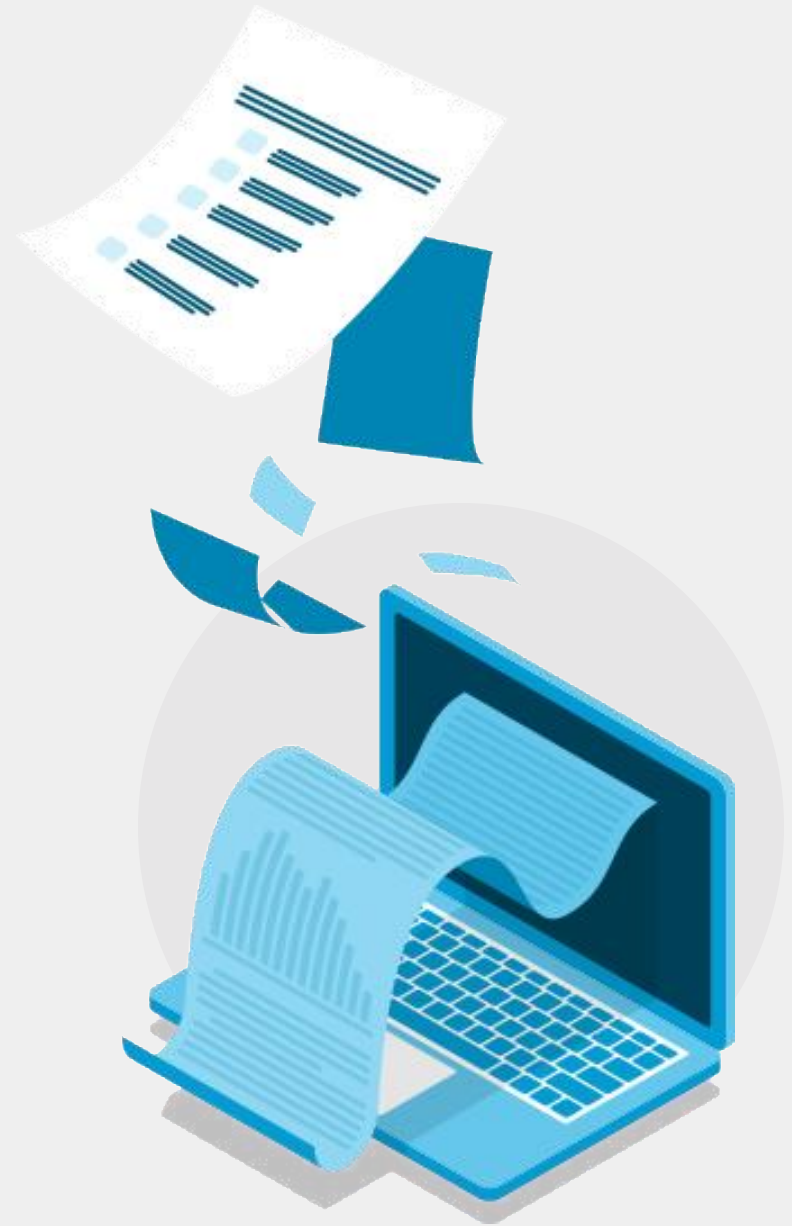


Get ahead of property tax and business license compliance



Disclaimer

While we hope you'll find this discussion helpful, this session is for informational purposes only and is not legal or tax advice.



Avalara

Safe harbor statement

This information is Avalara's confidential information. Materials are solely for use in this context and are not approved for further distribution. This document describes Avalara's intentions as of the date of drafting and may include descriptions of product functionality or technology that are not currently available. Avalara reserves the right to change the functionality, release dates, technology, initiatives, and plans described herein without notice or duty to update.

Continuing Professional Education (CPE)



Qualifying for credit

- Respond to **3 of 4** poll questions
 - Questions display for a limited amount of time
 - Select your answer and click submit
- Attend at least **50 minutes** of the webinar



Downloading Certificate

- Download the certificate once you qualify
 - Find the Earn Certification box
 - Click the icon to download
- Those that qualify will also receive their certificate in a post-event email

Meet your presenters

Meet our presenters



Melissa Schad

Senior Product Solutions Engineer, PMP
Avalara



Andrea Jaffe

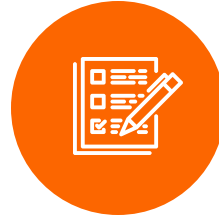
Senior Director of Professional Services, CPA
Avalara

Agenda

- 1
 - Essential components of property tax and business license compliance.
- 2
 - The differences between property tax, business license, and sales tax obligations.
- 3
 - Key areas where businesses need to pay close attention to property tax and business license requirements to remain compliant and avoid penalties.
- 4
 - Similarities in data and processing for property tax and business license management.

