

# Avalara — AvaTax

877-780-4848  
www.Avalara.com

Avalara offers several sales and use tax applications, including automated systems for determining and applying appropriate rates to transactions, and also compliance-end solutions that can be managed in-house by a business or handled as an outsourced service by Avalara. For this review section, we've focused on two of the vendor's key products: AvaTax, which is reviewed here, and the TrustFile system (see [www.CPATechAdvisor.com/go/2465](http://www.CPATechAdvisor.com/go/2465)), which Avalara acquired in 2008.

Designed to support businesses of all sizes that may have divisions or other subunits, the automated AvaTax service is offered as either an on-demand web-based hosted program or a server-based system. The system supports all North American jurisdictions with sales and use tax, plus global support for value added tax. Pricing is based on annual transaction volume and the accounting/sales platform in use by the business (integration is offered for most accounting systems, enterprise-level ERPs and e-commerce solutions). For a very small business running on QuickBooks and having around 720 taxable transactions annually, pricing starts at about \$350 per year (approximately 49 cents per transaction) plus an \$89 setup charge. Pricing drops as transaction volume increases, with a 7,200 transaction model costing \$2,495 per year (approximately 35 cents per transaction), plus a \$795 setup fee.

## ► NAVIGATION & DATA ENTRY

AvaTax can be remotely hosted on Avalara's secure servers or installed locally. The system is designed to be an automated rate lookup and implementation system, which means the day-to-day processes are automatically performed by the service. This leaves users with primarily management and reporting functions, which can be accessed from the AvaTax Dashboard. Under either the locally installed or web-based versions, AvaTax uses a browser-style interface, with the Dashboard providing quick and intuitive navigation to system functions, real-time reports with drilldown functionality all the way to transactions and line items, tax jurisdiction summaries, and other features.

The primary interface offers tabbed access to primary system features, including the main console, business information maintenance, transactions, returns, reporting, tools and settings. The system's integration with the financial and sales applications being used by a business means that little, if any, manual changes are necessary for ensuring that appropriate sales and use taxes are applied to all transactions. As sales reps or other staff enter these transactions, or as customers utilize an online shopping cart, the system instantly searches Avalara's database by ZIP+4 and other geographical variables to find applicable jurisdictions, special taxing districts and taxability rules. It then performs the necessary calculations and assigns the taxes within seconds. Cross-jurisdictional taxability issues are also managed by the program.

When a transaction is finalized, state, local and special tax liabilities are posted to the appropriate GL accounts and routed to reports. Each individual transaction can contain any number of individual line items. The system also offers advanced tools for determining and setting nexus. ★★★★★

## ► FILING, ELECTRONIC COMPLIANCE & PAYMENT

Since virtually everything is automated within AvaTax, the primary user responsibilities are for managing compliance and reporting. From the Returns tab on the Dashboard, users can review automatically generated returns that the system prepares for each necessary taxing jurisdiction. During review, users can drilldown to specific transactions and line items, make manual overrides if desired, and then either e-file returns to jurisdictions that allow it, or generate signature-ready printed returns.

Avalara also offers AvaFile, a Managed Return Service through which businesses can outsource their compliance tasks to Avalara's U.S.-based staff. Users still retain the ability to manage, modify and review returns, but with the vendor filing all returns on time and paying precise liability amounts to these entities. ★★★★★

## ► RATE UPDATES

Avalara's comprehensive online database of tax rates, taxation issues and special taxability rules is continuously maintained by the vendor's staff. Therefore, no rate updates are required by business users since all rates occur in real-

time via Avalara's servers. AvaTax queries this online database each time a transaction is initiated to determine the appropriate jurisdictions and rates. Historical and future rates are also available. ★★★★★



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## ► HELP/TRAINING

AvaTax provides intuitive navigation and Help features, along with access to an online support website with FAQs and a knowledge-base. Technical support is included in program pricing. Free weekly online seminars are offered for basic program use and advanced training options are available. ★★★★★

## ► RELATIVE VALUE

AvaTax offers a good option for mid-sized businesses looking to simplify their sales and use tax calculations and compliance burdens. The automated system integrates with most financial applications, allowing businesses to employ an almost hands-off application that knows all taxing jurisdictions and those quirky special rules and tax holidays. With the addition of the Managed Return Service, AvaFile users can take the hands-off approach a step further, with Avalara handling all filing and liability remittances. ★★★★★

2009 OVERALL RATING ★★★★★