Avalara AvaTax for *Priority*

AvaTax is a cloud-based solution from Avalara that automates tax calculations and the tax filing process. Avalara provides real-time tax calculations based on U.S. taxing jurisdictions' most current tax regulations.

Contents

Aim

These procedures explain how to automatically calculate sales tax with Avalara in ***Priority*** sales documents.

Prerequisites

These procedures are based on the following working assumptions:

- Your company has an active account with Avalara AvaTax and valid credentials (account number, software license key, and company code). When you activated your account, you received these on your first login to AvaTax.
- You defined your company (and each subsidiary) and the jurisdictions with nexus in Avalara AvaTax Admin Console.
- You defined the branches and warehouses in ***Priority*** and the Avalara settings.
- You defined ISO codes in ***Priority*** (in the Currencies form) for each currency you work with.
- You have the U.S. Module in your license.

Note: Rounding is not supported when using Avalara to calculate sales tax. Instead, you can work with unit price, including tax, and define rounded prices (which already include tax).

Requirements

- No installation is required. The integration with Avalara is built into ***Priority*** out of the box starting version 19.1.
- ***Priority*** supports working with Avalara when the end customers are located in the U.S. or Canada.

Setups

Stage I: Enabling the Connection to Avalara

You must enable the system to use Avalara's tax calculation services:

- In the Financial Constants form, change the **AvaTax** constant's value to **1**.

Stage II: Defining Communication Settings

Record the credentials you received when signing up for Avalara. Use these to identify your company when requesting Avalara's services for sales documents.

To define communication settings:

1. In the Avalara Communication Settings form, specify your company in the **Subsidiary Code** field.

2. In the **Account Number** field, record your Avalara account number.

3. In the **License Key** field, record the alpha-numeric key provided by Avalara.

4. In the **Company Code** field, select the company code provided by Avalara from the drop-down list.

Notes:

- You can only make this selection if the credentials you provide in the **Account Number** and **License Key** fields are valid.

- If your company has subsidiaries, each with a different company code in Avalara, record each on a separate line.

Testing the Connection

To ping Avalara:

- Run the Test Connection to Avalara program.

Notes:

- The program checks whether your system can communicate with Avalara via the Internet and receive a response. The response to the ping appears in the Avalara Communication Log form. If you receive a response file, it saves in the Attachments sublevel form.

- By default, Avalara saves communication records indefinitely unless you define a specific number of days by running the Set Days to Delete Log Records program. After that period, old records delete upon opening the log.

- *All* communications with Avalara appear in the log, such as tax calculation requests and responses, retrieval of tax groups, setting definitions, etc.

Stage III: Assigning Tax Groups to Parts

Different commodities may have different applicable tax rates. For the Avalara tax calculation to be accurate, you must assign the tax group that identifies its commodity to each part you sell.

You must download predefined tax groups from Avalara, which you assign to parts. When you add a part to a document in the sales process—and run the Avalara tax calculation program—a tax calculation is added to the document based on:

Note: ***Priority*** uses the term tax "groups"; however, Avalara uses the term tax "codes." This distinction is important when referring to the Avalara website.

To assign tax groups to parts:

1. Run the Retrieve Tax Groups from Avalara program to retrieve predefined tax groups from Avalara.

   Note: If you have customers in Canada, manually record tax groups in the List of Tax Groups form.

2. In the Financial Parameters for Parts form, in the **Avalara Tax Code** field, select the tax group relevant for this part.

Stage IV: Retrieving Tax Codes (Rates) from Avalara

Retrieve predefined tax rates from Avalara, which you can then assign to customers. If there is no connection to Avalara for some reason, the system uses these rates as a fallback to determine how tax calculates for parts sold to the customer.

