



Sales and Use Taxes: Why Outsource?

*Wednesday, November 19, 2008
1-2pm EST*



Housekeeping Items

- Today's webinar will last for 60 minutes, ending at 1pm eastern time.
- The last 10 minutes of today's program have been reserved for questions & answers.
- We will launch a brief survey at the conclusion of today's webinar. Those who complete the survey will be entered into a drawing for an ADP TotalPay Card, preloaded with \$100 and good anywhere Visa is accepted.



For more information on the TotalPay Card and other ADP Payment Solutions, visit us on the web at adp.com

To Receive CPE Credit for ADP Webinars

To receive Continuing Professional Education (CPE) credit for an ADP webinar, participants must:

- **Log in from the same email address that you used to register**
- **Answer three out of four of the polling questions during the webinar**
- **Stay for the entire webinar**

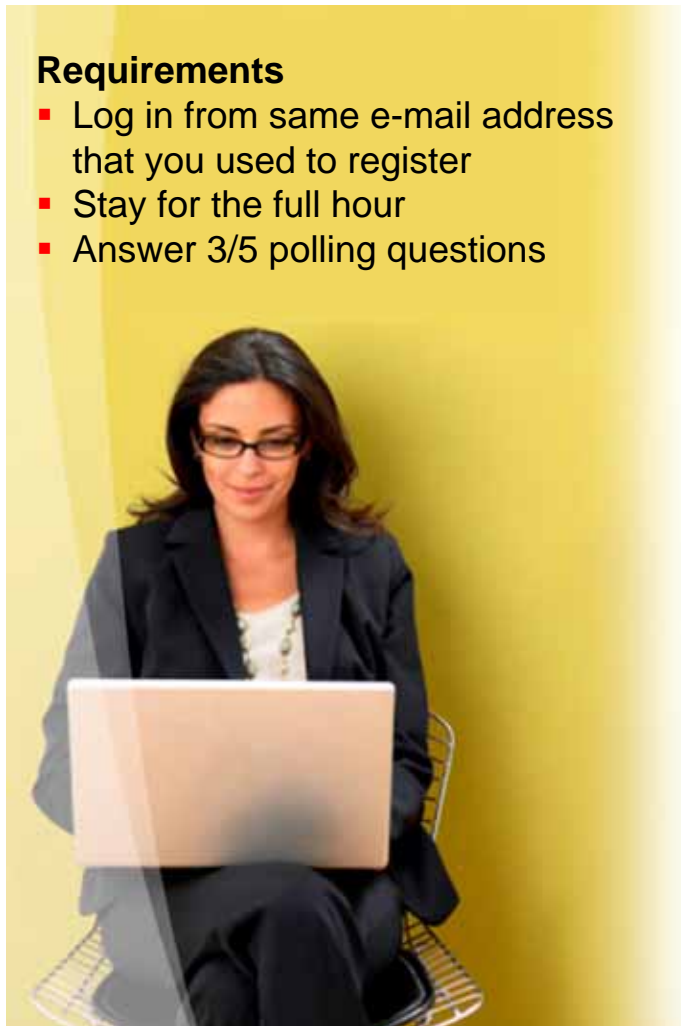
If you meet all criteria, a certificate will be e-mailed approximately 30 days after the webinar has concluded.



CPE Credit and Polling Question # 1

Requirements

- Log in from same e-mail address that you used to register
- Stay for the full hour
- Answer 3/5 polling questions



Are you applying for CPE credit?

- A. Yes
- B. No
- C. Not applicable

How are you currently calculating sales and use taxes?

- A. Use in-house employees
- B. Use third party tax engine
- C. Use embedded ERP functionality
- D. Other
- E. Not applicable

