



IN THE BUSINESS OF YOUR SUCCESSSM

Learn how Cornell Storefront Systems® leverages their ERP to remain compliant with ever-changing Sales and Use Taxes!

An ADP ® Webcast
Wednesday, October 26, 2011
12 PM Eastern



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- This is one of a number of complimentary webinars that ADP offers to finance and HR professionals each year.
- Today's webinar will last for 60 minutes, ending at 1 pm Eastern.
- The last 10 minutes of today's program have been reserved for Q&A.
- A PDF copy of today's slides is available right now for download.
- CPE and/or RCH certificates will be emailed to those who qualify within 30 days of today's broadcast.
- Please participate in our brief survey at the conclusion of today's webinar.



About ADP

Over 570,000 clients
worldwide

Pays 1 out of 6 in the U.S.
33M worldwide



Founded in 1949
Went public in 1961

45,000 Associates
In 60+ Countries

▪ Revenues of approximately \$10 Billion

Electronically 'moving'
\$1 Trillion annually

1 of 4 AAA Rated U.S. Industrial Companies
(by Standard & Poor's & Moody's)

**One of the world's leading providers of
technology-based SaaS solutions to employers**

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■ Are you planning to apply for CPE and/or RCH credits for attending today's webinar?

- A. CPE Credit Only
- B. RCH Credit Only
- C. Both CPE & RCH Credits
- D. No
- E. Not Applicable

You must complete the survey at the end of the webinar too!

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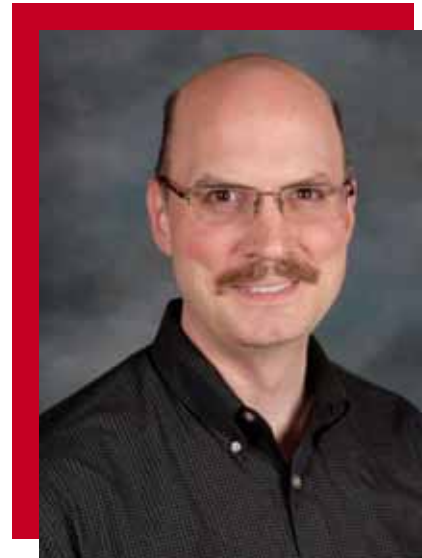
- Log in from same e-mail address that you used to register
- Stay for the full hour
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- Answer the required survey questions



Today's Panel



Dan Broda
Cornell Storefront Systems



John Sallese
ADP, Inc.

Agenda

- Introductions
- Challenges of Tax Compliance
- Case Study: Cornell
- Calculating Taxes with Microsoft Dynamics®
- ADP Outsourced Returns
- Implementation
- Questions and Answers
- Conclusion



Polling Question #1

■ Which of the Microsoft Dynamics suite is your company currently using or considering?

- A. GP
- B. Navision (NAV)
- C. Solomon (SL)
- D. AX
- E. Not Applicable/Don't know