To retrieve tax codes (rates):

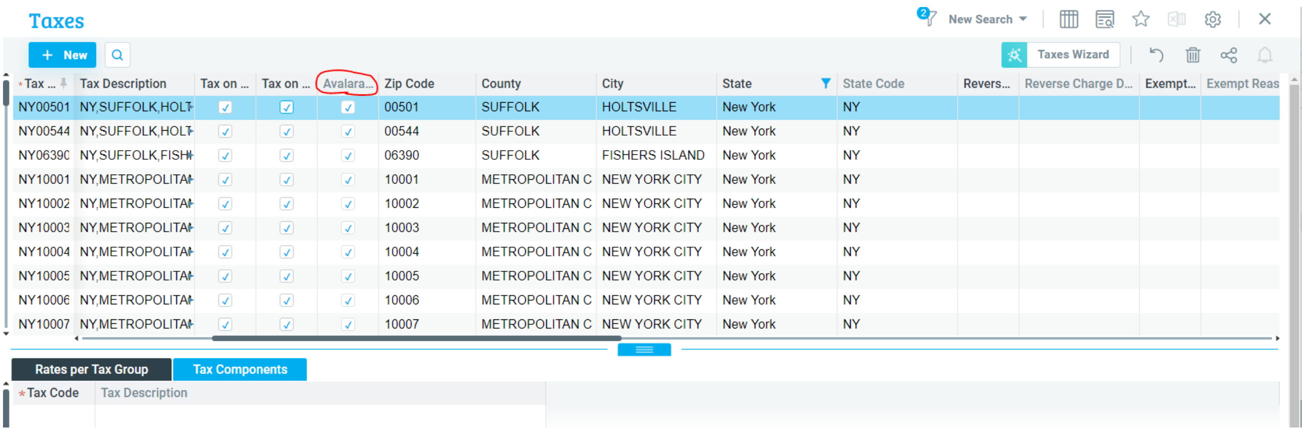
1. Run the Retrieve Tax Codes by Zip Code program.

   Note: If you have customers in Canada, manually record tax codes in the Taxes form.

2. To view the tax codes, enter the Taxes form.

   – The **Avalara Tax Code** box is selected for the codes retrieved from Avalara. All other codes are selected **Not in Use.**

   – The actual rates appear in the sublevel forms.



Stage V: Assigning Tax Codes

Assign a tax code to the customer. You can assign it in the **Tax Code** field in multiple locations in ***Priority***:

- The shipping address of the sales document
- The Customers form
- The Financ. Parameters for Customers form

- The Customer Sites form or the **Customer Sites** sublevel of the forms above

Notes:

- Once you specify the state and zip code in the shipping address sublevel of the sales document, you can select the tax code from a drop-down list of relevant codes—or it may fill in automatically if there is only one relevant code.
- Run the Update Tax Codes for Customers program to ensure that valid tax codes are assigned for customers and sites already defined in the system. If you want the program to include tax-exempt customers and customer sites, select the **Incl exmpt customers** box in the program dialog.

Stage VI: Assigning Tax Exemption Reasons to Customers

To assign exemption reasons to customers:

1. Run the Retrieve Tax Exemption Reasons program.
2. In the Financ. Parameters for Customers form, in the **Avalara Exempt. Code** field, select the tax exemption reason that is relevant for this customer.