Today's Speakers



Tim Walsh
Sr. Director of Product
Management
ADP



Matthew S. Walsh
Director, Tax Research
ADP

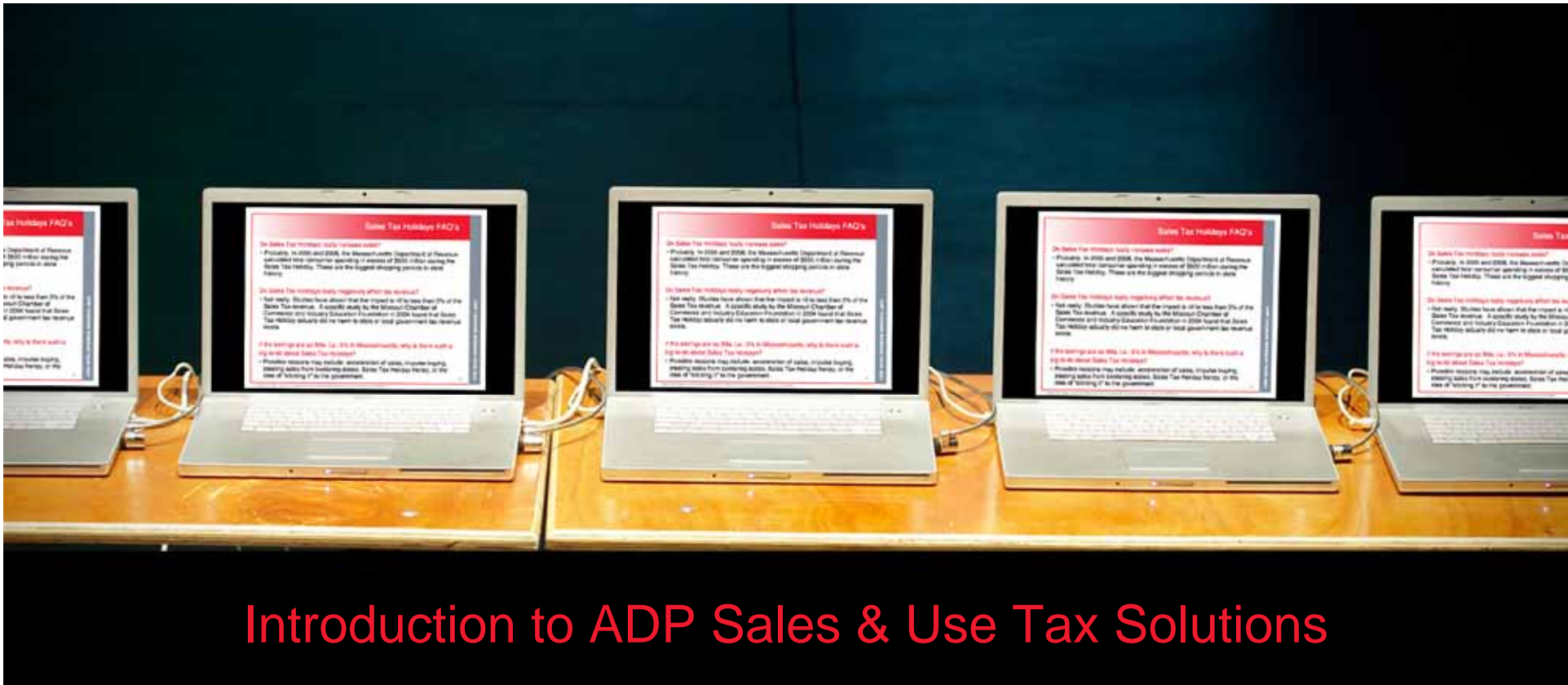


Agenda

- **Introduction to ADP Sales & Use Tax Solutions**
- **Sales and Use Tax Calculation**
- **Sales Tax Compliance**
- **Q&A**

