



THE CASE FOR AUTOMATING TAX FULFILLMENT



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Companies need to invest in the smart automation of the tax fulfillment process to avoid penalties, minimize overhead costs, and take a step closer to full automation of the tax compliance process. No one likes paying taxes; unfortunately, they are a fact of life (and business). Tax payments also represent a critical segment of a company's Accounts Payable (AP).

Unlike vendors that may be willing to overlook the occasional late payment, taxing authorities are quick to assess penalties, making the need to prioritize and effectively handle tax bills essential.

Traditional fulfillment processes simply do not lend themselves to the demands of tax payments. While it is common for many companies to take 30 days or more to push invoices through AP, they may need to turn tax payments around in a matter of days. Traditional processes also give poor visibility into tax payments, making it difficult to monitor what is going on and to respond to allegations of missed or late payments. Companies that don't have clear visibility into payables, including tax, spend nearly 60% more in resources responding to inquiries than best-in-class companies that do, according to the Aberdeen Group.

Compliance regulations, such as Sarbanes-Oxley, have also created a need for more visibility and documentation, including the required segmentation of duties. This has often made it more difficult for companies to efficiently process tax payments. If a business does miss payments and penalties pile up, its tax and accounting staff are tied up responding to fines and paperwork, potentially falling further behind and creating a vicious cycle that is difficult to break.

Obstacles to Efficient Fulfillment

In order to overcome the various obstacles to efficient fulfillment, a business must first recognize that tax payments are Critical AP requiring priority handling. A company must also work to address several typical challenges it faces in any internal effort to create a better tax fulfillment process.

- + CHALLENGES OF AUTOMATED PAYMENT.** Unfortunately, automated payment is not a straightforward undertaking. Some jurisdictions won't accept EFT for certain tax payments. Other taxing authorities may support NACHA data exchange standards but have reporting requirements that vary substantially from jurisdiction to jurisdiction. Keeping current with this variability is a challenge for both the tax staff as well as the IT organization.
- + DIFFERENT TAXING AUTHORITIES AND REQUIREMENTS.** The tax landscape is increasingly complex in terms of the number of regulatory bodies and types of standards. The tax process requires keeping track of mountains of forms and mailing destinations, visiting different web sites for online payment—each with unique interfaces and access requirements—and attempting to navigate the shifting waters of automated payments.
- + INTERNAL BOTTLENECKS.** Even if a company has tax software that correctly calculates its taxes and prepares returns, that is no guarantee payments will be made on time. The multiple approvers required for large payments can slow the time it takes to get tax bills paid. Often, with the lack of a common platform to expedite resolution, there is a disconnect between an organization's tax and treasury departments: while the tax department is fully aware of the need for payment, it doesn't have access to the bank account and must send payments through the traditional AP channel with its aforementioned cycle-time problems. Additionally, the tax department may not have access to cancelled checks or check images to investigate claims that payments have not been made. It is, simply, difficult for companies to create an efficient, straight-through process for tax payments internally.
- + LIMITATIONS OF TAX COMPLIANCE FIRMS.** In addition to struggling with internal problems, many companies encounter difficulties with this segment of Critical AP when they attempt to outsource the tax fulfillment process. Understandably, companies often first consider their existing external CPA or other advisory firms, but quickly realize it does not make sense for their tax advisor or preparer to also manage tax payments for a whole host of reasons, including a potential conflict of interest. Additionally, these firms may no longer handle the fulfillment process directly due to today's segregation of duties and business transparency requirements.

The solution for businesses seeking to automate tax payment is to contract with a processor that specializes in fulfillment. This processor will work directly with an organization's tax department, with its third-party accounting firms, or both.

Making the Right Choice

Regardless of how you use a tax payment processor, it is critical that you assess three key criteria in choosing a provider.

- 1. THE PROVIDER'S ABILITY TO MATCH YOUR UNIQUE, INTERNAL BUSINESS RULES AND CERTIFICATION REQUIREMENTS.** Today, SAS 70 type II certification is mandatory for a payment processor to even be considered, but such certification is only the starting point for what a processor should be willing to provide. What's most important is that the provider's control processes are able to match your internal business rules and any additional certification requirements. If you are looking to create a new compliance process or enhance your existing process, the fulfillment provider you choose should be able to offer insight into controls and best practices that help you meet your objectives. If you are currently working with a CPA partner, the processor should be able to meet the existing rules and processes of that partner without any involvement on your part.
- 2. THE PROVIDER'S ABILITY TO HANDLE DIFFERENT TYPES AND FORMATS OF PAYMENTS WITHIN THE TURNAROUND TIME YOU REQUIRE.** Timeliness of tax payment is essential, and not all types of tax payments are handled the same way. Your provider should offer a payment engine specifically geared toward the myriad of taxes you face, including state and local levies. It should be able to produce physical checks when needed, to match payments to returns that you provide, and to initiate electronic payments when applicable. Additionally, a payment processor should demonstrate that it is able to stay current with the variable and changing formats and data interchange requirements of the taxing authorities you are subject to.
- 3. THE PROVIDER'S ABILITY TO DELIVER INSIGHT INTO THE PAYMENT PROCESS.** To respond to time-critical demands from taxing authorities, you need instant, dependable access to the history of tax payment transactions, including cancelled check images, via an online system that is easy to use. Additionally, your provider should deliver regular reporting, such as notification of failed check reports, and give you the ability to create business rules around taxes to quickly alert you when certain conditions are met or not met, as the case may be. This can include triggers when approvals for payment are not obtained in time or when issued checks are not cashed.

Meeting these criteria ensures that your payment processor is delivering optimal benefit in the critical areas of efficiency, control, and flexibility. The automated fulfillment process it offers should not only reduce your direct costs of processing tax payments, but also the indirect costs of inefficient processing. Control should be improved because of your ability to gain visibility into the end-to-end tax payment process. And flexibility should be gained not just by virtue of payment automation, but also by the ability to quickly modify rules around tax payments and referral scenarios in ways that simply aren't possible with manual payment processing.

Solving Problems, Uncovering Opportunities

It's time for businesses to confront the challenges and liabilities associated with tax fulfillment. Companies that fail to do so put themselves at risk of making excessive and unnecessary estimated tax payments, suffering massive penalties, and incurring audit-related setbacks. And since the trend toward greater scrutiny, control, and segregation of duties will continue, companies must employ strategies that address these challenges in a flexible, timely, and cost-effective manner.

Whether you're a public accountant or corporate tax professional, the opportunity now exists to address tax fulfillment issues in ways that were not previously possible. Technology has advanced to the degree where fulfillment solutions can automate transactions, derive insights and generate proactive alerts, and enable individuals with tax responsibilities to elevate their own performance. Companies that invest in the fulfillment process are taking another step closer to the end-to-end automation of the entire tax compliance process and toward minimizing overhead costs associated with it.

Automation presents the opportunity to surmount the administrative obstacles that have dragged companies down in the past. Taxes will never go away, but the burden of fulfillment can be eased with an effective, automated solution from an experienced payment processor.

About Anybill

Since 2001, Anybill has automated accounts payable for small- to medium-enterprises (SME) as well as some of the world's largest corporations and institutions. Because accounts payable—in all its iterations, including tax payments—is all we do, we're able to provide innovative and effective software that's wed to superior customer service. We are headquartered in Washington, D.C., are SSAE 16 compliant, and maintain strategic relationships with regional and national CPA firms such as RAFFA, BDO Seidman, KPMG and Ernst & Young.

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