9 Sales Tax Pitfalls In Financial Software That Miss 'Nexus', Causing Companies To Overpay

Is Financial Software Used By Multi-State Companies Keeping Up With The Rapid Pace Of Sales Tax Changes?

PHILADELPHIA, PA, UNITED STATES, May 12, 2025 /EINPresswire.com/ -- In 2018, the business sales tax world was rocked by the Wayfair Supreme Court decision, which ruled that states can tax purchases even if the seller does not have a physical presence in the taxing state. In the recent year or so, this concept of “nexus”, or point of sales tax liability, has expanded to include a location where a volume of sales is achieved or a certain number of sales transactions takes place by the company, even if the company’s physical location is not in that state.

> Most companies utilize financial software to handle bookkeeping. They assume it accurately manages sales tax charges. But it's not always the case, especially if they operate in multiple states.”
>
> *William Flick, Managing Partner, EisnerAmper Advisory Group, LLC*

To make things even more complicated, just because a sale is made in one jurisdiction doesn’t mean that a sales tax is owed in the other. There are times when overlap of sales tax laws cancels out a tax liability such that a sale made in one jurisdiction is not liable for part or all of the sales tax of another one. For example, in Pennsylvania, landscaping services are liable to charge sales tax on materials but not labor. If a Pennsylvania company just pays the full amount of sales tax for services billed to their office in another state, they will overpay. For many companies, these overpayments can add up to a significant sum.

It would be one thing if the sales tax collecting jurisdictions consist of only the 50 states, but the entities can also include overlying counties, cities and towns as well. In fact, there are over 10,000 sales tax collecting entities in the United States. A significant number of these entities are updating their sales tax rates frequently. Are companies’ financial software keeping pace?

According to Bill Flick, a Managing Partner at EisnerAmper Advisory Services, and a thought leader in sales tax policy and process said, “Most companies, large and small, utilize sophisticated financial software to handle their bookkeeping. They assume that this software accurately manages their payables and sales tax charges. But this is not always the case, especially if those companies operate in multiple states." Flick lists 9 key reasons financial software can miss accurate sales tax due, often resulting in companies overpaying:


William Flick - Managing Partner EisnerAmper

1) Infrequent software updates.
Out of the 10,000 sales taxing jurisdictions, it is expected that nearly 10% of them will change their tax rates and rules in 2025. Many financial programs are only updated quarterly, semi-annually or annually, leaving inaccurate sales tax rates and rules in the software. Unless the financial software team is following the activities of over 10,000 tax entities, it will most likely result in the company overpaying.

2) Software prohibiting adjusting vendors' invoices once entered.
This may be a meaningful control feature. However, if the regional office inaccurately enters the tax rate or category, it needs to be adjusted to prevent overpayment.

3) Financial software may not be focused on the nuances of sales tax nexus and programmed to accommodate them.
Although financial software is usually programmed correctly for basic state sales and use taxes, it can fail to adjust for nexus compliance issues and updates within and among jurisdictions.

4) Financial software automatically approves sales tax on invoices.
If financial software has no feature to flag sales tax nexus errors and make adjustments, companies will overpay.

5) If headquarters-office software overrides satellite-office invoice/tax approvals, or vice versa.
Sometimes the headquarters' financial software automatically adjusts the satellite office's invoice details, or vice versa, leading to errors in overpaying or paying the wrong sales tax rate.

6) Inability to segment sales tax on an invoice to permit tax payment only where taxes are due.
For example in Pennsylvania, if part of the purchase price includes professional services, they may not be taxable. Yet often sales tax is applied on the total of an invoice. Software and/or managers must be able to identify and adjust these issues.

7) Inability to properly determine the originating and receiving states of an invoice.

Sales tax liability depends on the locations of the seller and the buyer.   Financial software often does not flag nor adjust for originating and receiving locations.

8) Errors becoming embedded in systems.
Sometimes sales tax management errors get embedded in and repeated in policy or in software where it results in sales tax overpayments.

9) Lack of sales tax nexus training of back-office employees
Although not a software issue, if back-office employees, who handle vendor and sales tax items, are not aware, focused on or properly trained to catch sales tax errors, overpayments will occur.

Said Flick, "When it comes to financial software, sales taxes have often been treated as an automatic entry, unworthy of a second glance. Over the last few years, as sales tax nexus has become more complex, savvy companies are focusing on sales taxes & their financial software; working to prevent overpayments as much as six and seven figures, and their potential to significantly affect the bottom line."

ABOUT: EisnerAmper Advisory Group
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.

For more information, please contact:
Bill Flick
EisnerAmper Advisory Group LLC
40 Lloyd Ave.
Suite 308
Malvern, PA 19355
Phone: 484-580-8907
Email: william.flick@eisneramper.com
Website: https://www.eisneramper.com/about-us/professional-directory/bill-flick/
LinkedIn: https://www.linkedin.com/in/williamflick
Twitter: https://www.x.com/BillFlickJr

# # #

Leo Levinson
GroupLevinson Public Relations
+1 215-545-4600
email us here
Visit us on social media:
LinkedIn
X
