

Guide

Running an Effective Tax Tax Department 101



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Introduction

Learn more about the essential elements to run a tax department effectively, best practices tax teams should focus on, and the importance of digital transformation to help navigate the ever-changing excise tax landscape.



Best practices in tax process

The advancement of technology has given rise to digital acceleration in every stage of the tax compliance lifecycle. From managing tax operations, to preparing data to defending audits, tax software has a role to play across the tax process.

Maintain & Research Tax Rates

Tax rates differ depending on product type and jurisdiction, so you'll find yourself keeping track of hundreds of rates in your back-office system.

Tools such as paid research subscriptions or email alerts from Google can help identify changing tax rates.

This process will also give teams visibility into those changes; for example, if you know Florida changes their rate on January 1 each year and you don't see the change, then you know to research that rate update.

Pro tip: Some jurisdictions may email subscribers the [FTA e-list](#) when upcoming rate change is expected.

File Taxes Accurately & Timely

Consistently filing your tax returns on time and balancing your general ledger is essential for compliance.

Filing regular amendments can be a red flag to states and may trigger audits.

Conduct Reconciliations

Tax teams are so bogged down with filing returns that reconciliation throughout the tax compliance process becomes an afterthought.

It's often done *after filing for the period*, leading to:

- More amendments to make corrections
- Possible overpayments and underpayments
- Uncertainty in your compliance status and tax liability
- Increasingly frequent audits
- Low visibility into compounding risk of fines and penalties

Instead the tax team should reconcile product movements, the general ledger, and tax return data against each other *before* paying what you owe, to ensure your accounts are balancing and mitigate financial risk to the business.

Pro tip: The tax team should conduct data reconciliation rather than another department because they understand the tax rules and can more easily identify discrepancies.

Track & Manage Licenses

Tracking and managing licenses is essential to maintaining tax compliance.

Tax teams must ensure new customer license information is completed as part of the new customer set up process. Work with customer facing teams to ensure this happens consistently and correctly.

Review licenses in your back-office system monthly. Check for new, expired or cancelled licenses, and update your systems accordingly.

Stay Up-to-Date with Legislative Changes

The tax team should regularly review **statutory updates** to ensure accuracy.

Tax rates, product definitions, point of taxation, and required file formats, are subject to change. Those changes must be reflected in your systems by the effective date.

Industry news, whether it's newsletters from associations like the Federation of Tax Administrators or Google Alerts, can help tax teams stay on top of changes.

Industry associations and events are another channel helping tax teams stay updated on upcoming changes. They also give members the opportunity to build relationships across the industry and at the jurisdiction.

Across industries, the [Federation of Tax Administrators](#) is the go-to association for excise tax.

For those in the motor fuel industry, groups like the [American Petroleum Institute](#) will keep you up to date with the latest news, policies, and issues.

In the tobacco and vapor industry, [Tobacco Merchants Association](#) will assist you in navigating the latest legislative changes, rate changes, and more.

Encourage Cross-Functional Communication

The most effective tax teams are deeply embedded with operations and business development.

Without this connection you may feel you are always the last to know about critical business changes such as acquisitions, new products, or new markets.

Collaborate frequently with customer facing teams and set clear lines of communication for new or changing products lines, promotions, or sales. It's essential the tax teams is apprised of details that may impact tax calculations.

Addressing the knowledge gap

Many tax teams are experiencing a loss of institutional knowledge as employees leave the workforce due to retirements or changes in career path. This knowledge gap leaves tax teams in the dark and leads to increased risk of errors and instances of non-compliance.

Here are some ways to address the knowledge gap:

Internship Programs

Internships can help you create a hiring pipeline and allow students to learn about the tax industry.

Think outside the box when you're creating your internship program. Every company is different, and your program should reflect that. Consider adding perks such as paying interns for study time or allowing interns to shadow various leaders in the business for a day.

Career & Mentoring Programs

Engaging employees in the tax industry is key to retaining the best talent.

Through career development and mentoring programs such as an emerging leaders' program or tuition reimbursement, team members see a future in tax and a future in the business.

Training Programs

Training programs help newly hired team members understand processes, language, and other crucial aspects of excise tax.

The program can also include learning about operational processes that play a role in calculating and reporting excise tax.

Pro tip: Allow new hires work alongside tax professionals with institutional knowledge of excise tax so team members carry on those processes.

Tips for Hiring

Look for candidates with:

- Backgrounds such as operations, accounting, and legal
- Top-notch data analysis skills
- Detail oriented mindset
- Experience with management information systems
- Interest in industry operations, not just accounting

Be visible in the hiring space. Work with marketing and human resources to promote the tax department and build campaigns showcasing tax talent.

Utilize job fairs and industry associations to tap into soon-to-be graduates, recent college graduates, or those reentering the workforce.

Don't forget to search internally for candidates. They'll already have industry knowledge and can make a valuable addition to the tax team with training on tax processes and strategies.

Digital transformation

Tax technology can bring a transformation of the overall tax process, leading to cost reductions, efficiency gains, and greater accuracy.



Implementing Tax Technology

Day-to-day tax activities often include repetitive data entry, verification, and report generation. The right tax software can get those details out of the way so tax analysts can focus on strategic initiatives.

Robust tax technology solutions drive large-scale digital transformation in tax processes, strategy, and reporting.

The hours of manual labor can be reallocated towards initiatives that are more valuable to the business, such as identifying tax opportunities, challenging auditors, or working with business partners to optimize and minimize risk.

Overall, when done well, implementing the right tax technology can result in cost reductions, efficiency gains, and greater accuracy.

Ready to get started?

See how our clients have increased filing efficiencies, saved time, and improved accuracy by automating their tax compliance processes

[See client success stories here](#)

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