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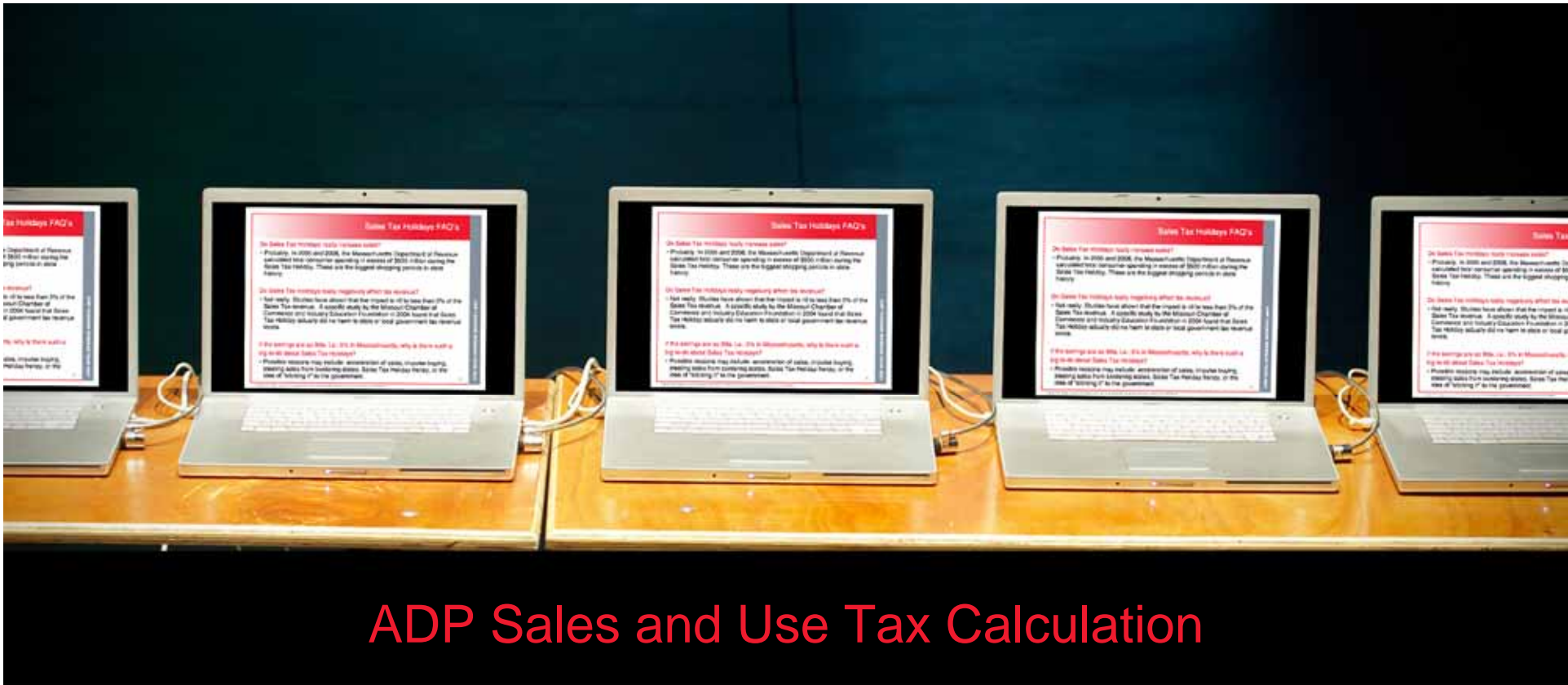
Introduction to ADP Sales & Use Tax Solutions



Sales & Use Tax Calculation Options

- Through its Taxware line of products, ADP is building on more than 30 years of experience in the sales and use tax market.
- ADP offers sales, use, and Value Added Tax (VAT) solutions
- Integrations available for...
 - Oracle
 - PeopleSoft
 - JD Edwards
 - Siebel
 - SAP
 - Microsoft Dynamics GP
 - InforAnd more!
- Turn sales tax compliance into one of your company's strength





ADP Sales and Use Tax Calculation



Challenges Beyond Tax Calculation

1. Mergers/acquisitions and business growth adds to compliance workload
2. Internal review more stringent and time consuming
3. Struggling with state and local jurisdictions
4. Running into penalties and fees
5. Sales tax department spending 70-80% of time on compliance
 - Less time for strategic issues
 - Less time for process improvements
 - Less time for technology enhancements



Overview

- “End to end” service combining a tax engine, returns engine, and money movement engine.
- ADP provides several software packages that automate the calculation of your transaction tax obligations.