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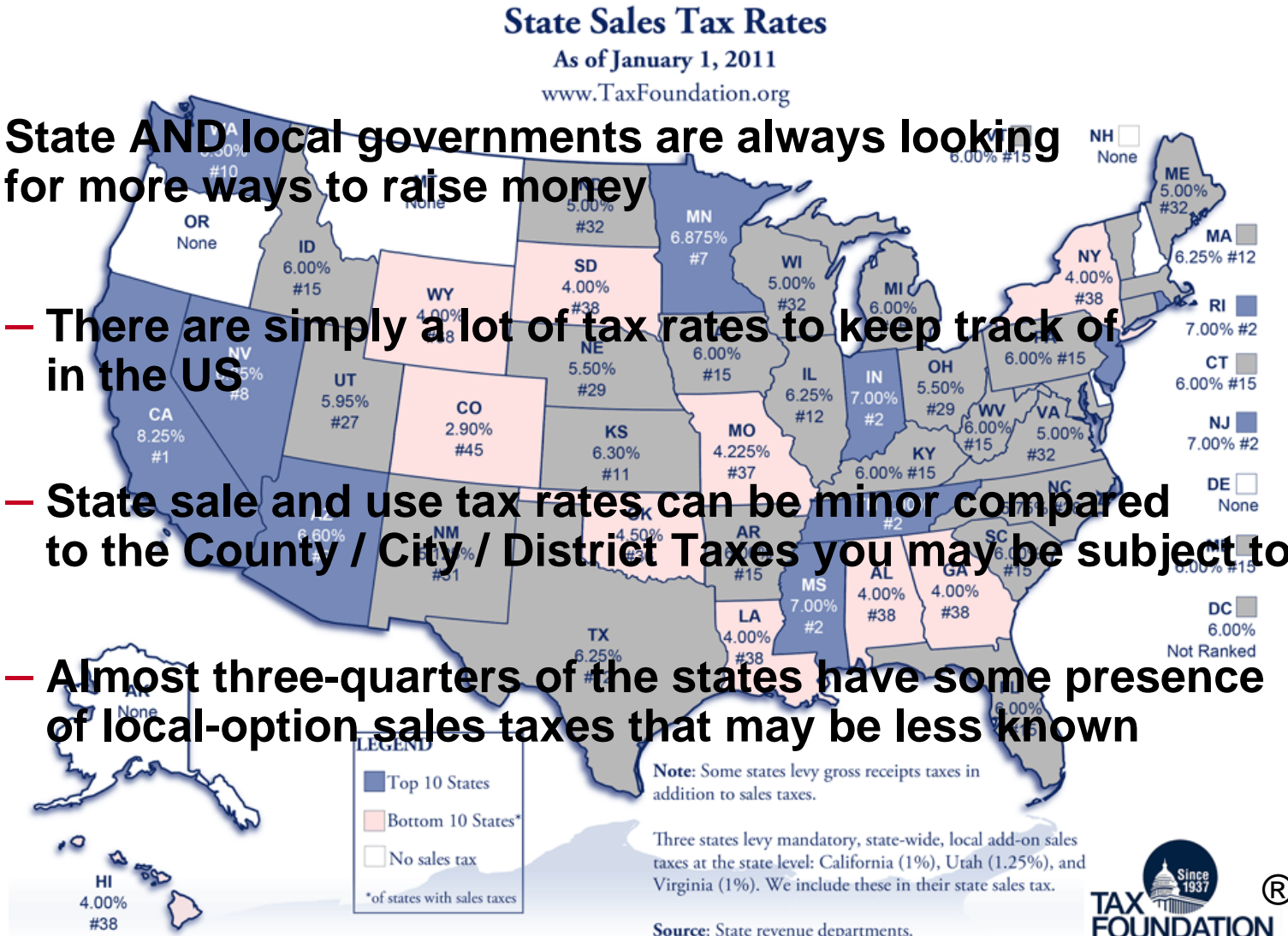
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Challenges of Tax Compliance



Challenges of Tax Compliance

- **State AND local governments are always looking for more ways to raise money**
- **There are simply a lot of tax rates to keep track of in the US**
- **State sale and use tax rates can be minor compared to the County / City / District Taxes you may be subject to**
- **Almost three-quarters of the states have some presence of local-option sales taxes that may be less known**



Challenges of Tax Compliance

- **Tax rules change, and they change often:**
 - 1,400* Rate changes in 2010
 - 1,417,057* rule updates and additions in 2010
 - 387* form changes in 2010

** According to ADP's indirect tax research team*



Challenges of Tax Compliance

Tax Research Facts *

■ Recent Tax Law Changes

- **Fashionistas Beware** – Last July, Connecticut eliminated their full exemption for clothing priced under \$50 and replaced it with a luxury tax which taxes clothing (as well as handbags, luggage, wallets, and watches) priced over \$1,000 at the special rate of 7%.
- **The Voters Speak** – In a recent election, voters in the Commonwealth of Massachusetts repealed a recently enacted sales tax on alcoholic beverages.
- **Lottery Fever** - Puerto Rico has implemented a lottery system (IVU-Lotto) to encourage merchant compliance with their sales tax regime. Filers may be awarded cash or fabulous prizes.

