Dynamics Communities

Embracing Change: A Comprehensive Guide to

Automating Tax Compliance

for Microsoft Dynamics 365 Users

A Dynamics Communities

GUIDEBOOK

underwritten by

Avalara

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Welcome Message

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In the Acceleration Economy Leadership Minute episode "Why Technology Is the Key to Change Management," 4x CEO and Practitioner Analyst Tony Uphoff shared three reasons why change management fails. Number one: organizational inertia. Number two: fear of failure. And number three: poor leadership. If leaders are not skilled at managing change or do not fully support change initiatives, it can be challenging to adapt effectively.

Tony brought those three points into sharp focus by stating: "Change management is the 'ultimate test of business leadership.'"

Change management focused solely on technology will always fail. Strong leadership is needed to drive the "why" of any new technology initiative, increase employee engagement and adoption of the technology, realize the ROI and potential of the technology being implemented, and deliver successful revenue outcomes.

As a user of Dynamics 365 and a CFO in the Professional Services Industry, Manny Korakis knows first-hand the importance of technology to help balance tax compliance and revenue success. Manny notes in this guidebook that, "If you make mistakes when charging sales tax – you probably have an unhappy customer on your hands…and you'll likely have penalties and

potentially have to pay the sales tax out of your own company profits!"

Additionally, Ronak Mathur, Automation Architect for Mater Hospital and Microsoft MVP, has deep technical, hands-on expertise with Dynamics 365 providing him with a real-world perspective on the benefits of easy integrations to reduce human errors.

"Avalara's ability to integrate without disrupting existing workflows or systems is a major benefit. This not only helps businesses save time and avoid mistakes, but it also ensures that they are always in compliance with the most recent tax regulations," Ronak noted in his "The Solution to Tax Filing Headaches: Simplifying the Process for Businesses with Tech-Enabled Solutions" article.

The bottom line: This guidebook brings these ideas together to help you understand the complexities of navigating and managing change, especially in highly regulated industries or geographies – as there is no more difficult area to navigate than taxes!

Here is what you can expect to gain from this guidebook:

- Leading Change Management with Culture, Co-Creation, and Communication
- The Top 9 CFO, CDO, & CISO Priorities for Tax Automation Success
- The Solution to Tax Filing Headaches: Simplifying the Process for Businesses with Tech-Enabled Solutions
- Keeping Changing Business in Compliance: Why Automation Should Be Part of Your Tax Compliance Strategy

Aaron

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Leading Change Management with Culture, Co-Creation, and Communication

By **Aaron Back**
AI & Hyperautomation

During the Acceleration Economy Digital CIO Summit, Sheri Rhodes, Chief Customer Officer for Workday (an integration partner with Avalara) shared a simple statement that really stuck with me, "If we're not executing against the roadmaps, and we're not making change, and we're not doing that in an iterative, kind of constant way, I think that the business ultimately can get stale."

So, how can organizations avoid becoming stale?

Lead with Culture

Management consultant, educator, and author Peter Drucker is famously quoted as saying, "Culture eats strategy for breakfast." Drucker recognized that leaders that have created a true culture within the company have put people at the core. But it goes beyond that as the type or style of culture put in place reflects the output of the people and the company.

For example, if a company is known for pushing the technology boundaries and creating truly innovative products, then you might assume that innovation is the central culture of that company. Another example might be that the company is focused on streamlined performance and efficiency. Similarly, that company will be known for smooth operations and the reliability of its products or services.

By putting culture at the center, leaders are purposeful about guiding employees versus pushing them to get something accomplished.

Lead with Co-Creation

We have all heard the term "co-creation" used over and over. Typically, this is paired with vendors, partners, and customers working together to create a solution for an industry or company. While this approach is very successful, let's not forget about the co-creation that can happen when leaders collaborate with employees. In other words, employees are empowered as they realize their voice, ideas, and contributions are heard and making a difference.

The outcome of this type of co-creation results in the employees becoming internal tech evangelists which results in higher user adoption of new technology and simplifying future change management projects.

Lead with Communication

"The biggest communication problem is we do not listen to understand. We listen to reply." This is how Stephen R. Covey framed communication in his book "The 7 Habits of Highly Effective People®." Habit number 2 is perfect to emphasize the importance of communication:

"Begin with the End in Mind is based on imagination — the ability to envision in your mind what you cannot at present see with your eyes. It is based on the principle that all things are created twice. There is a mental (first) creation, and a physical (second) creation. The physical creation follows the mental, just as a building follows a blueprint."