Stage VII: Defining Document Statuses that Require Tax Calculation

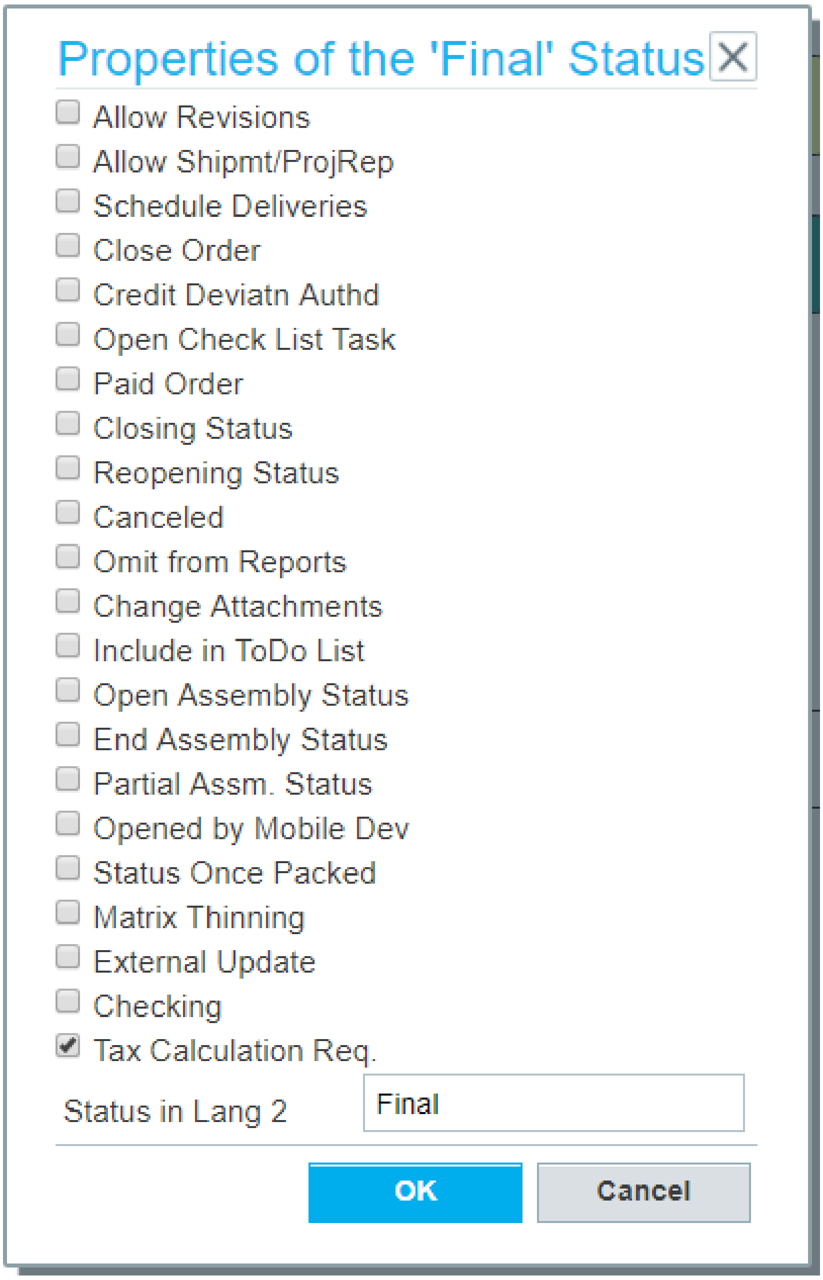
You can designate a document status that requires the user to run the tax calculation program not to forget this step. You cannot change the document's status until you first run the **Calc. Tax with Avalara** program from the Actions list.

Note: This is a predefined requirement for the final status of an invoice (that is, if you attempt to finalize an invoice without first running the **Calc. Tax with Avalara** program, you receive an error). We recommend that you set this requirement for the final status of all documents, i.e., for documents that will not be changed further. This ensures that the tax calculation in the final document is accurate.

To define a document status that requires tax calculation:

1. Run the **BPM Flow Chart** program for the document.

   For example: Run the BPM Flow Chart-Sales Orders program for a sales order.
2. In the flow chart of statuses that opens, right-click on the status and select **Properties**.
3. Select **Tax Calculation Req.** and click **OK**.



Stage VIII: Validating an Address

You can use Avalara to validate an address. Avalara validates addresses according to the USPS database and offers correction options. Validating an address ensures that tax is calculated correctly in sales documents.

You can validate any address that affects tax calculation from the form you defined the address.

To validate an address:

- From the form you defined the address, run the **Validate Address with Avalara** program from the Actions list.

For example: Run the program from the Customers form to validate a customer's address.

Notes:

- If you received an error message when running the program, you could view it by opening the file in the response line of the **Attachments** form, a sublevel of the Avalara Communication Log.
- To troubleshoot address validation errors from Avalara, see their FAQs on the subject.