Essential components
of compliance

Three types of Business Licenses



Business Licenses

Issued by the government to grant permission to conduct operations within their borders.



Permits

Certifications that safety and health requirements are met, generally issued for one-time actions on a specific parcel of land.



Tax Registrations

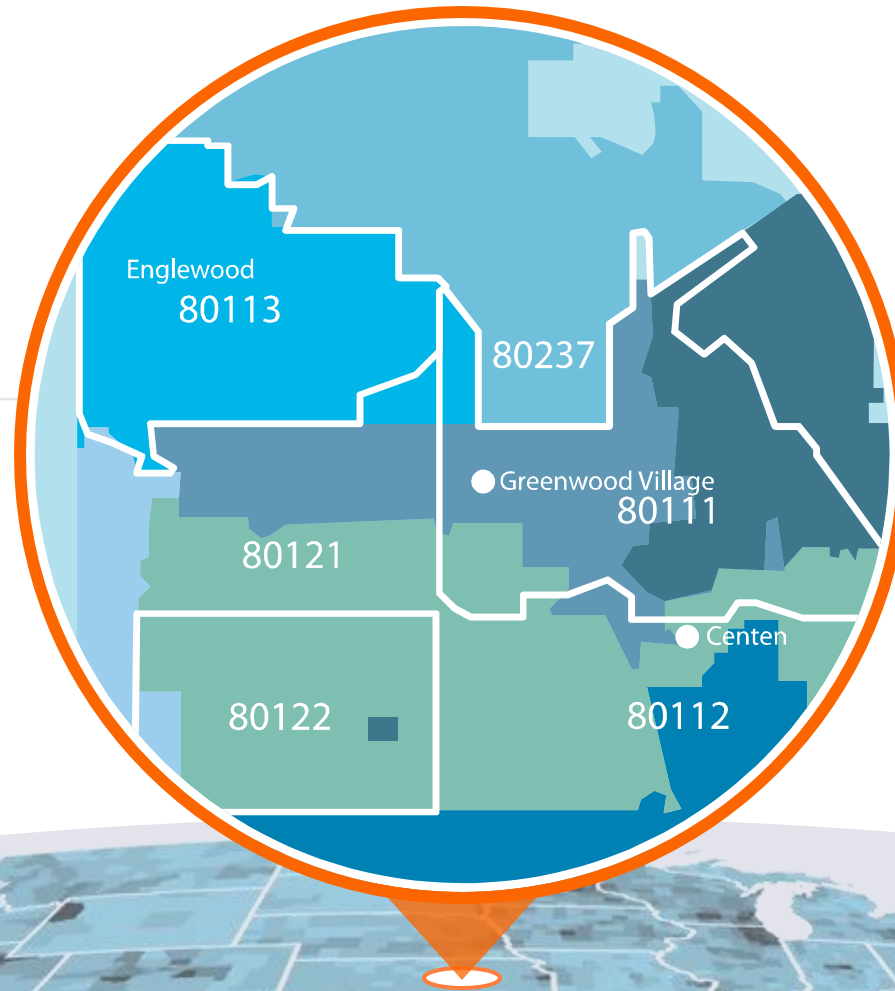
First step the government requires to begin collecting taxes from a business.

There are 50 states, 3,000 counties, and 35,000 municipalities in America.

Each one of these government authorities can set and enforce their own business licenses.

There are also 1000s of special purpose districts that overlay all the municipalities.

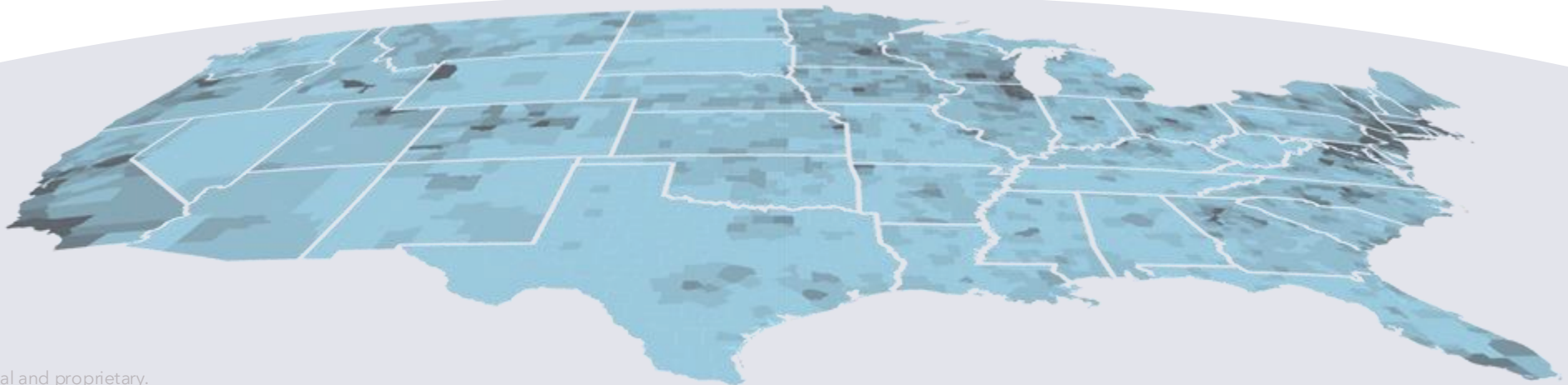
Maintaining compliance in all these jurisdictions takes time, resources, and money.



