

# Restoring Sales Tax Management and Compliance Through Product Tax Code Mapping Guidance



## CLIENT

Equipment Repair Services Company



## INDUSTRY

Professional Services



## OUR ROLE

Sales & Use Tax Consulting Services

Sales & Use Tax Compliance

## Background

A commercial food service equipment repair company (the Company) specializing in the maintenance and repair of commercial refrigeration, cooking, beverage and HVAC equipment experienced rapid growth through multiple acquisitions. This expansion led to a complex integration of numerous product stock-keeping units (SKUs) and service offerings. As a result, the Company lost track of its back-office operations, particularly regarding product tax codes (PTCs) within its tax calculation software, AvaTax by Avalara.

## Challenge

During a routine audit by the state of Virginia, The Department of Revenue discovered that the Company was improperly collecting sales tax on certain service fees due to incorrect PTC mapping. This oversight was attributed to the complexity of managing thousands of PTCs and the influx of new SKUs from recent acquisitions. The wrong tax collection posed risks of under and over-collecting sales tax, leading to potential tax and legal issues, as well as reputational damage.

## Solution

The Company engaged Cherry Bekaert, leveraging their trusted advisors, to conduct a comprehensive assessment of Avalara. Cherry Bekaert's role was to establish the accurate mapping of PTCs and provide guidance on selecting the correct codes for each service and product the Company offers.

## Approach

### Detailed Assessment

Cherry Bekaert meticulously reviewed the thousands of SKUs, determining the exact nature of the Company's offerings. This included considerable time spent researching to resolve ambiguities around service fees.

### Skilled Mapping

Using extensive experience with Avalara and the AvaTax software, along with a deep understanding of how certain PTCs are mapped in various states and jurisdictions, Cherry Bekaert identified and corrected the PTCs, aligning them with Avalara's descriptions and state requirements and regulations.

### Ongoing Support

Understanding the Company's plans for further acquisitions, Cherry Bekaert established a proactive strategy to continually monitor and adjust the AvaTax setup as new SKUs are introduced. This enables ongoing compliance and optimal tax management.

## Results

While Cherry Bekaert's intervention could not rectify the immediate tax compliance issues determined by the audit, the Firm fortified the Company's systems against any future risks. By setting up AvaTax correctly, the Company can now confidently navigate tax obligations, avoiding over-collection and enhancing customer satisfaction. This strategic partnership will help protect the Company's reputation and legal standing as it grows.

### About Cherry Bekaert

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## Let Us Guide You Forward

Through our robust understanding of sales and use tax along with hands-on experience with AvaTax and a partnership with Avalara, Cherry Bekaert can provide the essential support needed for businesses to maintain compliance and successfully transform tax operations amidst rapid growth and a complex regulatory environment. Our Sales & Use Tax advisors are well-equipped to address a range of issues to reduce your sales tax liabilities and enhance savings, including:

- ▶ Sales Tax Nexus & Registration Services
- ▶ Outsources Sales Tax Compliance
- ▶ Sales & Use Tax Consulting Services
- ▶ Sales Tax Training
- ▶ Reverse Audit Services

### For More Information, Contact Us:



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