

The Cost of Sales Tax Compliance: In-House vs. Outsourcing

(Infographic Comparison)

As your business grows, things can get more complicated quickly, especially sales tax compliance. If your company has sales tax nexus in only one or two states, the process could be relatively manageable. The complexity (and risk) grows drastically, however, as your sales tax obligation and the number of states in which you have nexus grows.

At some point, most companies must consider whether they want to keep the compliance process in-house or outsource. An important component of that decision is cost—but you must make sure you're considering all the relevant costs when comparing the two.

IN-HOUSE

COST CONSIDERATION

OUTSOURCING

WAGES & BENEFITS



Wages and benefits will likely be your greatest expense. An in-house sales tax expert should have an accounting background, understand sales tax laws, perform research and advise superiors on complex legal issues, have excellent organizational skills, meet hard deadlines, and prioritize multiple ongoing tasks. Managing sales tax compliance isn't full-time work for most companies, so this would be a part-time position (or added to the plate of another full-time position).

No wages or benefits expenses. Outsourcing your sales tax function requires minimal burden on your accounting/finance staff. Additionally, when you work with an outsource provider, you hire a team of sales tax experts, accountants and attorneys that can be easily scaled up or scaled down as required.

TRAINING



If the assigned worker is not already a sales tax expert, additional training will be needed. They will need access to regular sales tax updates to keep track of changing sales tax laws, regulations and rates. If they are a CPA or attorney (which they should be), continuing education classes will be required as well.

None. Outsource providers know the ins and outs of sales tax compliance and they stay current on the latest changes. Sales tax is all they do.

STAFF TURNOVER



You must also consider the cost of hiring and training a new in-house sales tax expert if you have turnover in this function.

None. Outsource providers have an entire team of sales tax experts on staff.

OUTSIDE RESEARCH TOOLS



Legal research typically requires a subscription-based tool that provides access to expert narratives, statutes, regulations, case law, and other official publications.

None. Outsource providers keep up to date on all tax law changes and they have access to the latest research tools.

SALES TAX SOFTWARE



If the volume of sales tax returns is significant, an investment in sales tax compliance software may be worthwhile. Sales tax compliance software can speed up the monthly return filing process and maintain your data, but the more you ask the software to do, the more expensive the software gets.

None. Most outsource providers utilize sales tax software, but don't charge separate subscription fees or lock you into software contracts, and there are no costs associated with software onboarding or implementation.

AUDIT DEFENSE



In the event of a sales tax audit, you will need to decide whether you can manage the process internally or whether you need to hire a sales tax audit consultant. Either way, gathering the requested records and documentation can be costly and time consuming.

Many outsource providers provide some level of protection in the case of an audit. In fact, CSH provides 20 hours of audit defense for our outsource clients. That's a \$6,000 value per audit.

BACK TAXES, PENALTIES & INTEREST



The cost of getting things wrong could be substantial, so you need to be confident in the quality and thoroughness of your in-house resources. If it has been determined through an audit that you have not been collecting sales tax when you should have, your company will be responsible for paying all owed back taxes, penalties and interest. These costs directly hit your bottom line and could easily reach \$100,000+ depending on your sales volume.

While outsource providers can't guarantee you will never be audited, you can rest assured that your sales tax compliance will be handled by sales tax experts who understand the laws and regulations in every state.

OUTSOURCING COST



None.

Most outsource providers charge a fixed rate per return (i.e., \$100/return). Rate files typically average between \$1,000-\$4,000 per year and sales tax consulting services (when necessary) are charged at an hourly rate.

Why Choose CSH as Your Outsourcing Provider?

At Clark Schaefer Hackett, we have a team of sales tax experts who understand the complexities of sales tax compliance, and we've developed a comprehensive outsource solution to take control of the compliance process for you. We'll help minimize the risk and reduce the time you spend on compliance so you can use the time in more productive, strategic ways. We will:

- ✓ Identify and review your exposure
- ✓ Confirm or correct taxability and rate determinations
- ✓ Assume control of the compliance process
- ✓ Create audit-ready files
- ✓ Monitor nexus and advise on new products and services

Contact us today to talk to one of our sales tax experts.

[CONTACT US TODAY](#)



CLARK SCHAEFER HACKETT

BUSINESS ADVISORS