3+ hours

The majority of compliance professionals spend more than three hours researching and preparing applications for a single new location; many of them have a lot of locations*

* Survey conducted by Chain Store Again and sponsored by Avalara in 2022



Business License Compliance

Possible consequences

For a late renewal...

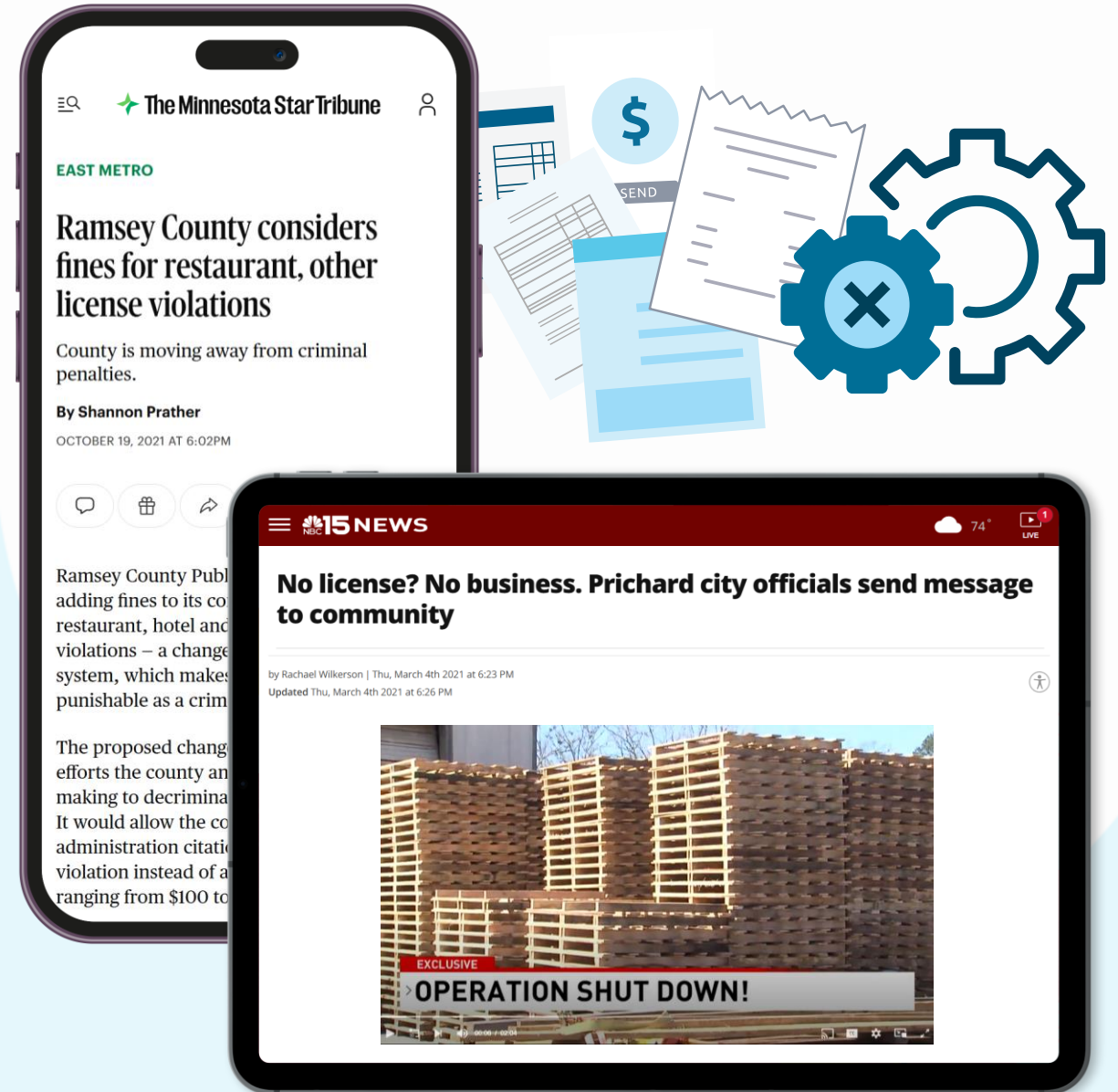
It could trigger just a sternly worded letter on one hand or a hefty financial penalty tied to the original application fee on the other.