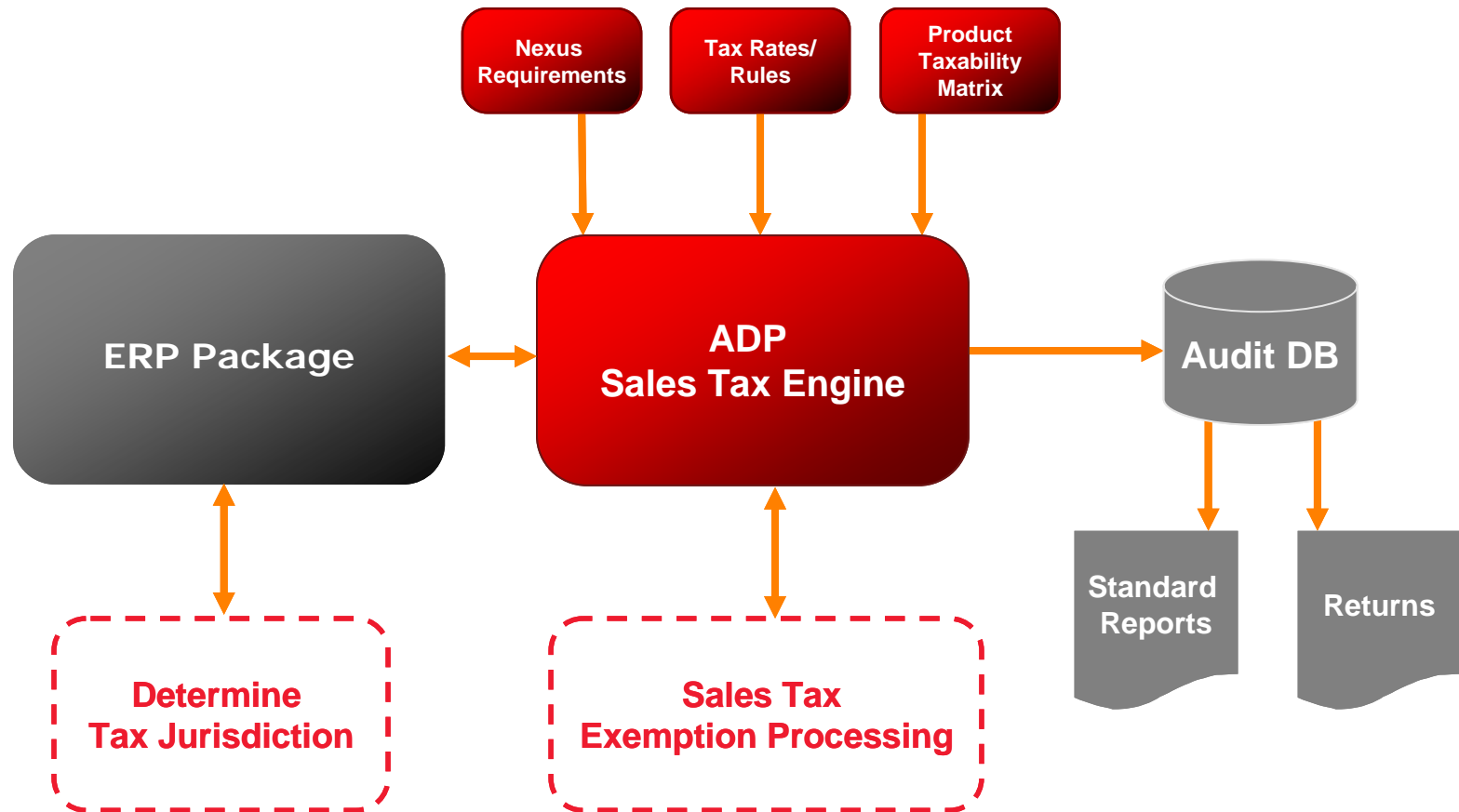
Calculation Engine:

- Calculates taxes for sales, purchases, rentals and leases
- Provides up to date rates and tax rules
- Includes exemptions, special rates, caps and thresholds
- Includes comprehensive Product Taxability Matrix (over 3,000 classifications)
- Provides entity and use based exemptions
- Records tax results in audit database for later reporting
- Provides automation for both sales and use tax accruals
- Embraced as a POS solution by retailers

Scope of Coverage:

- Calculate tax for U.S., Canada, and U.S. territories
- Calculate tax in 250 international jurisdictions including EU, AsiaPac, India, Brazil, China
- Calculate Sales, Use, Gross Receipts, VAT, GST, PST, QST, Business Tax, multiple fees

Sales and Use Tax Calculation



Tax Content

- Out-of-the-box standard good/service and entity use codes. More standard content means less customization, less maintenance, and faster time to production.
- Special Tax Rules
 - Drop Shipment Rules
 - Tax Type Determination
 - Tax Holidays
 - Special Tax Zones
- Additional content is continually added to cover new tax rules and industries
- Centralized data update process

Tax Research

- **Tax Expertise**
 - Our clients have direct access to 50 CPA's, CMI's, tax attorneys, and analysts
 - Fluent in native languages
- **Superior Tax Content**
 - ADP researches, develops, and maintains content using in-house resources - not outsourced or purchased from third parties.
- **Industry Leadership**
 - First and strongest supporter of the Streamlined Sales Tax Initiative (SSTI), a nationwide effort to harmonize sales and use taxes
- **Over 30 years of experience**