* According to ADP's indirect tax research team

Challenges of Tax Compliance

- **Mergers/acquisitions and business growth adds to compliance workload**
- **Struggling with state and local jurisdictions**
- **Running into penalties and fees**
- **Sales tax department spending 70-80% of time on compliance**
 - Less time for strategic issues
 - Less time for process improvements
 - Less time for technology enhancements



How Do Companies Currently Handle It?



How Are Companies Currently Handling Compliance?

■ Manual

- ERP systems are manually updated when tax rates or tax laws change
- Reports and spreadsheets are manually consolidated to populate paper or web forms

■ Compliance Software

- Software containing rates and forms with more or less robust import features/abilities

■ Third Party Services

- Utilizing external service provider to maintain tax rates and file forms



Why Companies Choose to Automate

- **Keeping up with tax law changes is time consuming**

- There are 13,253 tax outcomes for over 8,000 taxing jurisdictions and between 800 and 1,400 tax rate and rule changes every year in the US
- Changing tax rules for both product and purchaser
- Sales tax holidays

- **Forms updates**

- Most rate changes impact tax forms and need to be updated
- Some jurisdictions regularly change forms
- Tax authorities won't accept out-of-date forms

- **Tax compliance is costly and cumbersome**

- A drain on the bottom line
- U.S. companies typically spend more than \$100 billion in a single year to solve this problem*

* *The Cost of Tax Compliance, Scott Moody, Sr. Economist, Tax Foundation, 2002*

How ADP Can Help!

- **Implementation and setup of service for Outsourced Returns:**
 - Returns management
 - Implementation and setup of service
 - Fund management and payments
 - Notice management with timely responses
- **Tax calculation**
- **A service provider with the expertise to answer your questions and understands your issues**

Case Study: So How Does Cornell Storefront Systems Handle This?



Case Study: Cornell Storefront Systems

- **Security closure and services solution provider**
- **Cost effective closure solutions with anywhere, anytime service**
- **Cornell Storefront Systems was established as the national account arm of Cornell Iron Works**
- **Cornell Iron Works founded 1828**
- **Family-managed business, with fewer than 40 employees**
- **Managed growth through innovation, a sterling reputation and determination**

Case Study: Cornell Storefront Systems

■ Company Background

- Current ERP: Microsoft Dynamics NAV
- Doing business across the U.S. and Canada
- Generate about 1300 invoices a month
- Filing multiple tax returns across the U.S.
- Mobile service personal across the U.S.

Case Study: Cornell Storefront Systems

- **Why did we such for an outside vendor to assist us with Tax Compliance?**
 - Small company with small administrative staff looking to focus on core business
 - No in-house expertise in Sales and Use Tax
 - Very manual to maintain all tax rates in our current system where we do business
 - Did not know all the tax rules in the states we were currently doing business and needed help
 - We could not cost justify hiring someone to handle this function

Case Study: Cornell Storefront Systems

■ Why we picked ADP Sales and Use Tax

- Sales service went above and beyond
- Strong Customer Service: I could talk to the tax experts directly
- We wanted a strong solution that would provide us both rates and product taxability rules
- We felt because of ADP's experience in the business they would be a good partner to help us

Polling Question #2

- **Are you currently using an external tax “bolt on” to calculate taxes? If so, which one?**
 - A. Vertex®
 - B. CCH
 - C. Other
 - D. Not Applicable/Don't know