For an expired and/or missing license...

It depends. Allow a liquor license to expire and it may be permanently revoked. Allow a contractor or healthcare license to go missing and you may have to explain yourself in court.

The bottom line...

It's very hard to predict the consequences of being out of compliance, so it's best to stay compliant and that takes time away from your other work.

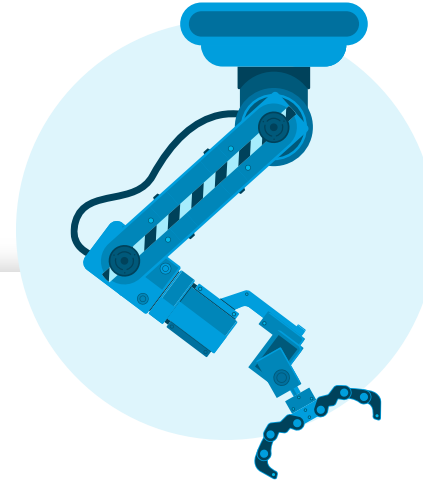


Real vs. personal property tax



Real property

- Land (e.g. golf courses or parking lots)
- Buildings (e.g. warehouses or hotels)



Personal property (movable assets)

- Machinery
- Computers
- Supplies
- Copiers
- Tools
- Furnishing or shelving
- PoS devices
- Equipment
- Medical devices
- Etc.

The property tax compliance cycle

Receiving
bills



Filing personal
property returns



Receiving
assessment notice



Appeal and audit
management



Timely
payment



Planning and
strategy



Taxability analysis
for compliance



Appraisal and
valuation support



Expert
testimony

Amidst all these necessary processes, there's different rules and regulations in every jurisdiction.
Data maintenance, therefore, is crucial but difficult.

Property tax compliance is challenging



Returns

For personal property tax, companies still need to print and mail returns in almost all counties across 37 states



Assessments

These need to be compared to the prevailing fair market value and there is limited time to appeal and there are more than 10,000 assessors in the US alone



Bills

Companies receive tax bills from a myriad of jurisdictions, each with different rules, discounts, penalties, and due dates



Documents

All these documents need to be organized and indexed for rapid retrieval and audit support, as well as tracked to avoid penalties from missed due dates

Tax vs. business
compliance

Property tax versus sales tax



Direct vs.
indirect tax



Annual payment
vs. when goods
are sold



Valuation vs.
legislated value



The option
to appeal



Sales Tax

- 1 It's typically only been about states (with some "home rule" states).
- 2 It's triggered by nexus which has fairly defined rules.
- 3 The volume of transactions is highly relevant.
- 4 There's little distinction between regulated and non-regulated activities.
- 5 Sales tax registrations typically never expire.
- 6 Sales tax compliance is the responsibility of tax departments.

vs



Business Licenses

- 1 It's about states, counties, and local municipalities.
- 2 It's triggered by evolving and arbitrary rules and ordinances.
- 3 The number of "locations" is highly relevant.
- 4 There's a big distinction between regulated and non-regulated activities.
- 5 Business licenses expire and thus their lifecycles need to be maintained.
- 6 Business license compliance can be the responsibility of tax, legal, compliance, real estate, operations, or nobody at all.

Business Licenses – Critical Considerations

The need for business license support must be measured using two criteria



How many locations do you operate in?

This is not the same thing as evaluating nexus, which is important for the sake of sales tax registrations. But for business licenses in general, the question is whether they conduct business in a municipality.

Keep in mind that a location often means a brick-and-mortar store, but not always. It can refer to service areas, mobile units, transitory stores, kiosks, etc.



Business Licenses – Critical Considerations

The need for business license support must be measured using two criteria



Are you in a regulated or non-regulated industry?

Selling regulated products (food, liquor, heavy machinery) require more licenses than non-regulated products (apparel, furniture, cosmetics).

Providing regulated services (construction, transportation, healthcare) require more licenses than non-regulated services (real estate, administrative support, software).

Moreover, it's not just that regulated industries require more licenses. It's also that those licenses require more steps to obtain (notarization, surety bonds, fingerprints).