Any change within an organization should put communication plans in place that are high in frequency and completely clear. If the communication is overly complex, too technical, lacks key information, or too infrequent, then any efforts to implement something new will fail.
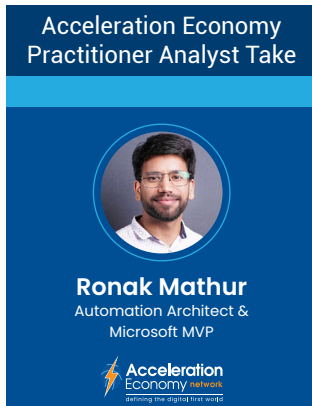The takeaway here is to have an internal communications strategy and team that leads this effort and is open to hearing feedback – good and bad!

Closing Thoughts

Yes, change is hard. No one ever said it was easy. However, change can be made easier by having the right people and partners in place to help deliver the change — even complex things like taxes. Which, as we all know, everyone LOVES to manage, right?

The reason for leading with culture, co-creation, and communication is that you are setting the tone and ease with which companies can collaborate with you to deliver successful outcomes. Be open to new ideas, both internally and externally, and listen with an intent to learn.

After all, the change you are looking to implement might end up changing you in a way you never expected.

Acceleration Economy Practitioner Analyst Take

Ronak Mathur
Automation Architect &
Microsoft MVP

Acceleration Economy network
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"Organizations can avoid becoming stale by focusing on what Aaron calls the "three C's": culture, co-creation, and communication. All businesses can benefit from his definition of success, which centers on three core values that all focus on people. The idea that co-creation is not just limited to the company's partners and suppliers was something that really struck a chord with me. Collaboration between leaders and employees is crucial, in my opinion, because it fosters open communication and makes workers feel like they have a meaningful role in propelling any organizational changes or transformations."

The Top 9 CFO, CDO, & CISO Priorities
for Tax Automation Success

By **Aaron Back**
CCO & Microsoft MVP

When companies are trying to manage the complex challenges and changes involved with compliance and taxes, there is often an element that is overlooked even with a robust tax automation solution in place – people.

People are necessary to ensure frameworks, processes, resources, and systems are adhering to the unique business needs of the organization. Further, people in key decision-making positions are needed to guide the company and put realistic goals in place.

So, what are the top strategic and practical priorities for Chief Finance Officers (CFOs), Chief Data Officers (CDOs), and Chief Information Security Officers (CISOs) when looking to tax automation solutions, like Avalara, to support compliance?

TOP 9 PRIORITIES for automation success

01 **STAY CURRENT** cover the jurisdictions that I do business in, stay current on tax rules & requirements, be accurate, easily integrate & be easy to use

02 **STREAMLINE COMPLIANCE** Tax compliance is meant to comply with the complicated rules and regulations of various taxing authorities.

03 **AUTOMATING / NOT AUTOMATING** make sure are comfortable with automation, but don't automate significant judgments like audit inquiry responses

04 **MANAGING / REDUCING RISK** the CIO & CFO should collaborate to the scope for the business on sales transactions, taxing authorities, & tax code changes

05 **DATA QUALITY** automating tax calculations can ensure data accuracy & make the difference between "boring" vs "frantic" close

06 **IMPACT OF AI/ML** AI/ML can help improve financial transaction processing including tax automation, but not replace tax specialists

07 **CISO COLLABORATION** engage the CISO early in the tax automation solution implementation to address potential risks

08 **COMPLIANCE STANDARDS** automated solutions can remove duplicate, error-prone work

09 **SECURE INTEGRATIONS** Integrations implemented safely with secure API token handling, encryption, & access controls.

The Top CFO Priorities

Section Author:
Manny Korakis
CFO

As a CFO, what are the expectations you have when using a tax automation solution to empower your finance teams?

Many of these taxes are pass-through. Think of sales tax – a company collects it from a customer only to turn around and remit it to the appropriate tax authority. From an equity valuation perspective, these pass-through taxes do not add value to my enterprise. Simply put, I don't profit from them. However, if I make mistakes, they can cost me a lot of money which would detract from my equity value. Just think if you make mistakes when charging sales tax – you probably have an unhappy customer on your hands. Forget about the fact that you'll likely have penalties and potentially have to pay the sales tax out of your own company profits!

