Exactor FAQ
frequently asked questions

Question 1: Are Internet sales subject to sales tax?

Yes. Online sellers are not immune from collecting sales and use tax. The rules applicable to e-commerce are, in fact, no different than those that apply to brick-&-mortar stores. Based on these rules, online sellers must collect taxes on sales of taxable products and services for any state in which they have "nexus." Online sellers usually have nexus in any states in which they have physical presence. Some states define nexus though as the place to which the seller is delivering the product or service.

Question 2: Isn't there a rule that allows us to not collect sales tax on on-line transactions?

No. The rule that is often times confused with sales-tax rules is the Internet Tax Freedom Act, which was initially enacted in 1998, and recently extended through 2005. This moratorium only prohibits imposing new taxes upon Internet related activities (such as Internet access or bit-use taxes), however it does not prohibit enforcing of
existing taxes. The Internet does not create new types of transactions. Requiring online retailers to collect sales tax on consumer purchases does not create a new tax on Internet transactions, it merely requires existing taxes to be extended to govern standard transactions, which are conducted via a new means. Consequentially,
requiring online retailers to collect these taxes would not go afoul with the Tax Freedom Act.

Question 3: What is 'nexus'?

Any tax compliance system must be capable of determining the jurisdiction(s) with the right to tax a transaction. Only when the correct jurisdiction is identified can the correct tax rates and rules be applied. Not all states
follow the same rules for sourcing transactions. Even when a system can identify where a sale is made, the
system must still be able to apply the correct rules for identifying whether, for instance, the sale should be sourced to the location to which a product is delivered; the location from which it is shipped; or some other location. In addition, the seller's system might be required to source a transaction in multiple locations, where the product or service will be used in different places.

Question 4: Why is sales tax compliance in online transactions different than sales tax rules in a 'brick and mortar' store?

Brick-&-Mortar stores do business in one jurisdiction, wherever they are located. They can easily assess what jurisdiction and nexus they are subject to. They have the freedom to choose whether to mail products,
possibly subjecting themselves to the nexus of other jurisdictions. Online sellers do business in every state in the country, and are potentially liable to collect taxes in almost 7,500 sales tax jurisdictions in the United States, and thousands more abroad. Many of these jurisdictions require separate tax returns. Compliance under these circumstances is extremely complex, time and money consuming.

Question 5: Do I need to use the full Exactor Suite of Services?

No. The Exactor Suite was designed and developed under a principal of modularity. What that means is that there are many different modules that comprise the Exactor Suite, each responsible for a different element of
functionality. You can use any combination of these modules that you deem necessary.

Question 6: What if I already use a tax calculator?

You can continue using the tax calculator you are currently using, and still use the Exactor Suite for the other actions you need to comply with tax requirements. Exactor Suite provides a comprehensive solution to all the
different elements of tax compliance. These include not just tax calculation, but also completing and submitting the written reports to all the different taxing jurisdictions as well as collecting and sending the funds to the
taxing authorities. You can use Exactor Suite for any combination of these functions that you need.

Question 7: How is Exactor Suite different than other solutions?

Most other solutions do not provide one stop shops. Their solutions are not comprehensive in that they solve only one of the elements of the tax compliance functionality – they either provide tax calculation services, or they provide reporting capabilities. Most other solutions must also be integrated by the retailer on the retailer systems. The retailer needs to spend a lot of money to acquire these solutions, and then dedicate human capital to integrate them and make sure they are kept up to date. The Exactor Suite provides a comprehensive fully integrated solution. The retailer need not purchase any other solution to address any element of their tax compliance obligation. The Exactor Suite can be juxtaposed at any point within the financial transaction, not only on the systems of the retailer, but also on any of the systems of the service providers, such as gateway providers, merchant banks, issuing banks and processors. As such, the Exactor Suite provides a cost effective comprehensive solution that other solutions do not and cannot provide.

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Question 8: How hard is it to integrate Exactor Suite into my environment?

The Exactor Suite was designed so that anyone can use it easily and effectively. If you are integrating the Exactor Suite into your own systems, integration is done by a fully automated set-up wizard, downloaded from the internet. Exactor Suite is also fully integrated with service providers, such as your Internet Access Gateway, so that no further action needs to be done by the retailer other than to sign on for the Exactor services through the integration service provider.

Question 9: How do I know if I need to collect sales tax?

If you are selling products or providing services from within, or to, any of the 45 states that have sales tax rules, chances are that you have an obligation to collect sales tax on behalf of the taxing authority. For more information you should consult with your tax and legal advisors.

Question 10: What is my liability if I choose not to collect sales tax?

Typically taxing authorities have the right to recover taxes that are owing several years back. They also typically have the right to collect interest on past taxes due and impose fines and penalties on unpaid taxes. In addition to having to pay past taxes owing, large retailers have already been assessed by different taxing authorities such fines, penalties and interest for sales taxes that they should have, but failed, to collect and remit on a timely basis. For more information you should consult with your tax and legal advisors.

Question 11: What is the SSTP? What are the benefits of SST registration?