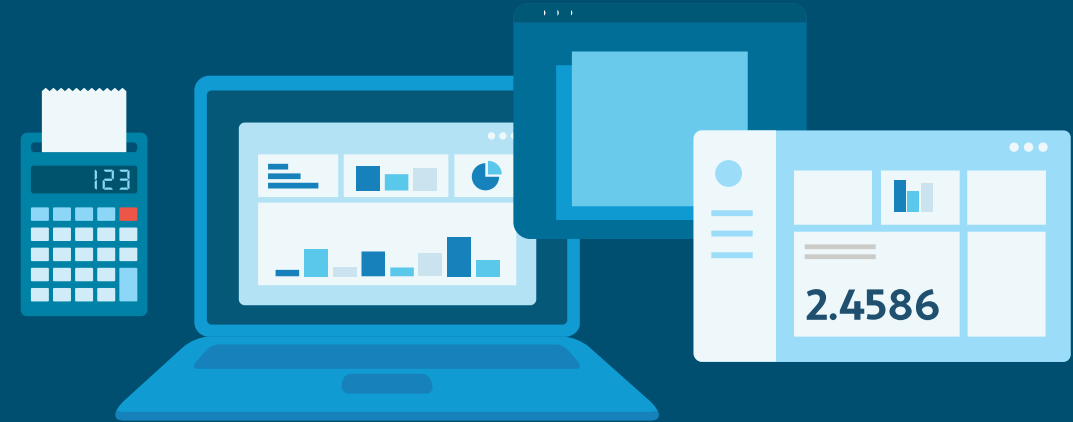


Trigger events

Defining trigger events

When does your company need to pay attention to business licenses and property tax

- Business expansion
 - Mergers
 - Partnerships
 - Acquisitions
 - Geographic expansion
- Relocation of business assets
- Equipment purchase or lease
- Divestiture or sale of assets
- Company reorganization



Tips to stay compliant:



Keep detailed records



Consult with professionals



Stay informed on local regulations



Invest in software



Business expansion and the M&A landscape

Determining filing requirements
in new jurisdictions

Identifying abatement
opportunities

Keeping existing exemptions and
abatements intact

Ensuring bill accounts are tracked
and all new accounts are updated
to avoid penalties and late fees

Legal entity changes in property
tax reporting

Mailing address changes with all
assessors and collectors

Ensuring prior cost/value
reporting is in line with parent
company standards

Reviewing valuation post
reporting and identifying appeal
opportunities or flags

Auditing assets and property for
acquired companies, including
ERP data

Needing to understand and
transition open appeals and/or
audits



Relocation of business assets

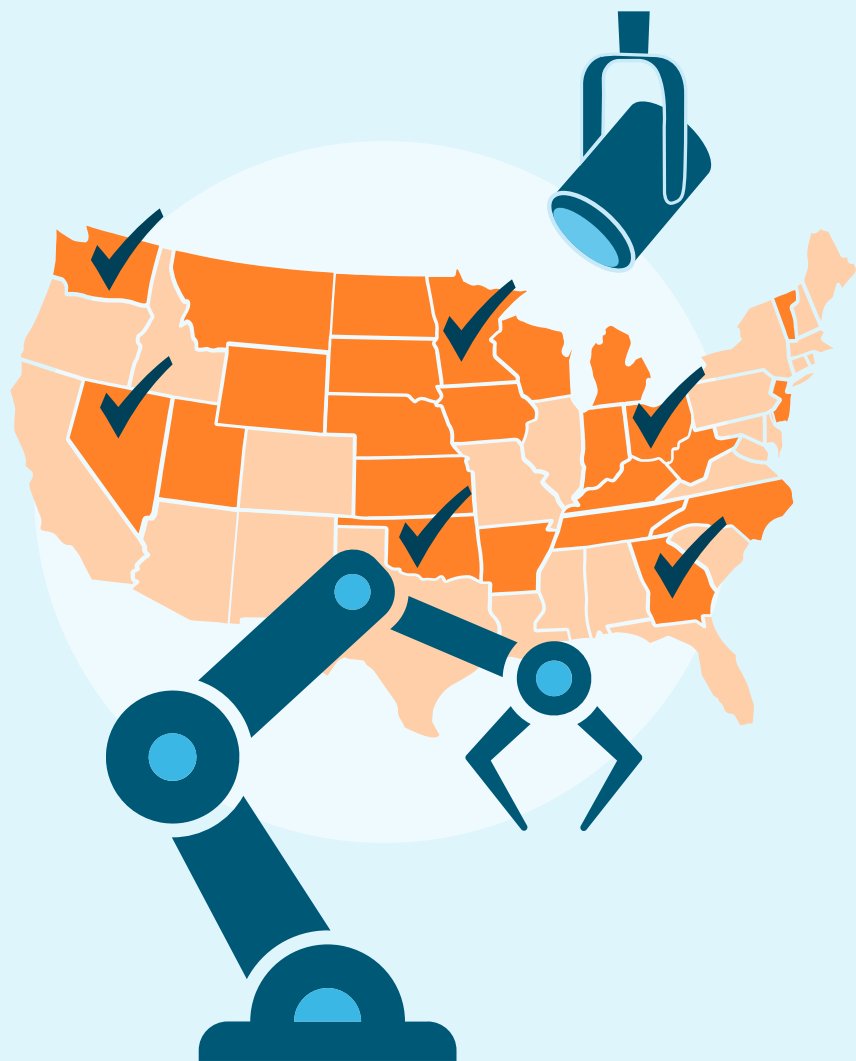
Some jurisdictions require licenses for certain equipment, others do not