My expectation from tax automation solutions is simple – cover the jurisdictions that I do business in, stay current on tax rules and requirements, be accurate, easily integrate into my systems and be easy to use.

How do tax automation solutions help streamline compliance and internal financial business standards?

Tax compliance is meant to comply with the complicated rules and regulations of various taxing authorities. Tax rules vary by country and local jurisdiction. Just think about a company that is based in the US and only operates in the US. There are over 13,000 sales tax jurisdictions in the US! Each jurisdiction has reporting requirements and may have different rules that your tax team needs to be current on. That's a lot of sales tax filings for a company that operates in 1 country. Go to a global company and they have VAT/GST to contend with in other countries. You can quickly see that this is a large volume of work that, if done manually, would take a long time, tie up resources and introduce the risk of manual error.

Where do you draw the line between what should be automated and what should not be automated?

Many parts of a process can be automated but that requires a lot of preparation. However, an important step is making sure that the users are comfortable with the automation and technology. If you and

your team are hesitant, an easy place to start is with the most standardized parts of a process – and anything that is rules-based is a good candidate for automation.

If you can build a decision tree to help guide someone through a process, then it can be very easily (and effectively) automated. As you get comfortable with the results of the automation, you can expand into more intelligent automation to help support decisions. That said, I personally would not try to automate significant judgments. I also wouldn't automate responses to audit inquiries (although some of the supporting analyses can be automated).

The Top CFO Priorities

Section Author:
Wayne Sadin
CIO/CTO/CDO

As a CDO, what questions would you pose to CIOs and CFOs as they look at how tax automation solutions can help reduce the risk of data entry errors?

- Some questions for the CIO and CFO to ponder together:
- How many sales transactions does your organization do every month? (Thousands? Millions? Or more?)
- Across how many taxing authorities are those sales made? (Even if you just sell in the US, there are over 15,000 taxing authorities)
- How complicated is a typical tax code (crazy complicated!)
- And how often do those thousands of taxing authorities make changes to their tax codes? (You'd be surprised)

When you consider the above answers, I have one more question: does your organization really want to manage that process? Speaking as a CIO, I sure don't! The amount of data involved in sales and use tax calculations is staggering (in terms of volume, velocity, and variety), and the consequences of miscalculation are severe – sometimes it's worth letting experts handle things!

Knowing that a critical task for finance teams is successfully closing the books, how much of an impact does data quality have on finance teams successfully closing the books?

"Closing the books" (creating an accurate picture of the organization's financial situation at a point in time) is a monthly process that must be done accurately and on time. At most organizations, it's a time of frantic activity—mostly around ensuring all the data has been entered and checking the accuracy of that data.

An organization with the processes and software tools to continuously acquire, store, and calculate transaction data can have a relatively quick and boring close…but those organizations are few and far between. Among the most complex calculations done by organizations are tax calculations, because governmental taxing authorities take a dim view of underpayments or late payments. So, automating tax calculations can make the difference between "boring" and "frantic" close.

With the explosion of artificial intelligence and machine learning usage and solutions, in your view, what type of role do these technologies when it comes to tax automation?

An exciting development for those of us dealing with high-volume, business-critical data is the recent progress being made in AI/ML technology. There are a few ways AI/ML can help improve financial transaction processing, which includes tax automation:

- Organizations receive many semi- and unstructured documents from trading partners (e.g., a PDF invoice sent via email). AI/ML can improve the recognition accuracy when scanning such documents, thus reducing clerical resources and delays.
- Tax codes are complex and change frequently. AI/ML can ingest these documents and highlight likely changes for review by tax specialists (nope, they're not replacing tax specialists just yet).
- Auditors must select, then review and validate, numerous sample transactions. AI/ML tools can greatly reduce the drudgery of audits, allowing time for thoughtful analysis while saving time and money.

The Top CFO Priorities

Section Author:
Robert Wood
CISO

Why should CISOs have a "seat at the table" when it comes to implementing a tax automation solution?

When a CISO is involved in these decisions it makes a tremendous difference in proactively addressing risks early in the tool selection, deployment, and integration process. This early engagement of stakeholders can make sure that there is a consistent shared understanding between teams and functions.

How can tax automation help with GDPR-like compliance?