Industry Leading Tax Content

- **U.S. Taxes**
 - Sales Tax
 - Seller's Use Tax
 - Consumer's Use Tax
 - Rental Tax
 - Leasing Tax
- **International Taxes**
 - Input VAT
 - Output VAT
 - Import VAT
 - Export VAT
 - Acquisition VAT
 - Consumption Tax
 - Goods and Services Tax
- **Maintain tax research for 250+ international jurisdictions representing 170+ countries**
- **Over 12,000 U.S jurisdictions**
 - Sourcing, standard rate, rounding
 - Goods and Service based rules
 - Entity/Use based rules

Tax Content

- **Tax Department Research Process**
 - Content update strictly controlled by processes and procedures; SAS 70 type II compliant by KPMG audit
 - Content updates provided at least once a month
 - Updates include new content, law changes, rate changes, processing changes
 - Update information letter provided with each update summarizing all of the changes

The Challenge: Tax Compliance in a Complex World



- Rates constantly change
- Complex rules exempt a product in one place and tax it in another
- Threat of audits
- Situation of overcharging customers
- Global economy means unfamiliar laws and tax systems
- Sarbanes-Oxley Section 404 compliance

Tax compliance is costly and cumbersome, a drain on the bottom line...over \$102.5B in 2002*

* The cost of Tax Compliance, Scott Moody, Sr. Economist, Tax Foundation, 2002

Tax Law Complexity

- **Keeping up with tax law changes is time consuming**
 - 748 rate changes in the U.S. alone last year
 - Changing tax rules for both product and purchaser
 - Sales tax holidays
- **Forms updates**
 - Most rate changes impact tax forms and need to be updated
 - Some jurisdictions regularly change forms
 - Tax authorities won't accept out-of-date forms

Challenges Around Returns, Filings and Payments

- Manual process
 - Time consuming and error prone
- Accuracy
- Timeliness of filings
- Timeliness of payments
- Penalties and fines
- Agency notices
- Staffing

Polling Questions # 2 and 3

Requirements

- Log in from same e-mail address that you used to register
- Stay for the full hour
- Answer 3/5 polling questions



How do you keep up with the constant tax changes?

- A. Use in-house employees
- B. Hire consultants
- C. Not keeping up with the tax changes
- D. Other
- E. Not applicable

Describe your most recent audit experience:

- A. Smooth
- B. Some Issues
- C. Moderate number of Issues
- D. Painful
- E. Not applicable