Moving assets may mean a company is subject to different tax rates or valuation methods, which can impact tax bills

Certain jurisdictions may require amended licenses when assets are moved or when there is a change in business activity levels

Expansion to new locations

Equipment purchase or lease



Business personal property is often taxable and must be reported

Timing of purchase can influence speed of assessment and addition to property tax bill

Some specialized equipment may require new or different licensing

New equipment may reflect new products being sold, which would require new licensing

If you lease equipment, the agreement may include property tax obligations

Some companies lease equipment and place it at different locations—this new location may require a new license

Divestiture or sale of assets



If you do not cancel certain business licenses, the business may be required to continue payment

Businesses may also need to apply for new licenses that reflect the business scope

Sale of property or business assets can lead to property tax adjustments or refunds, depending on the timing/nature of the sale

Sole personal property should be reported on a property tax return if applicable

Some jurisdictions require notice of changes in business activity to maintain compliance



Company reorganization

Reorgs can trigger property tax reassessment

Revaluation of real estate and business assets can increase tax liability if market value has appreciated

Business officers can be tied to specific business licenses

Property tax exemptions can come with specific filing requirements and deadlines

Any change in business structure can change the mandated requirements whether that is changes in locations or products sold

Property tax exemptions can come with specific filing requirements and deadlines

Some jurisdictions require notice of changes in business activity to maintain compliance

Simplified data
and processing

Use technology to **automate data entry**



- Minimize data entry
- Decrease human error
- Validate data accuracy
- Decrease overpayment
- Improve reporting/visibility
- Third-party mailing solution integration
- APIs

Use technology to **improve due date tracking**



- Visibility across property tax bill/assessment/return and license deadlines
- Alerts for upcoming deadlines
- Avoid penalties
- Validate missing property tax bills/assessments/returns and licenses
- Managing task allocation
- Improve reporting

Use technology to **manage liability**



- Visibility across compliance activities/centralized documents
- Scalability
- Due date tracking
- Supporting documentation
- Data validation
- Current forms
- Audit trail
- Employee engagement
- Security
- Automatic software updates for most current functionality (SaaS)
- Accruals/Budget

Avalara Property Tax

A whole new way to look at property tax management



Minimizes risk of missed due dates, tax bills, and assessments.



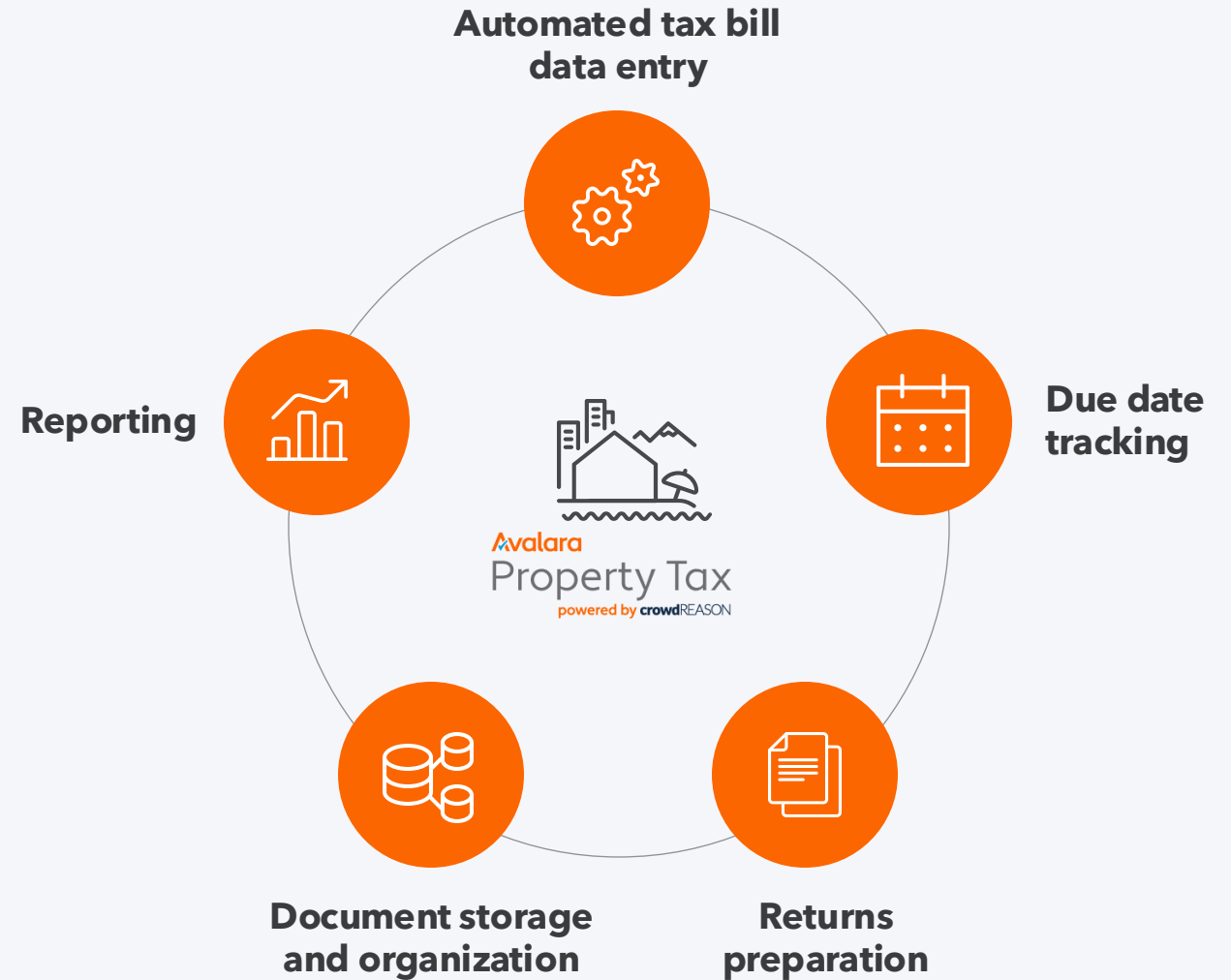
Accurately and securely automates data entry.