Automated solutions to historically manual-heavy processes can be tremendously helpful in supporting a variety of compliance standards from SOC2 to GDPR. One of the big reasons for this is the removal of duplicative and sometimes error-prone work.

Why should tax automation solutions should have strong security and integrations with other security tools?

An integrated tool stack is a necessity in this current technology landscape. Tools need to talk to one another, they need to share context, and humans can't spend their days context-switching between a whole litany of tools. Making sure that those integrations are implemented safely, such as secure API token handling, encryption, and access controls.

The Solution to Tax Filing Headaches: Simplifying the Process for Businesses with Tech-Enabled Solutions

By **Ronak Mathur**
Automation Architect & Microsoft MVP

Tax filing can be a complex and frustrating task for many businesses, especially small organizations that may lack the resources and expertise to manage tax compliance effectively. From calculating taxes to filing returns, tax filing requires careful attention to detail and compliance with constantly changing tax laws and regulations. Fortunately, advancements in technology have made tax filing more manageable, with automation and integration capabilities that can streamline the process and help businesses save time and reduce stress.

There are solutions available, such as those from Avalara, that can make the process much easier and less stressful. This article will highlight how these solutions can change the game of tax filing for enterprises of all sizes.

Biggest Challenges in Filing Tax Returns

The sheer amount of information that needs to be collected, organized, and reported is one of the biggest headaches associated with filing tax returns. This can be especially difficult for businesses with multiple locations, that sell across state lines, or that have to deal with complicated tax rules and exemptions. It's easy to make mistakes, and those mistakes can cost you a lot of money in fees and interest.

Another problem is that tax rules are constantly changing. State tax laws can be different from one another, and federal tax rules can change from one year to the next. Keeping up with these changes can

be a full-time job, and many businesses don't have the resources or skills to do so. This is one of the things that makes it hard for small businesses to keep up with the changing rules, which yields a greater number of mistakes or fines.

What Solutions Does Avalara Provide?

The entire tax filing process can be automated with the help of Avalara, a company that provides cloud-based tax compliance solutions. Avalara enables companies to manage sales and use taxes for multiple levels of government at once, whether that be federal, state, or even international.

Avalara is compatible with numerous ERP and e-commerce systems, including but not limited to QuickBooks, NetSuite, Shopify, and Amazon. This facilitates real-time monitoring of revenue, tax rates, and tax exemptions. It also generates comprehensive reports to help businesses assess their tax compliance and plan accordingly.

Avalara also handles the constantly changing tax rules. The tax experts at Avalara keep tabs on the ever-evolving tax code and make sure the software is always up to date. By keeping up with changes in tax laws, businesses can lessen the likelihood of making mistakes that could result in fines.

What Makes Avalara Different From Other Providers?

Avalara's ability to integrate without disrupting existing workflows or systems is a major benefit that makes it simpler for businesses to implement the platform and automate their tax compliance processes.

Avalara's APIs (application programming interfaces) are a key component in this seamless integration. Avalara's APIs allow for the seamless integration of the company's tax automation solutions with numerous enterprise resource planning (ERP), accounting, and e-commerce platforms.

By integrating with Avalara's platform through these APIs, businesses can avoid the time-consuming and error-prone process of manually transferring tax data between their internal systems and Avalara's. This not only helps businesses save time and avoid mistakes, but it also ensures that they are always in compliance with the most recent tax regulations.
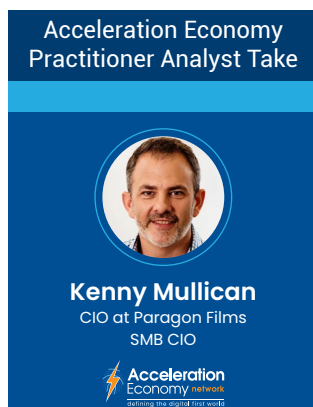
In addition, the integrations provided by Avalara are highly adaptable and can be tailored to meet the unique needs of each business. As a result, organizations can pick and choose the tax automation features they need, and the platform can be tailored to fit their processes.

Final Thoughts

The importance of having a reliable and efficient tax automation solution that seamlessly integrates with existing systems is critical in today's business environment. With Avalara, and its tax filing solutions, any organization can automate tax compliance processes without disrupting existing workflows or systems that help organizations eliminate unnecessary burdens.