The principal goal of the Streamlined Sales Tax Project (SSTP) is to simplify state sales and use tax. Simplification is to come mainly from making all states operate under a single set of rules. Currently, all of the states, and many of the 7,500 sales tax jurisdictions operate under unique and different sets of rules, making multi-state sales tax compliance impossible for all but the largest retailers. The SSTP has been underway for over three years, and has used that time to gain support among a majority of states, and to produce the Agreement. The Agreement, which was created in November 2002, is a document that provides the rules under which Member States and registered sellers will operate. It is a set of model sales tax rules and procedures. The Agreement is between individual Member States, which are described as "cooperating sovereigns," and is a vehicle allowing states to jointly administer the collection of sales and use tax, using simplified systems. The Agreement does not invalidate, amend, or supersede any provision of state law. Instead, Member States must bring their own sales and use tax laws into compliance with the Agreement, as a condition of becoming members in the Agreement. Sellers continue to be subject only to the laws of individual states in whose jurisdictions they operate. However, these individual states will all be operating under a single set of rules.

There are several benefits of SST registration, and for sales tax filing of returns under SST registration, including:
- An amnesty, subject to limitations, for a limited time
- The ability to use the services of a CSP (Certified Service Provider), of which Exactor is one, the cost of which states may subsidize for certain sellers
- Reduced liability and risk of audit when using the services of a CSP
- A single centralized tax ID registration number, to be used for filing of sales tax returns and pay sales taxes in all SST states
- The ability to update registration data with all registered states at one time and one place;
- Sellers gain the ability to update registration data with all member and associate member states at one time and place.

Question 12: Do on-line retailers collect sales tax on Internet sales?

Yes. Many retailers, large and small, are reading the writing on the wall, and have started collecting and remitting sales taxes on online transactions.

Question 13: How does Exactor treat Shipping & Handling expenses?

Exactor has sophisticated logic that performs many tasks before looking up the tax rate. Amongst these are looking and applying the correct tax rules to the type of S&H that you are using. Exactor does not apply a generic rule to S&H, because that would lead to inaccurate results. Shipping and handling may be exempt from taxes, but often times they are taxable. Many times taxability will be determined by the state depending upon the answer to questions such as (i) where does title pass to the buyer: and (ii) are the handling and shipping expenses combined in the invoice, or stated separately. Exactor treats S&H like any other line item, and determines taxes owing depending upon (i) the type of S&H service; (ii) which carrier is used; and (iii) the state rules governing the transaction. Like any other product, different states have different rules for S&H. What makes it even more complicated is that different types of S&H may receive different treatment even within the state. This is the reason that Exactor looks at the type of S&H you use, and applies the rules of the state that govern that specific type of shipping and handling.

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Your Sales Tax Solution

Question 14: How does the plug-in work?

The plug-in wizards work just like any other plug-in that you may have installed with any windows based software. You will save the plug-in to your computer, and then double click on it. The wizard will then automatically install the files and load the Exactor module. Once installed, the user will need to configure the module (for example adding the Exactor account information, mapping their products). A detailed User Guide is available to walk you through the process of installing and using each plug-in.

Question 15: Does Exactor file returns other than sales tax return?

Typically Exactor does not provide tax filing services other than for sales and use taxes. However there are some exceptions, such as the Washington Business & Occupation (B&O tax return) which is an integral part of the Washington state sales tax filing. One cannot be filed without the other. Exactor provides additional filing services in these situations. These are typically not sales taxes that are collected at the point of sale, but rather calculated at the time of generating the tax return.

Question 16: Why shouldn't I use a simple tax rate table?

Sales tax is not as simple as taking a ZIP code and identifying the matching tax rate (this is what simple rate tables do). Calculating taxes using this method will generate incorrect results, and cause your exposure to tax liability. The fact is that not one of these tax rate tables are certified by the State taxing agencies under the Streamline Sales Tax (SST) project. The reason is that state taxing agencies recognize that looking up tax rates by ZIP codes leads to incorrect results. Exactor has sophisticated logic that performs many tasks before looking up the tax rate. These include (i) cleaning up the address, so it conforms to USPS guidelines; (ii) identifying the precise location of the transaction, using physical address; geo codes; FIPs codes, and does not rely just on zip or zip+4; (iii) identifying whether or not the specific product is taxable; (iv) determining whether there are any relevant tax holidays; and only then – (v) applying the correct tax rate. Flat Tax Tables simply do not have this kind of built-in logic, causing the user to oftentimes charge incorrect sales taxes. For more information, please see our White Paper: Can Flat Tax Rate Tables Do The Job?

Question 17: Once I set up my account, what additional work will I be required to perform?

Once your account and plug-in are set-up, all that you will need to do is supervise, manage and review your returns. Exactor is designed to meet ALL of your sales tax compliance needs. The fully automated Exactor system reduces the risk of misplacing or forgetting about a specific transaction. The suite's full integration into your shopping cart and accounting systems means that all you need to do is continue running your business as you do right now. The Exactor modules are designed so that you do not need to perform any additional action, there are no extra buttons that need to be clicked to activate the modules or to calculate taxes. The Exactor modules work together with your system, they connect to the Exactor Service, which calculates the tax for the transaction and enters it into the transaction right before your very eyes. The data then is stored on the central Exactor server, and the Exactor system then automatically generates reports and tax returns on your behalf.

