

Sales and use tax

How well is your company managing its sales and use tax risks?



Your challenge

Even as state revenues continue to rise, state tax authorities are still seeking new revenue opportunities and conducting more audits. Assessments and penalties are skyrocketing. Sales and use tax liabilities can be substantial. For some companies, a failure to implement and apply proper sales and use tax practices may represent a significant deficiency, or even a material weakness, in internal control over financial reporting. Issues that can trigger exposure include:

- Major organizational restructuring, including centralizing or decentralizing functions.
- Major information technology (IT) initiatives.
- Changes in the legislative or regulatory landscape.
- Major asset or stock acquisitions or divestitures.
- Significant expansion, including major construction projects, or contraction of the business.

Many tax departments struggle to address this increasingly complex environment. More companies than ever are operating in multiple states with a physical or virtual presence, creating an overwhelming situation for tax departments that don't grow at the same pace in terms of personnel resources and state specific experience. Exposure can result, accumulating over time into a significant liability. Sales and use tax exposure may also arise from:

- Legacy tax processes and systems that have not changed in many years.
- Limited resources and constrained budgets.

- Decentralized sales and use tax operations and personnel.
- Diverse systems and processes due to acquisitions.
- Tax personnel turnover and inexperience.
- Changes in how taxing jurisdictions approach sales tax, for example, state participation in the Streamlined Sales Tax Project.

These issues can raise red flags for tax authorities, regardless of your company's financial condition or profitability. How well is your company managing these complex issues? Whether yours is a well-established and sophisticated tax department or a relative upstart. Deloitte can help.

Our approach

Simply stated, we stand for quality, integrity and excellent client service. We can help your company in its effort to achieve compliance, cut costs, mitigate risks, and effectively address sales and use tax exposure. We have nearly 200 tax professionals specializing in sales and use tax services. We offer practical approaches based on in-depth knowledge of each state's tax laws, how these laws apply to companies in different industries and locales, and the positive and mutually respectful relationships we have developed with tax authorities. Our professionals represent a different mix of accounting, legal, industry and state government backgrounds. Others have been high-ranking officials and auditors in state tax agencies. With this experience, we help clients in assessing exposure and risk, and exploring approaches with the goal of creating comprehensive value.

Our services include:

Transactional tax planning

Most transactions present significant sales and use tax issues. You can address the overpayment of tax by carefully considering the tax impact of the transaction. However, the laws in each state vary widely, so you need to address many factors when planning the transaction. With extensive, 50-state experience involving many industries and transaction types, we can help you explore new opportunities for effectively addressing your sales and use tax obligations.

Nexus planning and voluntary disclosures

Physical presence and nexus issues are inevitable for companies that operate across state lines. We can help you with nexus determinations involving, among other issues:

- Property, offices, warehouses and other physical locations.
- Employees performing services.
- Sales solicitations involving employees, representatives and agents.

Sales and use tax refund analysis

We monitor legislative, regulatory, and judicial changes with the goal of identifying potential refund opportunities. We can also provide you with an overpayment study to review both taxes that have been paid to vendors and taxes that have been self-assessed by your company. The periods included in the review can be established by you or correspond with each individual state's statute of limitations.

Streamlined sales tax

Retailers ranging from small businesses and Internet sellers to large national chains are impacted by the Streamlined Sales Tax Project (SSTP). The sales and use tax professionals of Deloitte have been carefully monitoring and participating in SSTP developments for several years, and now help our clients to negotiate the wide variety of planning issues resulting from the initiative. We assist companies in evaluating issues such as the risks and rewards of registering for the SSTP amnesty, technology options for complying with the changing state laws, and interpreting industry-related portions of the SSTP that impact specific client operations. We also provide companies with insights into the developments of the SSTP and the changes in law by states that have come into conformance with the Streamlined Sales Tax Agreement.

Audit representation

Leverage our special insight into the audit process. Many of our tax specialists are former auditors familiar with tax law and audit policy. We also employ former officials who decided cases and developed policy. Additionally, our team includes professionals who helped to draft tax legislation and regulations and who have represented clients in administrative hearings. So when you face special issues, rely on the deep, technically-diverse experience of Deloitte's sales and use tax specialists.

About Deloitte

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Managed audits

Are you considering self-audits in those states that allow it? Who better to stand beside you than the sales and use tax specialists of Deloitte? We can help you in your efforts to reduce tax agent interaction and audit time and limit imposition of tax penalties and interest.

Percentage reporting

Does your company qualify to participate in available percentage reporting programs? These programs permit a company to establish current and future tax liability based on past and periodic sampling of purchasing activities. We can assist you in exploring where these opportunities exist and help you more effectively participate by focusing on:

- Developing prospective applications.
- Establishing control over tax decisions by qualified tax professionals
- Reducing compliance staff.
- Simplifying use tax compliance.
- Reducing individual transaction analysis.
- Addressing tax audit exposure.

Compliance enhancements and training

Are you planning to keep the compliance function in-house? Our Tax Management Advisory Services professionals offer an integrated approach to tax process and technology improvement. We can help you develop:

- Tools to build an integrated, strategic tax function, including taxability decision matrices that align with major tax software.
- Policies and procedures.
- Process automation.
- Training materials.

The Deloitte difference

The Deloitte sales and use tax specialists offer an insightful perspective to your business. We provide:

- Innovative problem solving ideas and efficient service implementation.
- Extensive experience with the requirements and nuances of jurisdictions in all 50 states.
- Innovative and demonstrated method for exploring potential sales and use tax refund opportunities.
- Professionals with accounting, legal, industry and government experience.
- Seamless integration of people, processes and technologies.
- Collaborative, flexible, and productive client relationships.