Procedure

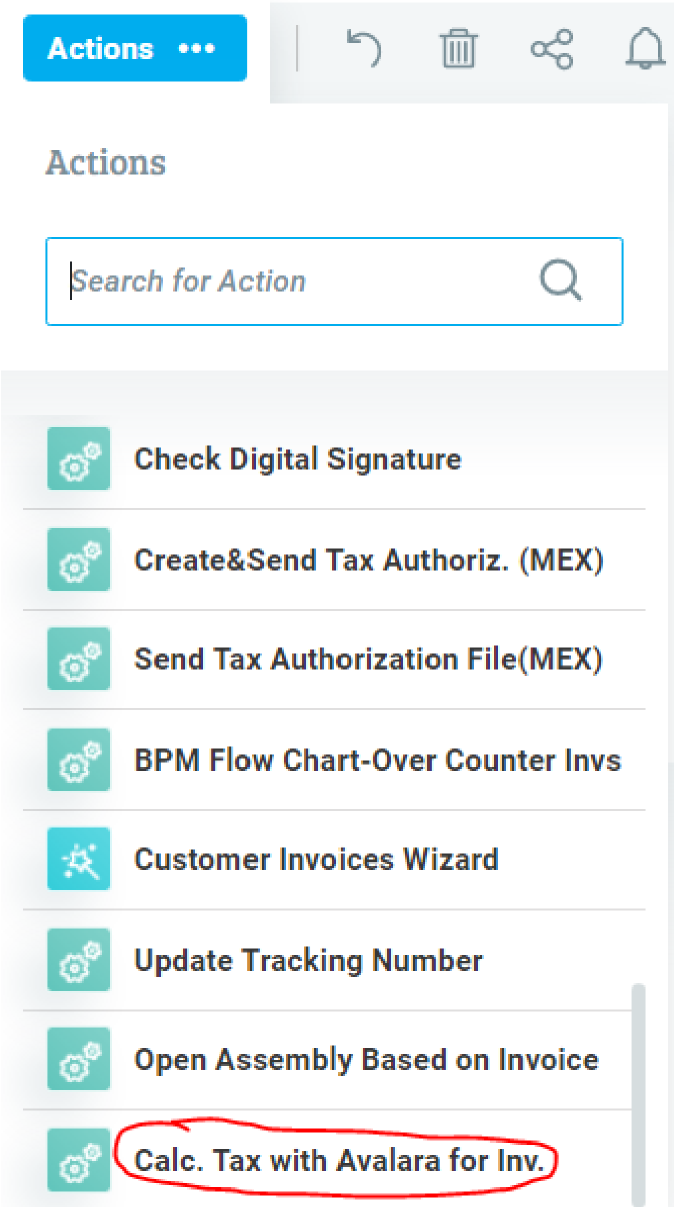
The procedures below explain how to calculate tax in sales documents. This is a mandatory step before finalizing invoices.

Note: If you import some of your invoices from an external system via an interface, and tax was already calculated by Avalara there, make sure to send the value **E** to the **Tax Calc. by Avalara** field of the invoices. This prevents the double submission of the same invoice to Avalara.

Stage I: Running the Tax Calculation Program

To calculate tax for a single sales document:

- Run the **Calc. Tax with Avalara** program from the Actions list in the document.



To calculate tax for multiple customer invoices:

- Run the Calc. Tax with Avalara for Inv. program.

Results

- Avalara receives the documents to calculate the sales tax.
- The value in the **Tax Calc. by Avalara** field in the documents changes to **Y**.
- The total tax updates in the **Sales Tax** field.
- The tax per item appears in the line item's **Total Tax (External)** field.

Notes:

- If you update any detail in the document that affects the tax calculation, rerun the **Calc. Tax with Avalara** program.

- If you created a document based on a previous one in which you already calculated sales tax, you must run the **Calc. Tax with Avalara** program in the new document, as rates may have changed in the meantime.

- Suppose you defined an overall discount for all items in the upper-level form or a specific line item. In that case, the tax per item calculated by Avalara in the line's **Total Tax (External)** field does not reflect the difference between the price before and after tax, as you might expect to see. **Total Tax (External)** also considers the overall discount percentage, and the other fields (**Price Incl. Tax** and **Extended Price**) do not.