Reduce tax liability with improved reporting, returns, assessments, and appeals visibility.



More time to focus on appealing or validating assessments



How we do it - Avalara License Management



Streamlines a sprawling business license portfolio into **one secure software platform**



Enables collaboration between departments that obtain, renew, and pay for licenses



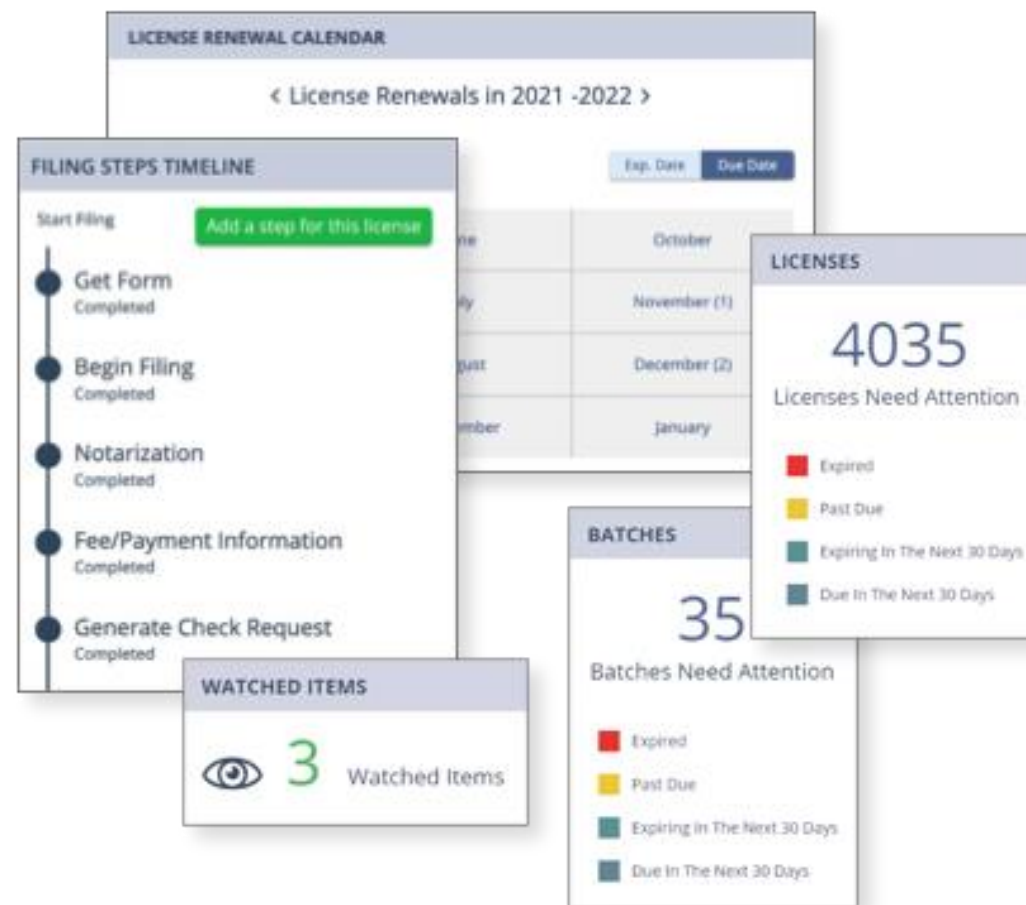
Provides research, filing, and renewal workflow tools tailored to your unique needs