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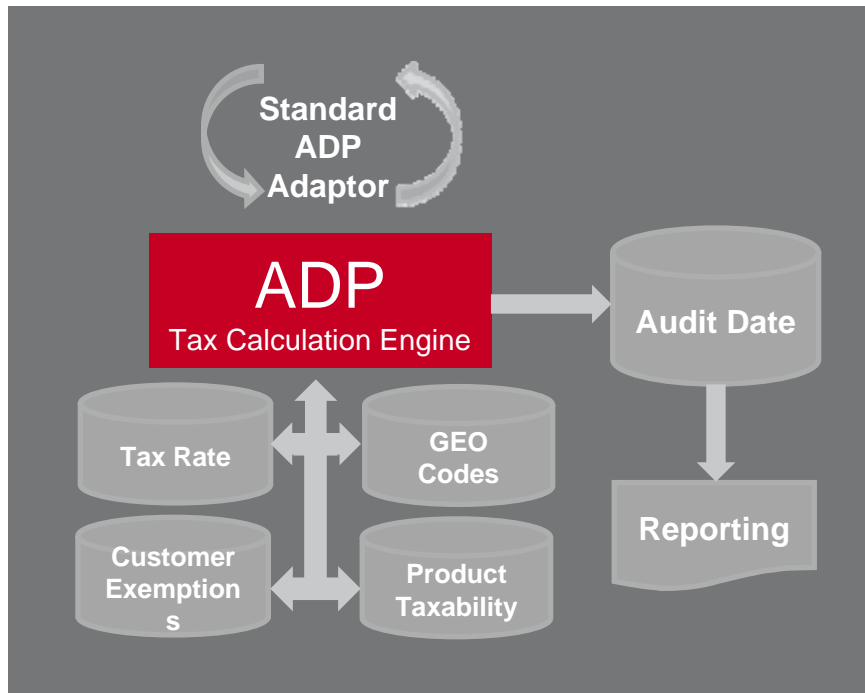
Sales and Use Tax Calculation



Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine

- **Benefits of using an external tax calculation engine in Microsoft Dynamics ERPs**
 - Quick deployment of the adapter
 - Minimize setup (no setup for taxes is required, only for the ADP adapter)
 - Detailed tax calculation results with determination of jurisdictions
 - Benefit of using standard tax rates and product taxability rules built in and maintained by ADP
 - The standard functionality such as tax reporting is fully compatible with the tax calculation functionality provided by the adapter

Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine



- Standard Adaptor supported by ADP
- Automate Sales and Use Tax Calculation

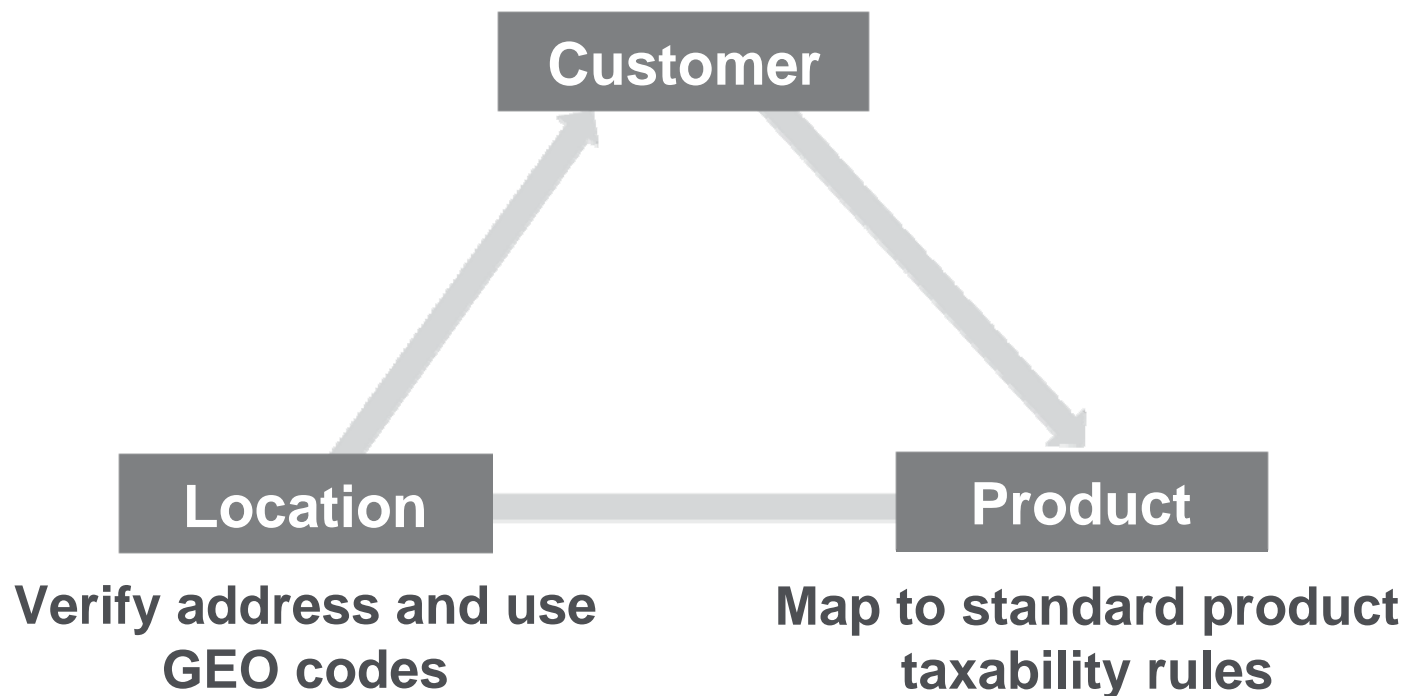
Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine

- **What you want in a standard integration:**
 - Simple installation and easy setup
 - Seamless integration between Microsoft Dynamics GP and the ADP Sales and Use Tax System
 - Sales and use tax based on the ADP Sales and Use Tax System
 - Support U.S. and Canadian taxing
 - Automatically recalculates taxes when shipping addresses change

Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine

- **The Tax Calculation Triangle: Getting to the correct rate**

How do you want to manage customer exemptions?



Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine

- **Determining the correct address for tax calculation**
 - Microsoft Dynamics ERPs access the ADP tax engine's built-in address-driven methodology, which identifies zip codes within multiple counties and/or cities, and recognizes outside-city limits conditions
 - Address determination can also capture additional information, such as county names and codes
 - Once the “correct address” is determined a GEO codes can then be assigned to the tax calculation

Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine

- **Exemption Certificate management**
 - Know what you have exempted and why when the auditor comes in
- **Ability to manage exemptions and handle special product codes taxing**
 - Reduced manufacturing rates
- **Rules based on customer or customer locations**
- **Rules based on vendor or vendor locations**
 - Manage enterprise zones or negotiated rates

Calculating Taxes with Microsoft Dynamics using the ADP Tax Engine

- **How Microsoft Dynamics ERPs utilize the standard Product Taxability Rules in the ADP system:**
 - Out-of-the-box standard product codes: More standard content means less customization, less maintenance, and faster time to production
 - Monthly updates include:
 - New content
 - Law changes
 - Rate changes
 - Special tax rules:
 - Special fees
 - Tax holidays
 - Special tax zones
 - New content is continually added to cover new tax rules and industries

Polling Question #3

■ **Have you recently had an unfavorable audit assessment?**

- A. Yes
- B. No
- C. Not Applicable/Don't know

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Polling Question #4

■ How are you currently filing your tax returns?

