

Guide

When to Invest in Technology vs. Headcount



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Introduction

Is your excise tax team being asked to do more with less, even as regulatory pressures mount? With increasingly complex filing requirements, cross-jurisdictional compliance, and looming institutional knowledge loss, making the right strategic investments is more critical than ever.

Assess when to invest in excise tax technology versus expanding your team. By aligning investments with your workload, risk profile, and business goals, you can ensure your tax function stays proactive, compliant, and scalable.



A Comparative Analysis: Tax Technology vs. Headcount

Tax Technology

Headcount

Best For

Automating processes, handling complexity, scalability

Expanding internal expertise for niche rules, audits, and advisory

Key Indicators

High manual workload, reliance on spreadsheets, compliance risks

Overwhelmed team, frequent errors, growing volume and product types

Challenges

Up-front costs, integration, and training

Hiring costs, retention, training, and onboarding

Cost

Higher initial investment, long-term savings

Hiring cost, recurring salaries, benefits, training costs

Scalability

High – great for growth and complexity

Moderate- team size must grow with volume

When to Invest in Tax Technology

Excise tax is known for its complex requirements to report transactional and inventory data in great detail, treatment of interstate transactions, and changing regulations. If your team is buried in spreadsheets, manual reconciliations, or multi-state e-filings, automation can provide relief and reduce compliance risk.

Key Indicators You Need Tax Technology

Recognizing when to implement tax technology can save your team from unnecessary manual work and compliance risks.

If your tax function is struggling with the challenges below, it's time to consider automation:

- High manual effort leading to inefficiencies and errors
- Difficulty scaling operations as business grows
- Regulatory changes requiring enhanced data tracking and reporting
- Lack of visibility into tax data and analytics making it impossible to forecast liabilities
- Most of team time is spent on low-value tasks like data entry, reconciliation, and rate lookups
- Headcount costs are rising but productivity isn't keeping pace
- Existing tax technology is outdated and lacks automation

Offen Petroleum eliminated system delays and slowdowns that were present with previous tax technology by automating their data transformation workflow and form generation with ComplyIQ.

Benefits of Investing in Tax Technology

Tax compliance automation has been more of a necessity than a want, and for good reason:

- Reduced manual work and errors
- Ability to focus on strategic initiatives instead of manual manipulation
- Improved compliance and audit readiness
- Scalability to support business growth
- Enhanced data accuracy and real-time reporting
- Cost savings over time by reducing reliance on manual processes



Case in point: A trucking company increased filing efficiencies by 80% with automation! [Read the full case study here.](#)

Challenges of Tax Technology Investment

While tax technology can be a game-changer, it comes with challenges such as:

- Upfront cost and implementation time
 - Some technologies like ComplyIQ, offer client-powered onboarding to empower users to onboard the technology themselves which saves money and reliance on the third-party vendor.
- Integration with existing ERP and accounting systems
- Need for ongoing system maintenance and updates
- Training and adoption across your tax team
 - To combat this, use a change management strategy, like the [Prosci ADKAR® Model](#), which provides structure and flexibility when implementing change

Who Should Consider Technology Investment?

Not all companies require tax technology. However, businesses that should invest in tax technology and automation are:

- Companies with complex, multi-jurisdictional tax obligations
- Businesses experiencing rapid growth or entering new markets
- Organizations heavily reliant on spreadsheets for tax calculations, filing, reconciliation, and tracking
- Teams struggling with compliance deadlines due to manual processes

“Before we were on an automated solution, it used to take, you know, maybe three, four or five days to do because it was all a manual process,” said Global Hookah, a worldwide hookah and flavored tobacco distributor. “Now, it only takes our tax accountant three to four hours.” [Click here to read the full case study!](#)

Who Should Not Consider Technology Investment?

If your current processes are efficient and compliant without significant manual effort, the cost of technology may outweigh the benefits.

Wait on technology if:

- Your company has simple tax obligations and minimal reporting requirements
- Business already has an efficient, low-risk tax processes
- The organization has limited transaction volumes that can't justify automation costs

When to Invest in Additional Headcount

Headcount Benchmarking

Before adding headcount, assess where your team stands today. There's no universal standard for excise tax team size—staffing depends on how complex your operations are. Here's a simple way to evaluate:

Low Complexity

A small, centralized team can be effective if:

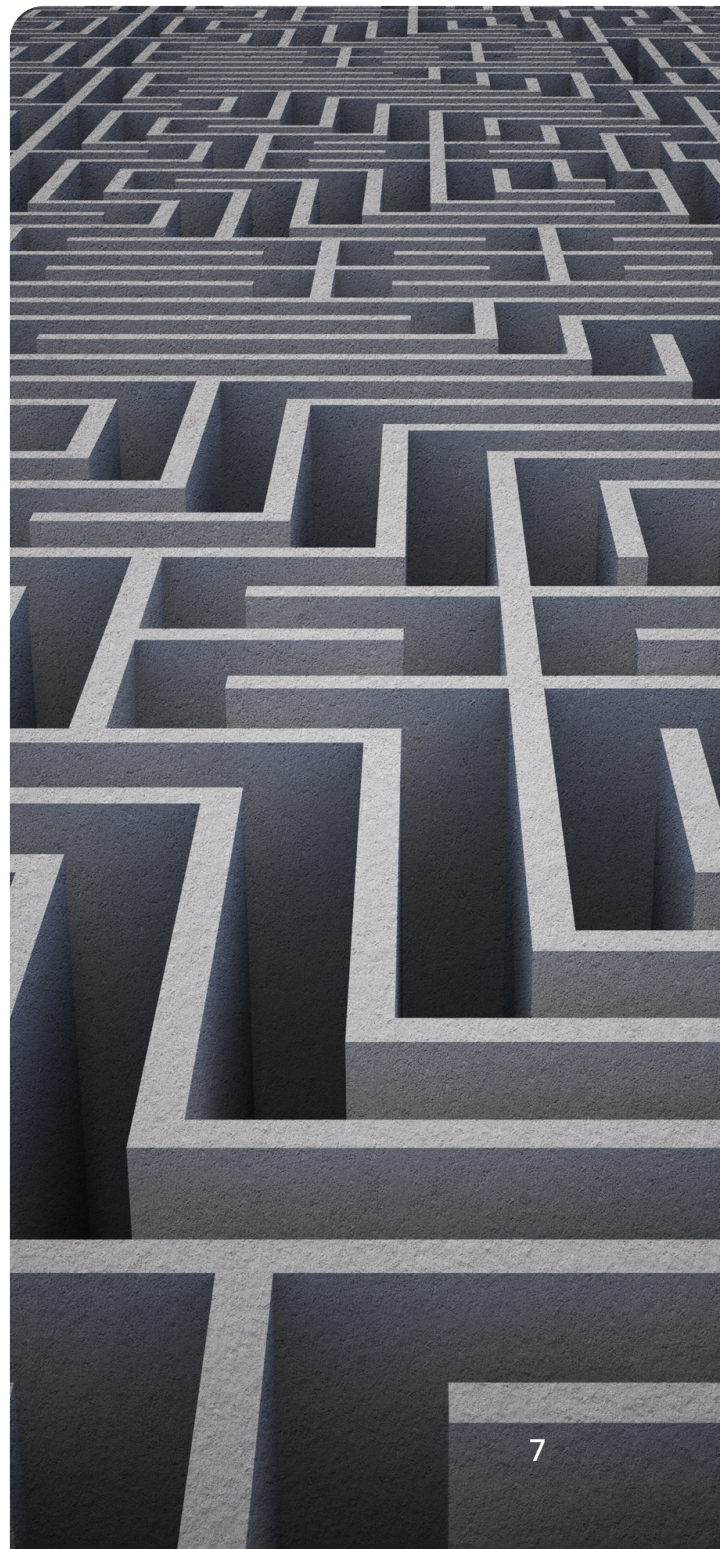
- Your tax obligations are limited to a few jurisdictions
- Regulatory changes are infrequent
- Filing volumes are low

Medium to High Complexity

A larger, more specialized team is typically needed when you're dealing with:

- Many excise tax jurisdictions
- High-volume filings across states
- Diverse and growing product lines
- Frequent audits, amendments, or exception handling

Pro Tip: Use benchmarks from similar companies—by size, industry, and regulatory exposure—to build a compelling case for increasing headcount.



Key Indicators You Need More Tax Staff

Have you noticed any of these red flags for an under-resourced team?

- High error rates due to time constraints
- Delayed filings or compliance gaps
- Team members in burnout and unable to take vacations
- Key team members are retiring and taking institutional knowledge with them
- Strategic tax needs are growing, but the team is stuck in the day-to-day
- Mergers, acquisitions, or business expansions requiring more expertise
- Manual reviews and exception handling are becoming more frequent and harder to manage
- You've invested in technology, but it's underutilized due to capacity constraints

Benefits of Investing in Headcount

- Enhanced capacity to handle compliance and broader strategic initiatives, like M&A, finding credits, and supporting business goals
- Strong in-house knowledge retention that brings human judgment and deep knowledge to complex or unique tax scenarios.
- Greater control and oversight to ensure accuracy, efficiency, and compliance
- Faster response times in audits and amendments



Need help advocating for tax technology? Discover actionable strategies in our latest e-book, **Advocating for Your Tax Team**. Learn how to make a compelling case for the tools your team needs to thrive.

Challenges & Considerations of Investing in Headcount

Weighing these factors will help you determine if this is the right move for your business.

Adding headcount comes with costs and logistical challenges like:

- Limited scalability as your business grows, adding headcount requires continuous management and can be resource intensive.
- High costs associated with hiring and retaining skilled tax professionals
- Training and onboarding time required for new hires
- Internal resistance to increasing headcount budgets
- Risk of employee turnover affecting tax continuity
- Larger teams require more administrative oversight, coordination, and communication.

Who Should Consider Investing in Headcount

Organizations facing increased complexity in their tax operations or growth should consider investing in additional headcount.

This includes:

- Companies with a growing number of tax jurisdictions
- Organizations expanding their product lines or geographic footprint
- Businesses experiencing frequent audits or amendments
- Tax teams needing more strategic advisory capabilities

Who Should NOT Consider Investing in Headcount

For some organizations, adding headcount may not be necessary or cost-effective.

These are signs that headcount may not be needed:

- Tax team is currently meeting all compliance and strategic needs efficiently
- Business has stable tax needs that are being met by the current tax team
- The organization has tight budget constraints that cannot justify hiring costs
- Tax team can optimize existing resources instead of adding headcount



Make the right investment choice

Choosing between tax technology and adding additional headcount depends on your company's specific needs, resources, and long-term tax strategy.

Technology is best for automation and scalability – it has an initial investment but yields long-term ROI. It's best for teams struggling with manual, repetitive tasks and data inefficiencies.

Headcount is ideal for long-term, in-house expertise. It's best for teams struggling with burnout and capacity.

By evaluating your tax function against the key indicators in this guide, you can make informed decisions that align with your business goals and compliance requirements.

[Talk to an expert](#)

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