How To Develop A "Sales Tax Culture" In Accounts Payable Departments

Creating An Environment To Reduce Sales Tax Overpayment

PHILADELPHIA, PA, UNITED STATES, December 3, 2024 /EINPresswire.com/ -- Many companies, both large and small, take the payment of sales taxes for granted, according to Bill Flick, Managing Partner of EisnerAmper Advisory Services. He observes, “Frequently, when it comes to paying invoices, companies rightly conduct due diligence regarding the correct cost associated with the actual item or service billed, yet they automatically pay whatever sales tax is charged on the invoice.”

> When one looks at EBITDA, typically in the 6-10% range, savings on unwarranted sales taxes, can be a significant contributor to profitability, retrieving dollars that are rightfully yours.”
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> *William Flick, Managing Partner, EisnerAmper Advisory Group, LLC*

Flick says that taking sales taxes for granted can often cause companies that do business in multiple states to overpay sales taxes by as much as six or seven figures, over a period of one to three years. Flick notes that companies don’t have to pay sales taxes on every purchase - when the state or jurisdiction where the sale originates, does not charge sales tax by exempting items on all or part of the amount invoiced, less or no sales tax is due. For example, a company may be invoiced for landscaping services and charged sales tax on the entire bill, yet elements of the amount billed include labor, which is not liable for sales tax in a number of states.

To remedy overpayment, Flick recommends that companies adopt a “sales tax culture” in their accounts payable departments. He defines “sales tax culture” as an environment prioritizing awareness of inconsistencies in sales tax liability and their impact on the company. To develop a “sales tax culture”, Flick recommends creating an accounts payable environment that is mindful of the following:

1) Accounts payable departments are often programmed to pay every sales tax as billed.

2) Vendor invoices often try to bill a blanket sales tax on everything even when the item is not taxed
in the jurisdiction from where it emanated.

3) Financial software may not be adequately programmed to cover relevant sales tax exemptions.

4) Financial software may not be updated frequently enough to account for the latest changes in sales tax rules and regulations.

5) There may be inconsistencies within one's organization. For example, regional AP staff can approve nuanced sales tax amounts only to be overruled by headquarters teams (or vice versa) who authorize payment of the entire invoice, resulting in overpayments.


William Flick - Managing Partner, EisnerAmper Advisory Services

6) Use taxes can be overpaid resulting from staff unfamiliarity with relevant tax rules and regulations.

7) A company's tax group may be knowledgeable about sales tax exemptions but they don't have oversight of accounts payable.

Flick also recommends implementing as part of the "sales tax culture", a sales tax training program for accounts payable staff, both initially, as well as updating training periodically. He believes it is also valuable to make sure that the company's professional services firms, such as their accounting teams, have experience in the area of sales tax compliance.

Developing a "sales tax culture" has value, says Flick, "When you look at the EBITDA of most companies, typically in the 6-10% range, savings on unwarranted sales taxes, can be a significant contributor to profitability. By implementing a "sales tax culture" companies will open an additional profitability stream while actually retrieving dollars that are rightfully yours."

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EisnerAmper, one of the largest business consulting groups in the world, is comprised of EisnerAmper LLP, a licensed independent CPA firm that provides client attest services; and EisnerAmper Advisory Group LLC, an alternative practice structure that provides business advisory and non-attest services in accordance with all applicable laws, regulations, standards and codes of conduct. Having recently joined the EisnerAmper family, FM Cost Containment is one of the leading forensic tax recovery firms in the United States, specializing in tax

confirmation and recovery of overpayments of sales and use taxes, as well as tax audit defense, utilizing proprietary research and knowledge of little-known technicalities in the tax laws of each of the 50 states, including over 10,000 tax entities throughout the United States.

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