- A. Manually
- B. Utilizing Forms software
- C. Outsourced to a third party
- D. Not applicable/Don't know

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Outsourced Returns

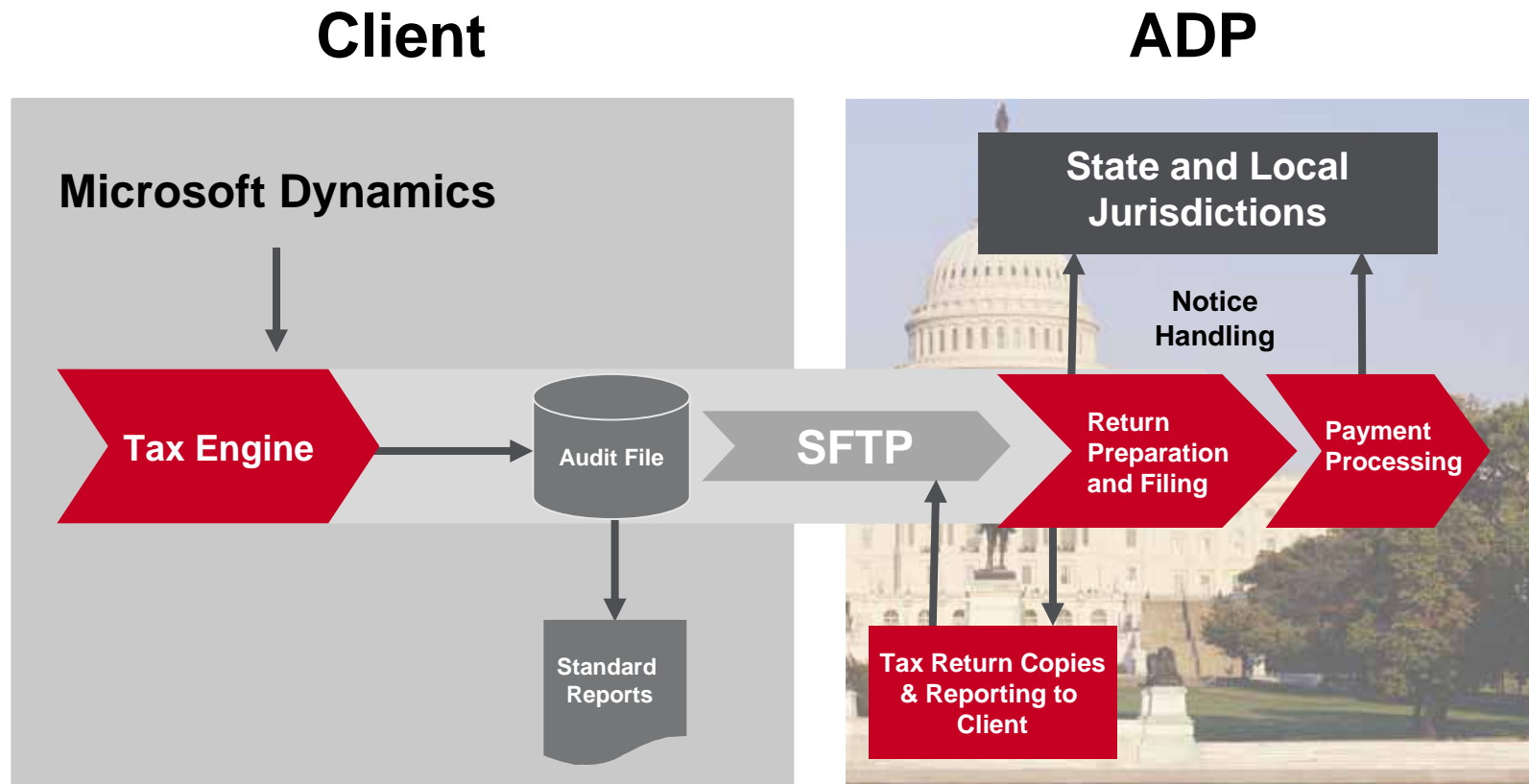


Outsourced Returns: Overview

- **Taxes calculated using ADP**
 - Create and file Sales and Use Tax returns (paper, EDI, web)
 - Make payments (EFT, check)
 - Handle all agency notices
- **ADP handles the payment and filing of taxes to all state and local jurisdictions**
- **ADP has 60 years of payroll tax filing and remittance experience – more than any other U.S. company**



