

White Paper: Exactor Sales Tax Service

Can a Flat Tax Rate Table get the Job Done?



Tax tables are readily available at nominal fees. Tax rate tables list sales tax rates of all taxing jurisdictions in the United States. These tables, also known as “flat tables”, are easy to use, reasonably priced, and used with zip code information, make looking up tax rates a very simple task. In theory, all that one needs to then do is multiply the tax rate by the transaction amount, and come up with the applicable tax owing. If it were that simple, then why use an outsource sales tax service, such as those provided by Exactor?

The straight answer is that sales tax is not as simple as taking a zip code and identifying the matching tax rate. Calculating taxes using this method will generate incorrect results and cause exposure to tax liability. The fact is that not one of these tax rate tables are certified by State taxing agencies under Streamline Sales Tax (SST) projects. State taxing agencies recognize that relying on these tables leads to incorrect results. Take a look at the following examples:

SCENARIO A: Purchase of \$100 shoes. Store location: 242 E. 33rd St., New York, NY 10016

A Flat Table will typically return the local tax rate of 8.875%. The true tax rate for this location: 0%, because of a tax exemption that applies to clothing and shoes priced under \$110 in NYC. If the value of the clothing item or pair of shoes is over \$110, it is fully taxable at a tax rate of 8.875%.

SCENARIO B: Purchase of computers, \$1,000. Store location: 10615 State Hwy 13,N, Erin, TN 37061 Date of purchase: Saturday July 30, 2016.

A Flat Table will return a local rate of 9.75%. The true tax rate is 0%, because of a tax holiday on purchases between July 29 – 31, 2016, of computer systems for less than \$ 1,500.

SCENARIO C: Sale of off-the-shelf software. Store location: 1044 Guerrero St,San Francisco, CA 94110

A Flat Table will return a local rate of 8.75%. The true tax rate depends on whether the software is delivered on a CD, in which case taxes are applied; or electronically, in which case there are no taxes.

SCENARIO D: The same software sale, assuming taxes do apply:

Flat table will return a rate of 8.75%. True tax break down (information you must have to complete your tax return): 6.25% California State taxes 0.25% Bradley Burns City tax 1% San Francisco County tax 1.25% District taxes

SCENARIO E: Sale that took place to Leavenworth, WA 98826. Flat table will return a rate of 8.4%.

True tax rate- depends on the actual address. For example, if the sale took place on 11777 US Highway 2, Leavenworth, WA 98826, the tax rate would be 8.2%: while their neighbor across the street, at 11724 Riverbend Drive, Leavenworth, WA 98826, should charge a rate of 8.4%.

The bottom line is that the Exactor service has sophisticated logic that performs many tasks before looking up the tax rate. These includes: (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 often times charge incorrect sales taxes.

Moreover, Flat Tax Tables do not perform additional services that Exactor provides:

- Generating and filing of tax returns
- Tracking and applying personal exemptions
- Providing a fully tractable audit trail
- Eliminating the need to perform any ongoing maintenance (Tax Rate Tables require monthly updates, and dedicated personnel to ensure taxes are done accurately and on time).

Aren't these additional services, certified by the very same people who do your audits, worth something to you?



With over ten (10) years of experience automating sales tax compliance, Exactor is the premier provider of Sales Tax Compliance Services. Exactor's fully automated SaaS System has been revolutionizing transaction-related tax compliance by providing an enterprise level solution for secure, reliable and accurate sales tax compliance efforts, including calculating taxes in all commercial environments, record keeping, tax processing and the generating and filing of tax returns. Exactor's dynamic Software Suite offers a simple and seamless integration of the Exactor Sales Tax Calculation Module into any business and transaction platform where real time calculation is required. The Exactor engine will then automate the process of generating and filing the returns, so that the user can focus on their sales and running the business, trusting Exactor to manage their transaction taxes. The Exactor suite offers a high level of automation, rapid delivery, and highly scalable results, ensuring an on time, on budget, enterprise-class tax solution to fit the needs of any business. To learn more visit us at www.exactor.com, Exactor[®] is a registered trademark owned by Exactor, Inc.