Question 18: What is an ASP (Application Service Provider)?

An application service provider (ASP) is a business that provides computer-based services to customers over a network. Software offered using an ASP model is also sometimes called On-demand software or software as a service (SaaS). The most limited sense of this business is that of providing access to a particular application program (such as customer relationship management) using a standard protocol such as HTTP. Exactor users the most advanced technologies to provide a sophisticated technology enabled financial service solution. By using these web based technologies, Exactor has developed a system where all the processing is performed on the Exactor system. What this means is savings to you – you do not need to purchase an expensive software program to install on your system; you do not need to learn how to operate a sophisticated software; you do not need to worry about maintenance. What this means is that you receive the benefit of a sophisticated solution that Fortune 500 companies pay hundreds of thousands of dollars, without compromising on the quality of your service.

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Question 19: Is using the Exactor system safe? secure?

YES!! Exactor's systems were certified by the taxing authorities of the SST, Streamline Sales Tax body, which is an amalgamation of the sales tax departments within the Departments of Revenue of over 20 states. Certification required exhaustive system testing for accuracy, security and efficacy using standards as set by NIST, ISO17799 and SAS70. Certification is a very significant seal of approval, attesting to the accuracy, security and overall integrity of the underlying system. Certification covered all aspects of the business, including accuracy of calculations; security of the Exactor systems; scalability; safety; privacy and overall protection of the merchants and their data. SST certification is the highest level of independent seal of approval provided in the industry. All other methods of approval are subjective, and most often are paid for by the company being approved. SST certification exceeds this level of safety and assurance.

Question 20: Why do you need my drivers' license to create an account?

Exactor's systems are designed around system automation, which is why we can provide enterprise level services at an affordable price to businesses of all sizes. Part of that automation is the process of signing up for a new account, which is completed entirely via an easy to use on-line application. We ask for your driver's license as a confirmation for completing the application process, and it serves as an electronic signature for the account contract. If you feel uncomfortable to provide your drivers license, please contact an Exactor sales representation, who will walk you through the process of completing the application, printing it, and sending us a signed copy of the contract to create your account.

Question 20: When we go in to review the sales for the month, we are a few dollars off. There is an invoice that seems to have appeared twice. How can we review our transactions?

Exactor's systems allow for a quick reconciliation by exporting the transactions from the committed report into an excel spreadsheet. This will generate a spreadsheet with all of the transactions loaded into the Exactor system. The user can then do a quick sort and verify that there are no duplicate transactions, and cross reference against the transactions and invoices that are in their own accounting products. If an invoice is found to have been loaded twice into the Exactor system, the user can easily have it deleted from the Exactor systems

Question 21: Why do you need my bank account information

Exactor's systems are designed around system automation, which is why we can provide enterprise level services at an affordable price to businesses of all sizes. Part of that automation is the process of collecting the funds necessary to file your tax returns in a timely manner. Because of the short time frame that we have to complete the filing process in a timely manner, we need to be sure that we receive all the funds from all of our clients before the filing deadlines. To complete this process in an efficient and accurate manner, we request that we debit your bank as part of our automated processes. As a further incentive, we do not change any bank wire fees to those clients that use our automated debit processes, and we absorb the respective banking fees.

Question 22: If there is a typo in the address, will Exactor not calculate taxes?

No. As a highly accurate and reliable system, the Exactor systems takes steps to avoid returning inaccurate taxes. Exactor's proprietary CASS certified system will take all steps to clean an address and verify that it is an address verifiable and recognized by the US Postal Services. That being said, sometimes an address cannot be verified. In those cases, the Exactor system will fall back to determine taxes based upon other variables, such as zip+4 or zip as entered by the buyer. The Exactor system takes all steps to avoid returning a fatal error simply because of an address typo.

Question 23: Is my data secure with Exactor?

The integrity of the Exactor systems are paramount for providing a high credibility service, without which clients would not trust us to their sensitive sales information. Exactor therefore has created a highly secure system that ensure data integrity and communication veracity. For this purpose, Exactor has created its own data center, and does not trust your data to third party servers. Data is not saved in the cloud or otherwise on a third party server. All servers are owned by Exactor and are located in Exactor's data center with direct and redundant communication pipelines straight to the Internet backbone. All communications between your systems and those of Exactor use strong 128 bit SSL encryption protocols. Exactor systems will not provide services unless the communications are fully authenticated. Access to the Exactor management console is available only via user-name and password verification over secure SSL encrypted communications.

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CONTACT US
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For More Information about Exactor's Tax Compliance Services feel free to contact your Exactor representative for a consultation on how you can focus on your business while reducing compliance cost and risk with Compliance Services.

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Call 800.851.8226 or Email Sales.Support@exactor.com

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