

# The Sales and Use Tax Pressure Index

How Does Your Company Compare?



Managing sales and use tax can be complicated, complex and distracting for organizations, most notably small and medium-sized businesses. Here, employees tasked with maintaining sales tax compliance are often not trained tax professionals, nor is this function considered a core job responsibility.

The pressure to stay on top of evolving sales and use tax requirements, while ensuring essential other responsibilities are not overlooked, is becoming a larger burden as the tax landscape continues to evolve rapidly. And it's taking its toll on employees and businesses alike.

To measure the impact this function is having on companies, Sovos surveyed 250 individuals who have responsibility for sales tax management/administration at their organization. The findings reflect a level of concern and frustration to how this process is being navigated with some employees wondering if it may be time to seek other employment.

Of those surveyed, nearly 80% of respondents reported that they work at companies earning less than \$10 million or between \$10 million and \$25 million in annual revenue.

## New technology can ease the burden on teams

The majority of those surveyed (83%) said automating their organization's tax management process would make them happier in their current role, and they would be more likely to stay with the company. This is especially interesting as 62% of respondents stated their organization adopted new technology or systems in the past two to three years to combat the growing complexity of sales and use tax. This could speak to a lack of training on new systems or a lack of effectiveness the new systems have in managing the complexity of sales and use tax.

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Economic nexus is now in play in nearly every U.S. state - *South Dakota v. Wayfair, Inc.* was three years ago at this point - and organizations cannot afford to ignore those changes. Businesses cannot assume that they are immune to increased scrutiny when it comes to sales and use tax. Regulators are looking to close the tax gap, and with increased investment in digitization they now have the capabilities to expedite notices, audits, penalties and fines.

However, it might not always be an issue of purposefully overlooking sales and use tax obligations. SMBs often have employees who need to account for sales and use tax in addition to other job requirements. For example, more than one-third (35%) of respondents said that the growing complexity of sales tax distracts from core business priorities. Over 50% report seeing a strain on IT and other resources, while 13% said it leads to a stressful workplace and employee churn.

With nearly two-thirds of respondents saying that their current approach to sales tax management requires some level of IT assistance, the majority of SMBs could benefit from a different approach to sales and use tax technology.



## Stuck between a rock and a hard place

When it comes to accounting for the most current sales and use tax, SMBs can be faced with an impossible situation. You don't want to lose a sale, but do you still process that sale if you know the sales tax is wrong? That option could lead to fines or even audits. Or you may have to go back to the customer and reconcile the price difference, either returning money to them or telling the customer they owe more. Neither of those outcomes is ideal for your business. Furthermore, if you can't process the sale, you may lose a customer to the competition permanently.

With that Catch-22 at play, nearly two-thirds of respondents understandably said that their level of anxiety as it pertains to sales tax was high or moderately high. There was also a 50/50 split over what the biggest organizational fear was when it comes to sales tax:

- Losing a sale/customer because you couldn't correctly process the transaction
- Incorrectly processing a transaction with the wrong rates and the potential fallout

Eight out of 10 respondents reported that either generating an audit or facing a financial penalty was their biggest fear if a mistake was made when remitting sales tax. Additionally, 18% said they were worried about losing the confidence of their manager or even getting fired if they make a mistake.

The ability to update changing sales and use tax rules in real or near real-time is also a problem for many organizations that are cutting into their efficiency. Less than one-third of businesses have the ability to update sales tax in a matter of hours, according to the survey. That can be a long time for sales tax transactions, especially with ever-evolving updates, such as changing sales tax holidays.

Are things really changing that fast? Toward the end of 2020, Sovos was tracking more than 684 bills that could change sales tax compliance requirements. For the same period in 2019, Sovos was tracking only 104 bills. Additionally, in early spring of 2021 Sovos was tracking as many as 2,148 proposed bills that could become law. Comparatively, that number was just 686 during the same time in 2020.

***"We attempted the manual approach and it was an epic failure for us. While everyone's situations are different, the sheer volume of changing regulations makes it nearly impossible to manage on your own. I strongly encourage you to explore automated solutions that meet both the current needs of your business and are capable of scaling to handle your growth and expansion."***

**Skip Graham**  
Network administrator, GoKeyless

### How bad has sales and use tax management gotten?



**63%**

would rather go grocery shopping



**51%**

would rather do laundry



**39%**

would rather go to the dentist



**33%**

would rather sit in traffic

How bad has sales and use tax management gotten? The survey found that 63% of respondents would rather go grocery shopping than manage their sales and use tax compliance processes. Just over half (51%) said they would rather do laundry, while a trip to the dentist (39%) and sitting in traffic (33%) were also top options instead of sales and use tax compliance management.

## Conclusion

Sales and use tax is not an optional business consideration. You don't have a choice other than to get it right and get it right every time. This has created a tremendous amount of pressure on organizations of every size, but especially SMBs that don't have the layers of resources that larger companies have at their disposal.

For many businesses, this has created a pressure point that distracts them from their core business objectives and adds additional stress on employees to manage complex processes that fall outside of their core expertise. This is leading to employee burnout and churn.

Getting your sales and use tax management under control doesn't need to be difficult. With the right partner the burden of ensuring regulatory compliance can shift from your organization to theirs, providing you peace of mind and allowing you to focus on your business priorities.



### Take Action

Don't wait for a drain on your culture or a costly mistake to happen. Simplify your sales and use tax management and get it under control for good.

**Talk to one of our experts. →**

## About Sovos

Sovos was built to solve the complexities of the digital transformation of tax, with complete, connected offerings for tax determination, continuous transaction controls, tax reporting and more. Sovos customers include half the Fortune 500, as well as businesses of every size operating in more than 70 countries. The company's SaaS products and proprietary Sovos S1 Platform integrate with a wide variety of business applications and government compliance processes. Sovos has employees throughout the Americas and Europe, and is owned by Hg and TA Associates.

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