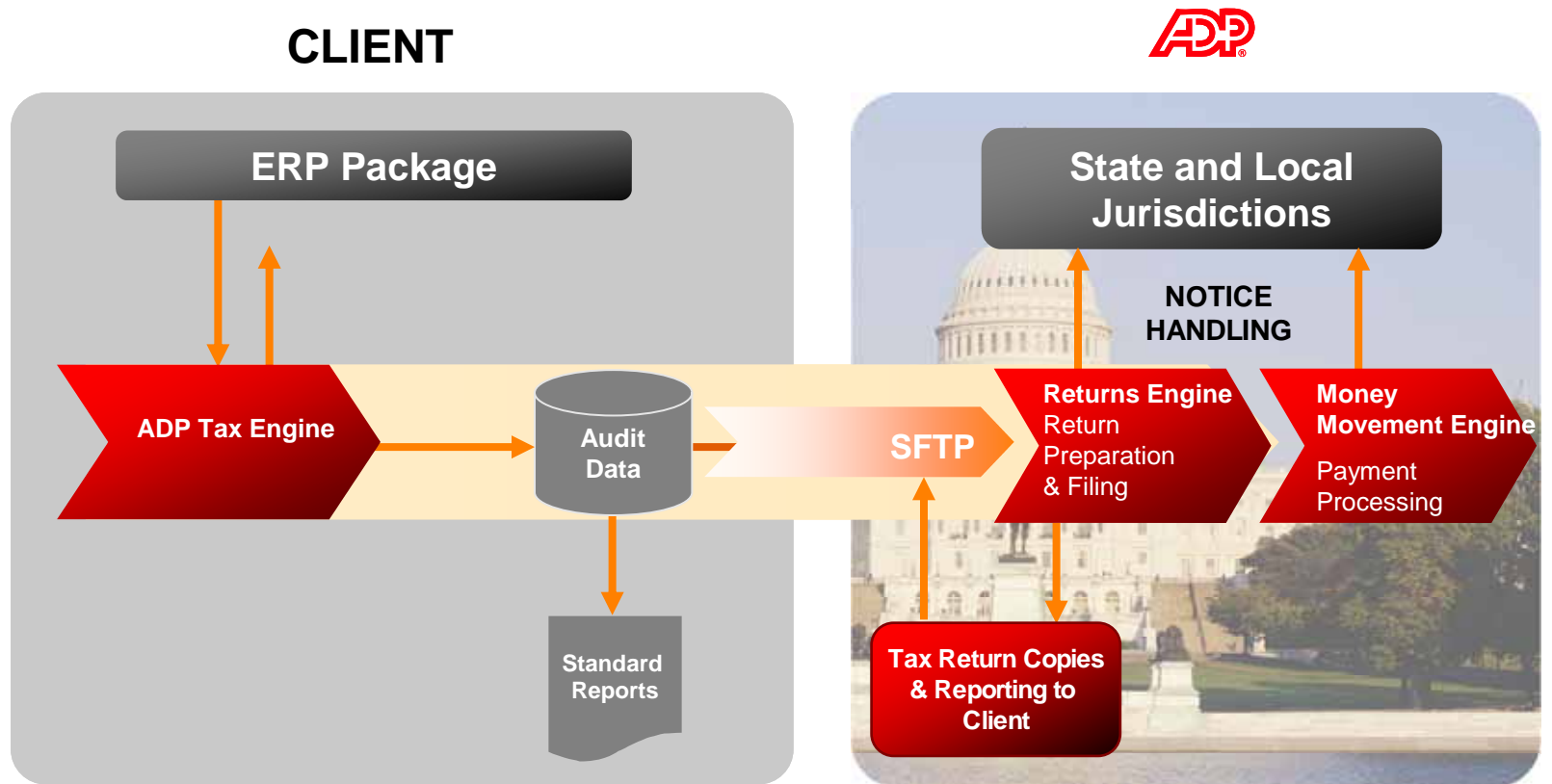
ADP Sales Tax Compliance



ADP End-to-End Solution

- **You:**
 - Use Taxware Enterprise or the Sales and Use Tax System on your premises
 - Extract the data and transmit to ADP (SFTP)
- **ADP:**
 - Prepares returns and manages adjustments
 - Files returns and remits payment
 - Handles all notices from jurisdictions

Functional Overview Diagram



Overview

ADP Sales Tax Compliance

- **Compliance Solution**
 - Hosted by ADP
 - Based on your tax data, ADP will...
 - Create and file Sales and Use tax returns (Paper, EDI, Web)
 - Make payments (EFT, Check)
 - Handle all agency notices
- **ADP handles the payment and filing of taxes to all state and local jurisdictions**
- **Liability for the timing and accuracy shifts to ADP**
- ADP has 60 years of tax filing and remittance experience – more than any other U.S. company

Step-by-Step Calendar ADP Sales Tax Service

Sun	Mon	Tue	Wed	Thu	Fri	Sat
1	2	3	4	5	6	7
	Data Transmission/Tax Calc Downloads				Return Prep & Reporting	
8	9	10	11	12	13	14
Return Prep & Reporting				Return & Reports	Debit Notice	
15	16	17	18	19	20	21
Money Transfer to ADP					Pay & File	
22	23	24	25	26	27	28
			Pay & File			
29	30	31				
		Pay & File				

High Level Process

ADP Sales Tax Service

Business Day 1-4

Customer transmits data – via secure FTP as soon as books are closed (AR/AP)

Business Day 5-8

ADP prepares returns and reconciles source data to returns

Business Day 8-10

Returns and reports available for download. Debit notice sent to customer - (S/U Liability)

Business Day 10-15

Funds transfer (Wire, ACH Credit)

Due Dates

ADP executes payments on behalf of client and files returns as required (Web, EDI, Paper)

Exceptions

ADP Sales Tax Service

- **Pre Payments/Estimated Payments**
 - ADP will track your schedule, remind you and execute the payment on your behalf
- **Adjustments**
 - ADP will make adjustments to returns based on client instructions
- **Holds**
 - ADP will track your holds and release as appropriate
- **Amended Returns**
 - ADP will prepare based on client instructions. Additional fees may apply

Reporting

ADP Sales Tax Service

- **Return Copies**
 - ADP provides copies of all returns for review by client
- **Reconciliation Reporting**
 - Showing data in vs. data out and any differences on a high level
- **Detailed Reporting by Return**
 - Breakdown of amounts by return, showing data received, holds, adjustments, pre-payments, discounts etc.