Outsourced Tax Returns: Workflow



Outsourced Returns: Calendar



ADP Outsourced Returns:
Calendar / Processing
Schedule

Outsourced Returns: Calendar

Business Day 1-4

Customer transmits data – via secure FTP as soon as books are closed (AR/AP)

Business Day 5-8

ADP prepares returns and reconciles source data to returns

Business Day 8-10

Returns and reports available for download.
Debit notice sent to customer – (S/U Liability)

Business Day 10-15

Funds transfer (wire, ACH credit)

Due Dates

ADP executes payments on behalf of client and files returns as required (web, EDI, paper)

Outsourced Returns: Overview

- **Pre Payments/Estimated Payments**

- ADP will track your schedule, remind you and execute the payment on your behalf

- **Adjustments**

- ADP will make adjustments to returns based on client instructions

- **Holds**

- ADP will track your holds and release as appropriate

- **Amended Returns**

- ADP will prepare based on client instructions
 - Additional fees may apply

Outsourced Tax Returns: Reporting

- **Return Copies**

- ADP provides copies of all returns for review by client


- **Reconciliation Reporting**

- Showing data in vs. data out and any differences on a high level

- **Detailed Reporting by Return**

- Breakdown of amounts by return, showing data received, holds, adjustments, pre-payments, discounts, etc.

Outsourced Returns: Customer Portal



Outsourced Sales Tax Compliance

Download

Adjustment

Reminder

Download

- [Reports](#)
- [Returns](#)

Adjustment

- [New Adjustment](#)

Reminder

- [View Reminders](#)

List of Files

[-] Reports

- [-] OSTC5
 - [-] 200807
 - [RPT OSTC5 200805 ReportName1.pdf](#)
 - [-] 200806
 - [RPT OSTC5 200806 ReturnName1.pdf](#)
 - [-] 200805
 - [RPT OSTC5 200805 ReportName1.pdf](#)

Outsourced Tax Returns: Implementation Assistance

- **ADP assigned a project manager and team at beginning of implementation**
 - Professional project plan, status calls, notes, issue resolution
 - Last thing I needed was to be project manager on another project
 - Tax calendar, file formats, reporting expectation, powers of attorney, banking, etc. all handled
 - Programming specialist worked with our IT department



The Project Manager and Team

Outsourced Returns: Implementation

- **ADP takes responsibility to make sure the implementation goes smoothly**
 - Dedicated project manager to implementation
 - Fixed price to get it done
- **No such thing as self service implementation when it comes to client data**
 - Expert in both tax and implementation to help client through process



Outsourced Returns: Implementation

- **Requirements/Design**
 - Gather required information about customer
- **System Configuration/Setup**
 - ADP will configure and setup system to process returns
- **Development Mapping or Data Conversion Process**
 - Required for stand-alone customer to verify data
- **Testing**
 - ADP will test configuration and setups to make sure we have it right
- **Client Acceptance and Approval**
 - Did we meet your expectation?
- **Transition to Client Services**

Month 1

M	T	W	T	F	S	S
1	2	3	4	5	6	7
8	9	10	11	12	13	14
15	16	17	18	19	20	21
22	23	24	25	26	27	28
29	30					

Month 2

M	T	W	T	F	S	S
		1	2	3	4	5
6	7	8	9	10	11	12
13	14	15	16	17	18	19
20	21	22	23	24	25	26
27	28	29	30	31		

	Requirements / Design
	System configuration and setup
	Testing
	Client Acceptance

6 to 8 week average timeframe,
(1 to 3 data feeds & FEINS)

Q&A



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