- Suppose you encountered issues when running the program. In that case, you can view the error by opening the file in the response line of the **Attachments form**, a sublevel of the Avalara Communication Log.

- If you work with overall discounts in invoices, see Appendix A.

- Avalara calculates the tax according to the addresses of the company and the customer received from ***Priority***. For details regarding the hierarchy in which the ship-from and ship-to addresses are obtained, see Appendix B.

Stage II: Finalizing the Tax Calculation in the Invoice

The **Sales Tax** calculation in documents is pending—that is, not finalized and recorded by Avalara for tax filing purposes—until finalizing the invoice for the transaction.

To finalize the tax calculation:

- Finalize the invoice.

Results

- The invoice is finalized in ***Priority*** and automatically sent to Avalara for a final sales tax calculation.

- The value in the **Tax Calc. by Avalara** field changes to **C** for *committed*.

Notes:

- Once you enable your system to work with Avalara (in the financial constants), you cannot finalize the invoice without first running the **Calc. Tax with Avalara** program.

- If you run the **Calc. Tax with Avalara program**, and a significant amount of time passed, we recommend that you rerun the program before finalizing the invoice.

Correcting Errors When Finalizing the Tax with Avalara

Line Item Errors

When finalizing the invoice, if there is a discrepancy between:

(a) the tax estimated for the item after running the **Calc. Tax with Avalara for Inv.** program from the invoice.

(b) the final tax calculated after finalizing the invoice

The discrepancy is considered an error in the line item. You receive a notification via email to run the line item error report.

Even though Avalara finalizes the tax (and the **Tax Calc. by Avalara** field's value in the invoice changes to **C**), this is an error because the tax recorded by Avalara is different from the tax on the final invoice in ***Priority***. This scenario might happen if tax rates changed between the original tax calculation and the finalization by Avalara.

In this case, we recommend canceling the invoice: The cancellation invoice is automatically sent to Avalara for finalization (i.e., cancellation of the tax previously recorded). You must then reissue a new invoice and finalize it, which sends the correct tax calculation to Avalara.

Invoice-Level Errors

If the invoice was finalized in ***Priority***, but the tax calculation was not finalized and recorded by Avalara—the value in the **Tax Calc. by Avalara** field will be **P**. You will be sent a notification via email and directed to run the invoice-level error report for details. Correct the error and resend finalized invoices to Avalara for a final tax calculation (see To resend finalized invoices to Avalara below).

To run the error reports:

1. Run the relevant error report in the Integration with Avalara submenu to identify and correct errors.
2. In the dialog that opens, click the magnifying glass to open a form in which you can retrieve invoices that still require a final tax calculation, and then exit the form. Press F7 to clear unwanted lines from the list.
3. In the **From Date** field, specify the invoice date from which to view errors.
4. In the **To Date** field, specify the invoice date up to which to view errors.
5. In the **From Send Date** field, specify the send date from which to view errors. Errors for invoices sent to Avalara for tax calculation starting from this date appear in the report.
6. In the **To Send Date** field, specify the send date up to which to view general errors. Errors for invoices sent to Avalara for tax calculation up to this date appear in the report.
7. Select the **Retrieve Cancellat'n** box to view errors also in cancellation invoices.

   Note: We recommend selecting this box since the tax calculation in cancellation invoices must still be finalized and recorded by Avalara.

To resend finalized invoices to Avalara (for invoice-level errors):

1. Run the Finalize Invoices with Avalara program (or Finalize Cancellat'n Inv w/ Aval for cancellation invoices).
2. In the dialog that opens, click the magnifying glass to open a form in which you can retrieve invoices that require a final tax calculation and then exit the form—-Press F7 to clear unwanted lines from the list.
3. In the **From Date** field, specify the invoice date from which to send invoices to Avalara for a final tax calculation.
4. In the **To Date** field, specify the invoice date up to which to send invoices to Avalara for a final tax calculation.