Additionally, Avalara's vast and continuously updated tax content library ensures that organizations remain compliant with tax laws and regulations, regardless of where they operate. Overall, I highly recommend Avalara to any business owner who is looking for a user-friendly, reliable, and comprehensive tax automation solution.

If you're looking for a reliable and effective way to automate your tax compliance processes, Avalara is worth considering.

Acceleration Economy Practitioner Analyst Take

Kenny Mullican
CIO at Paragon Films
SMB CIO

Acceleration Economy network
defining the digital first world

Ronak Mathur has done an exceptional job in outlining the complexities of tax filing for businesses, highlighting the benefits of embracing Avalara's tech-enabled solutions to navigate these challenges. He explains Avalara's ability to handle taxes at various governmental levels and its compatibility with a range of ERP and e-commerce systems for real-time tax monitoring. I am particularly impressed by Avalara's seamless integration capabilities, which can prevent costly mistakes and ensure consistent compliance with changing tax laws. This analysis will help you understand how technology can streamline and automate the "taxing" process of tax compliance.

Keeping Changing Business in Compliance:
Why Automation Should Be Part of Your Tax Compliance Strategy

By **Frank Hanzlik**
VP & GM, Global Partner Development

Tax compliance can be a challenge for businesses, especially for those with outdated technology or manual tax compliance processes. It's difficult for businesses to stay in compliance because of marketplace facilitator laws, local economic nexus battles, and consumer expectations. Not only are regulations and requirements constantly evolving, but also errors in tax calculations and penalties are all too common.

As tax officials begin to use advanced technologies such as artificial intelligence (AI) and machine learning to detect noncompliant taxpayers, businesses will need to update their processes to avoid penalties. All the while, they must navigate through potential cyberattacks, data protection concerns, and intensifying ecommerce rivalry.

The use of cloud technology and AI has elevated the customer experience in the ecommerce market to a new level. Businesses must adapt to the emerging trend of virtual assistants, chatbots, digital self-service, and real-time inventory availability — or be left behind. Today's B2B and B2C tech-savvy consumers expect a seamless, personalized customer experience in their omnichannel world.

On a high note, B2B ecommerce continues to expand despite inflation, supply chain issues, and labor shortages. According to a report from Grand View Research, by 2027, global B2B ecommerce is forecast to reach $20.9 trillion, representing a compound annual growth rate of 17.5% during the forecast period (2020–2027).

In addition to marketplace challenges and a shifting geopolitical landscape, businesses must be vigilant with sales and use tax compliance, stay ahead of regulatory changes, and adhere to evolving economic nexus laws. Economic nexus laws base tax obligations on business activity in a state, rather than physical presence, and have grown in complexity since the U.S. Supreme Court overturned the physical presence rule in the 2018 South Dakota v. Wayfair, Inc. ruling.

The determination of nexus and taxability unique to each state and local jurisdiction can overwhelm any business selling in the U.S. market. To add to the complexity, each state determines its own economic nexus thresholds based on a variety of factors.

As businesses grow and expand internationally, tax compliance can be especially difficult to navigate with outdated systems. Businesses that combine different items of taxability in the same package, such as food and non-food items, and ship them through various channels, experience multiple complexities. With more than 13,000 sales and use tax jurisdictions in the U.S., it's essential to implement the right solution.

Implementing an automated solution may help shield a business from an audit or make the experience less painful. A tax audit can be triggered or selected by state agencies randomly. Audits are time-consuming, and penalties are steep. Micro Matic, a global supplier of on-tap beverage dispensing solutions and equipment, struggled with tax compliance and penalties until they implemented Avalara AvaTax with Microsoft Dynamics 365. As a result, they passed an audit with no tax owed. They reduced the time and manual labor needed to complete tax compliance tasks, filing 350 returns every month in 31 states.

By automating tax compliance through Avalara and Microsoft Dynamics 365 products, businesses can increase efficiency, improve accuracy, gain better visibility, and reduce costs and the risk of penalties. Automation is especially helpful for businesses that use manual processes and outdated technology. And, by automating specific tasks, organizations can address the dwindling pool of skilled workers.

Businesses are better positioned to prosper with automation. With real-time data, streamlined tax compliance processes, and up-to-date tax changes, businesses can focus on other critical tasks — such as generating revenue, driving profits, and expanding into new markets or with new products.

To learn more about how solutions from Avalara can help you automate your tax compliance processes and stay compliant, visit the Avalara and **Microsoft Dynamics integration page.**