Getting Started

Successful implementation
requires that we understand
your business.



Webinar Tour

What We Need

- All your sales and use tax sources (AP/AR, spreadsheets, etc.)
- Closing calendar
- Current filing requirements/obligations
 - Jurisdictions
 - Frequencies
 - Filing types – web, paper, Electronic Data Interchange (EDI)
 - Payment Types – Automated Clearing House (ACH), check
- Current pre-payments & estimated payments
- Return copies
- Where you are considering registering/Nexus issues



Documentation

- **Power of Attorney forms**
 - Required in every state where a company does business
 - Streamlined Sales Tax (SST) / Certified Service Provider (CSP) clients only need one power of attorney form for those combined states
 - Some states also have an additional disclosure form that lists who the company is outsourcing to and some key people at the outsourcing company
- **Client Account Agreement**
- **Electronic Funds Transfer (EFT)**
 - Change forms – If the client has EFT already set up, they would have to set up change forms to show that the payment will go through ADP account in the future
 - If or when a state changes their threshold for mandatory EFT to a lower amount an EFT enrollment form must be completed

Implementation

- Allow 30-90 days from contract signing to go live
- Filing set up (Reg ID's, etc.)
- Interface testing & parallel run
- Filing transfer: make sure jurisdictions have information on where payments and filings are coming from

Benefits of Compliance

- Time spent on compliance tasks reduced from 70-80% to just 10-15%
- Time can be focused on strategic initiatives
 - Frees up time to stay ahead of business changes/growth/M&A rather than react to change
 - Tax planning/reverse audits
 - Staff development and growth
- Penalty and interest savings
- Automated process



Benefits

- **Forms Filing**
 - Timely returns and reports processing
 - Forms updated monthly or as needed. All forms research is in house.
 - Up to date Tracking electronic forms, Electronic Data Interchange (EDI), webfile responsibilities
 - Frees tax and accounting staff to focus on key business initiatives
- **Payments**
 - Timely payments – Automated Clearing House (ACH) or check, reduced risk of penalties and interest
 - Completely automated processing through **ADP Sales Tax Service**
 - Comprehensive management of liabilities – no worry that something has not been paid

Benefits

- **Controlled Process Flow**
 - Outsourcer responsible for the accuracy of the filings (varies by model)
 - Sarbanes-Oxley compliant process
 - Automated system transfers
 - Return reconciliation to source data
 - Return review by other than preparer
 - Review for reasonableness
 - Systematic tracking of “manual” adjustments
- **Jurisdiction Management**
 - Agency notices – systematic tracking & responses
 - Amended returns