Minimizes non-compliance with a dynamic calendar and proactive email alerts

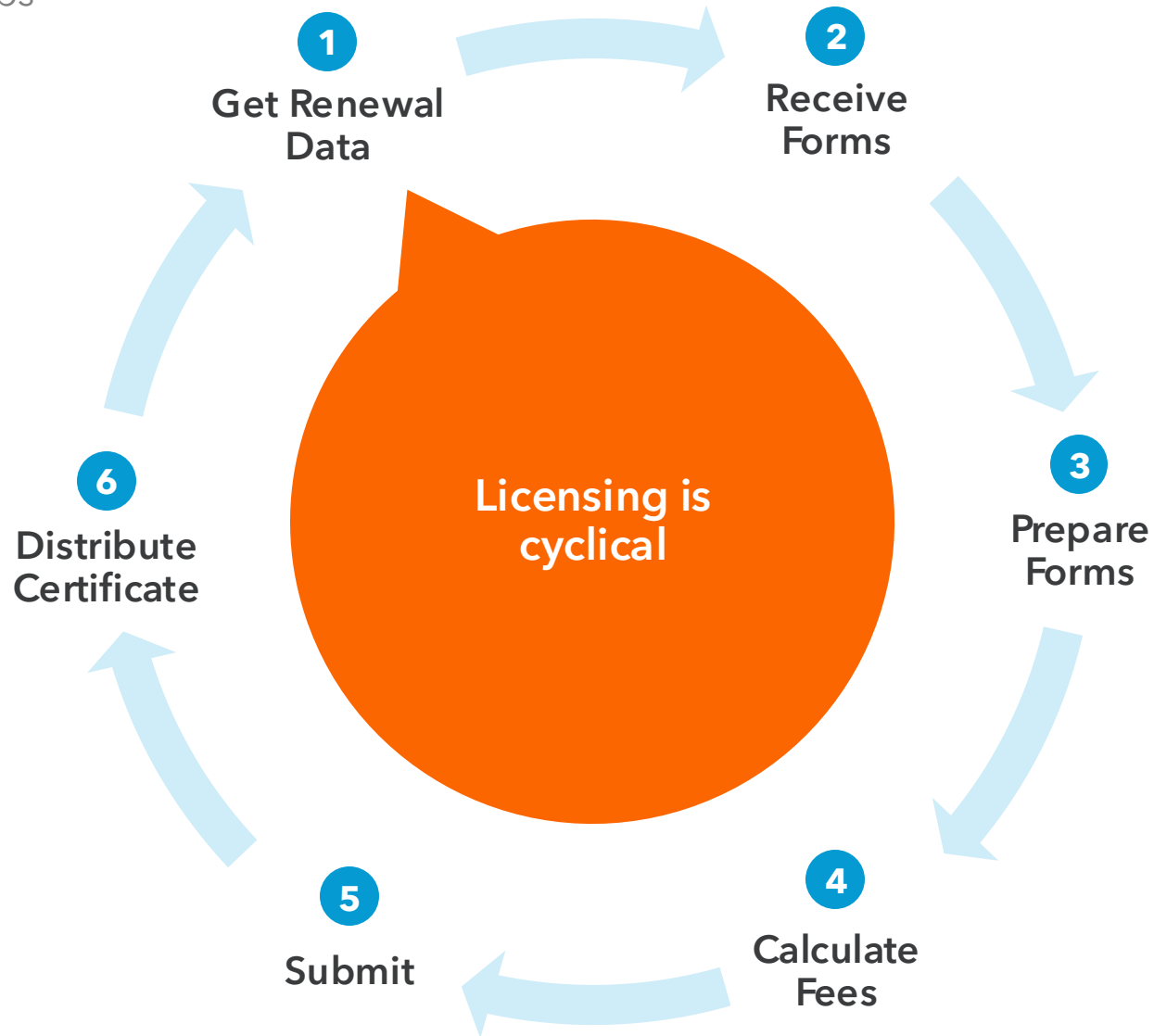


Frees up time spent on repetitive tasks such as manually filling in forms



A license lifecycle

Common steps



Get Forms Notarized

Controller Approval

Get Surety Bond

Submit Fingerprints

Original Signature

E-Verify Confirmation

Append Menus

Append Spec Sheets

Q&A

Continuing Professional Education (CPE)



Qualifying for credit

- Respond to **3 of 4** poll questions
 - Questions display for a limited amount of time
 - Select your answer and click submit
- Attend at least **50 minutes** of the webinar



Downloading Certificate

- Download the certificate once you qualify
 - Find the Earn Certification box
 - Click the icon to download
- Those that qualify will also receive their certificate in a post-event email

Avalara

Tax compliance done right