tools help ensure your business is compliant with various state requirements, simplifying the process of managing multiple licences and tax registrations across jurisdictions.

STEP THREE:

Manage tax exemptions and product taxability

Exemptions depend on customer type and product category, varying by state.

Automated systems for managing exemption certificates can efficiently collect, validate, and store these documents, minimising manual errors and improving compliance with exemption rules.

STEP FOUR:

Calculate the correct tax

With over 13,000 sales and use tax jurisdictions in the U.S., precise calculation is essential to avoid overcharging or undercharging customers.

Automated tax calculation tools apply precise rates at checkout, improving customer satisfaction by keeping up with rate changes across the many U.S. sales and use tax jurisdictions.

STEP FIVE:

Remit the correct amount of U.S. sales tax and file returns

Timely and accurate remittance is crucial. Each tax authority has unique regulations, requirements, and filing deadlines.

Tax filing automation helps prepare and submit returns on time, tracking various filing deadlines and requirements, improving organisation, and ensuring timely compliance.

Don't let complex sales tax compliance hinder your business's growth in the U.S. market. Discover how Avalara's automated solutions can simplify your path to compliance. [Connect with Avalara today to start your journey towards streamlined tax management.](#)