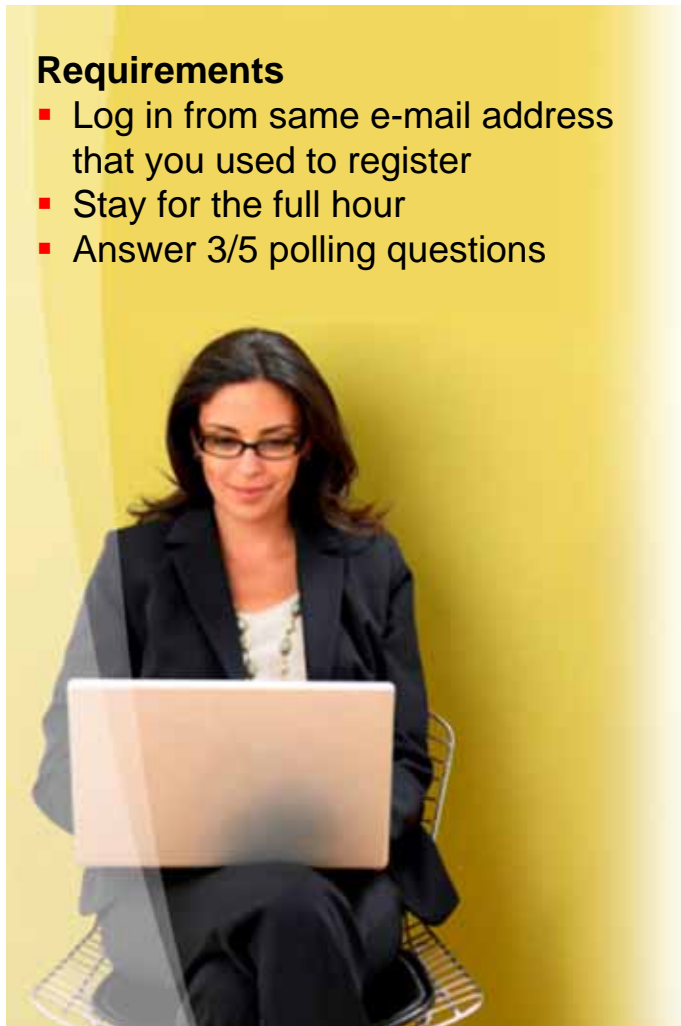
Benefits

- Penalty and interest will be reduced
- Fixed costs becomes variable
- Scalable solution
- Time can be spent on key business and strategic initiatives (company specific obligations, liability planning and assessments etc.)
- Consistent timely and accurate filings → reduced audit exposure and risk

Polling Question # 4

Requirements

- Log in from same e-mail address that you used to register
- Stay for the full hour
- Answer 3/5 polling questions



How many sale and use tax returns are you preparing each month?

- A. 0-10
- B. 11-25
- C. 26-50
- D. 50+
- E. Not applicable

Why Use the ADP Sales Tax Service?



We take care of your sales tax compliance so you can take care of business.

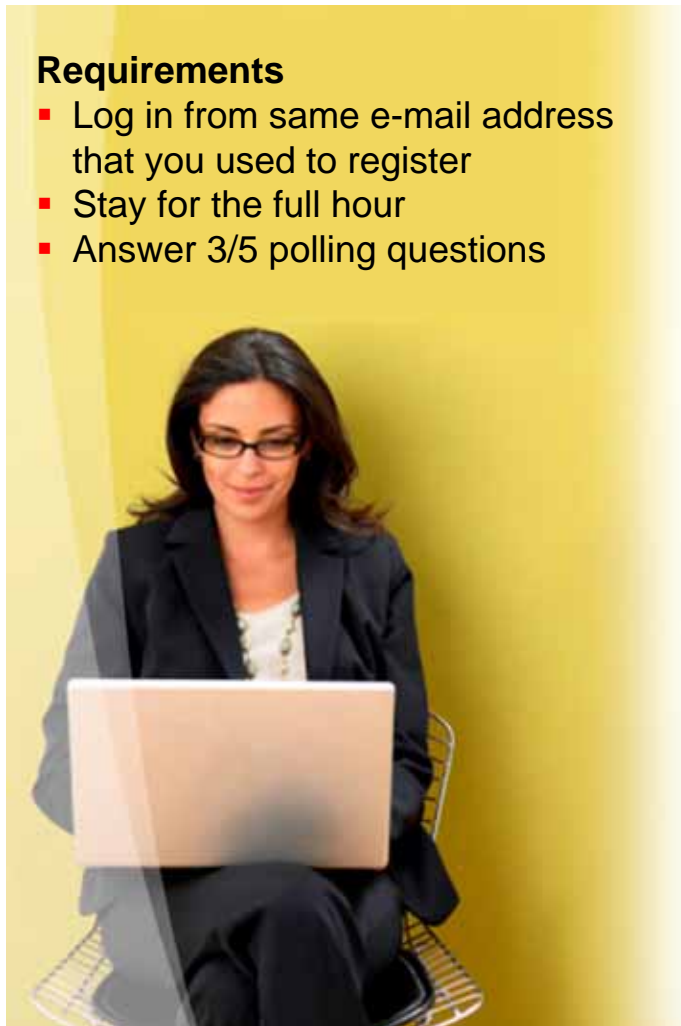


Webinar Tour

Polling Question # 5 & Final CPE Question

Requirements

- Log in from same e-mail address that you used to register
- Stay for the full hour
- Answer 3/5 polling questions



How are you handling your sales and use tax returns today?

- A. Use in-house employees
- B. Use third party preparers (consultants) in-house
- C. Using an outsourced solution
- D. Other
- E. Not applicable

Were program materials relevant and did they contribute to the achievement of the learning objectives?

- A. Yes
- B. No
- C. Not applicable

Questions & Answers



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ADP

- Fortune 300 company
- Leveraging more than 55 years of experience
- Revenues over \$8 Billion
- Approximately 585,000 clients
- Leader in business process outsourcing

Our Next Webinar



“What U.S. Companies Need to Know About Doing Business Under the North American Free Trade Agreement (NAFTA)

• **Wednesday, December 3, 12:00pm – 1:00pm**

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