

5 KEY TAKEAWAYS

Proactive Sales Tax Strategies for Effective Risk Management and Compliance

Kilpatrick's [David Hughes](#) recently spoke at the [Institute for Professionals in Taxation \(IPT\) Sales Tax Symposium](#) on the topic was “**Proactive Sales Tax Strategies for Effective Risk Management and Compliance.**” The session addressed strategies, best practices, and tips to mitigate risks before they occur during an audit or appeal process.

David's five key takeaways from the presentation include:

1

Point-of-sale and point-of-purchase standards and systems. Be deliberate about data input, storage redundancies, and access, link transactions to POs/contracts, consider e-invoicing, and build bridges between sales/procurement and the tax function. Use a state-specific tax engine configured for law changes and change orders, maintain exemption certificate collection/retention, standardize workflows, centralize compliance files, and consider a compliance partner if needed.

2

Centralized, organized repository for documents. Treat document retention as a core risk control by maintaining a centralized, organized repository with clear naming conventions, periodic completeness reviews, and robust backups to avoid scrutiny and estimated assessments. Ensure access and succession planning, and capture contracts/SOWs, prior audit and appeal materials, returns and workpapers, invoices/POs/proof of payment, exemption certificates, and entity documents for at least the applicable 3 to 8-year statutes of limitation.

3

Periodic Reviews. Conduct periodic sales tax reviews and self-audits to detect errors early, reduce penalties, protect reputation, and strengthen internal controls. Combine internal self-audits, managed audits (where available), technology configuration assessments, continuous staff training, and external advisor input; if using a tax matrix, schedule comprehensive reviews because matrices become stale quickly.

4

Compliance tools to resolve uncertainty. Voluntary disclosure agreements can limit liability with penalty waivers and potential interest reductions but typically apply to accepted non-filers, and the MTC National Nexus VDP offers anonymous, streamlined entry among members. Monitor time-limited amnesty programs, seek letter rulings for binding guidance on accurate disclosed facts (noting some expire), and engage legislative advocacy sparingly to clarify ambiguous laws critical to the business.

5

Other ideas to consider. Build relationships with state officials for legal and administrative questions and staying engaged through conferences and professional forums to learn their priorities. Research state “hot” issues, analyze prior audit workpapers and final appeal outcomes (including settlements and overlapping refund opportunities), estimate exposure, and hold an internal pre-audit conference—sometimes projecting favorable prior results can expedite the next cycle.