Results

- Finalized invoices are sent for a final sales tax calculation that Avalara records.
- After successfully finalizing the sales tax in the invoice, the value in the **Tax Calc. by Avalara** field changed to **C**.

Appendix A: Working With Overall Discounts in Invoices

Suppose you normally base an invoice on several orders that have their own overall discount percentages. In that case, each item in the invoice has its own overall discount percentage (in the **% Overall Discount** field of the line item), which it inherited from its respective order.

If the **% Overall Discount** of each item in the invoice is identical, Avalara can correctly calculate sales tax. We recommend that you base an invoice on sales orders with the same overall discount percentage.

If applicable, you can use the **Set Overall Discount %** in the upper-level form to define the discount for all items in the invoice. The value in the **Set Overall Discount %** field overrides any overall discounts in the sublevel form (in the **% Overall Discount** field).

You can still assign different discounts to items, as long as you specify them in the **% Item Discount** field of the line, not the **% Overall Discount** field. This discount is calculated in addition to the overall discount for the item.

Appendix B: Address Hierarchy

When running the tax calculation program for a sales document, ***Priority*** sends the transaction to Avalara and specifies the ship-from and ship-to addresses. This determines how tax is calculated.

The addresses are taken based on a hierarchy, as detailed below.

Ship-from Hierarchy for Sales Documents

The ship-from address sent to Avalara for calculating taxes in sales documents, excluding invoices, is taken from:

1. The address of the warehouse.
2. If an address is not defined for the warehouse or there is no defined warehouse, it is taken from the address defined for the branch.
3. If no branch is assigned, it is taken from the address defined for the company in the Company Data form.
4. If a branch without a defined address is assigned, it is taken from the address defined for the subsidiary.
5. If no subsidiary is assigned, it is taken from the address defined for the company in the Company Data form.

Ship-from Hierarchy for Invoices

1. For sales or OTC invoices, the ship-from address is always taken from the invoice itself according to the hierarchy for sales documents above, even if it is based on one or more sales orders with multiple addresses.
2. For multi-shipment and pro forma invoices: if the invoice is based on other sales documents (customer shipments, service calls, a sales order, etc.), the ship-from address is taken from the linked document(s) according to the hierarchy above (even if there are multiple addresses).
    I. Suppose an address is not defined for the warehouse or branch in the linked document. In that case, the ship-from address is taken from the subsidiary (or company if there are no subsidiaries) according to the branch assignment in the invoice.
    II. According to the hierarchy above, if the invoice is not linked to any documents, the ship-from address is taken from the invoice itself.

Ship-to Hierarchy for Sales Documents

The ship-to address sent to Avalara for calculating taxes in sales documents, excluding invoices, is taken from:

1. The shipping address sublevel of the document.
2. If there is no shipping address in the document, it is taken from the customer’s address in the document’s sublevel form.

Ship-to Hierarchy for Invoices

1. For sales or OTC invoices, the ship-to address is taken from the shipping address sublevel of the invoice. If not defined in the invoice:

- If the invoice is based on one or more orders, the address is taken from the shipping address sublevel of the sales order(s) (even if there are multiple addresses). If a shipping address is not defined in the linked sales order(s), then the shipped-to address is taken from the customer address defined in the invoice's sublevel.

- If the invoice is not based on orders, the shipped-to address is taken from the customer address defined in the invoice's sublevel.

2. For multi-shipment and pro forma invoices:

   - Suppose the invoice is based on other sales documents (customer shipments, service calls, a sales order, etc.). In that case, the ship-to address is taken from the shipping address sublevel of the linked document(s) (even if there are multiple addresses).

   - If a shipping address is not defined in the linked document(s), the ship-to address is taken from the shipping address in the sublevel of the invoice. If not defined there, it is taken from the customer address in the invoice's sublevel.

   - If the invoice is not linked to any documents, the shipped-to address is taken from the shipping address in the invoice's sublevel. If not defined there, it is taken from the customer address in the invoice's sublevel.