

Case Study:

Morris Communications Selects ADP to Improve Sales and Use Tax Compliance



At a Glance

ADP Products & Services Used

- ▶ Sales and Use Tax System
- ▶ TaxSolver

Morris Communications owns hundreds of media outlets all across the United States. This privately held, Georgia based enterprise, owned by the Morris family since 1945, spans multiple forms of media, from newspapers and magazines to outdoor advertising, from radio stations to book publishers, from city visitor guides to online services. The holdings of this company stretch from the Florida panhandle all the way to the very tip of Alaska.

You're a customer of Morris Communications if you read one of more than two dozen regional daily newspapers such as the Florida Times-Union, The Topeka Capital-Journal, or the Juneau Empire... listen to one of more than 32 radio stations in midsized cities across the country such as WIBW AM & FM in Topeka, KGNC AM & FM in Amarillo, or KBRJ-FM in Anchorage... or subscribe to one of a number of sportsman magazines such as American Angler, Boat Broker, or Quarter Horse News.

Complex Sales and Use Taxes Require Automation, Sophisticated Product Content

Like any American corporation with a large number of operating divisions, Morris Communications has long faced difficult challenges in complying with the more than 8000 sales and use tax laws and regulations in the U.S. Not long ago, each of the company's 37 operating divisions calculated their own sales and use taxes and filed separate returns with the appropriate governing body. That led to a lot of overlap, and each of these divisions needed to have a tax manager on board to keep pace with ever-changing requirements.

In most divisions, the tax manager checked purchases manually and flagged items that were subject to either sales or use tax. The operating groups typically erred on the side of caution and paid the higher tax whenever there was uncertainty. The end

result was that the company routinely overpaid its sales and use taxes – sometimes by a substantial amount. Beyond the sheer calculation of tax, the tax returns were also prepared manually in each office. This resulted in a considerable duplication of effort. For example, Morris Communications has multiple groups that operate within the same taxing jurisdictions. In these instances, the divisions filed duplicate returns.

That all began to change in August of 2002, when Deedie Long accepted a position in the newly formed Shared Services Center. Shared services consolidates administrative functions across all Morris Communications companies, providing standardization, cost savings and streamlined financial and business processes to improve customer service and efficiency. First, the company made the decision to use an SAP product for advertising, circulation, and financial reporting. Long, as the head of the procure-to-pay process, next turned her attention to consolidating sales and use tax compliance. She was promoted to director of shared services and began looking for an automated tax system that could benefit the company.

“Taxability Matrix” A Major Reason for ADP Being Selected

“Sales and use tax reporting was not our number one priority in terms of establishing the shared services concept,” Long said, “but after we got our core business processes up and running, it became obvious that this was an area where centralization under the shared services framework could achieve significant cost savings and at the same time improve our compliance efforts.

We looked at various tax solutions and elected to go with ADP's Sales and Use Tax System. The biggest reason that we chose an ADP solution is because of their Taxability Matrix, which makes it possible to map each purchase to the correct product code at the time the purchase order is generated."

"ADP's Sales and Use Tax System product codes make it possible for us to distinguish between office supplies, which are usually taxable, and newsprint, which usually is not," Long said. "Product codes also allow Morris Communications to create our own, very specific codes. For example, we have one product code that distinguishes between different departments using the same material. This is important because some items, such as computers for a newspaper, are exempt from taxes if used by the editorial department. This is a subtle distinction that was extremely difficult for us to track in the past, which is why we often paid the extra tax to avoid the headache."

"Let me give you another example where the Sales and Use Tax System is paying dividends for Morris Communications," Long continued. "In some parts of the country, if you sell a publication then you don't need to pay tax on the printer's bill. On the other hand, if you give the publication away, such as a free city guide, then you do need to pay tax on the printing. We have set up product codes for these and other situations that handle virtually every possible tax situation. The product codes provided by ADP are extensive; they enable a higher level of automation that saves us time downstream by eliminating the need to go back and look at individual purchases. If we were using a competitive product it's likely that a lot more manual effort would be required."

"We also appreciate ADP's strong research department. They stay on top of all changes and update us on a monthly basis so we no longer have to maintain that expertise locally."

Seamless Integration with SAP ERP System

When it came time to integrate the Sales and Use Tax System with the company's SAP ERP system in a shared services environment, Morris Communications' IT team worked alongside an implementation team from ADP's highly regarded Enterprise Solutions Group. The implementation went smoothly, and today, both SAP and the Sales and Use Tax System run at a hosting facility. Here's how the solution works: the Sales and Use Tax System is called initially when the purchase order is created to calculate the tax and then again when the invoice is received to make sure that the vendor has charged the correct amount of tax. These calls are invoked through user exits that allow custom code, written by Morris Communications' IT staff, to run.

Generates Tax Returns Using TaxSolver

The tax calculations are held in an audit file within the Sales and Use Tax System. Morris Communications uses yet another ADP product called TaxSolver to generate the sales and use tax

returns for each jurisdiction. TaxSolver then creates the journal entries needed to account for the tax payments and delivers them to SAP. An important advantage of TaxSolver is that it consolidates the tax returns for each jurisdiction among Morris Communications' divisions, which significantly reduces the number of returns that need to be filed. The number of returns filed by the company in Georgia, for example, has been reduced from four to just one. On the sales tax side, Morris Communications has already done some customization, configuring exemption certificates and assigning jurisdiction codes to customers.

We have Clearly Made the Right Choice"

The implementation of ADP's Sales and Use Tax System has yielded substantial savings in time, research, and eliminated tax overpayments, Long concluded. "The move to an ADP solution has automated the sales and use tax calculation and compliance for our entire company, eliminating more than three dozen separate manual processes at our various divisions," she said. "We have saved additional time by avoiding the need to research tax changes in the jurisdictions where we operate. On the returns side, TaxSolver has eliminated the need to manually prepare sales and use tax returns and reduced the number of returns that need to be prepared through consolidation." Long continued, "Automating our tax calculations has largely eliminated overpayments. And for the first time we have a consistent and auditable process that provides far greater assurance of compliance than was possible in the past. So yes, ADP has had a profoundly positive impact on Morris Communications. We have clearly made the right choice in a transaction tax vendor."