

Introduction to AvaTax

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The integration with [AvaTax](#), is a cloud-based sales and use tax system, serves two purposes:

1. **Tax Estimation:** It calculates the tax rate based on the Ship to Address (and sometimes the Ship from Location). In some jurisdictions, there are 3 levels of tax: state, county and city. AvaTax maintains data tax rates for each jurisdiction. It can calculate specific tax based on the nature of the item. This is true of Shipping whereby in certain jurisdictions it is taxable and in others it is not.
2. **Reporting and Compliance:** In the past a company would only be taxable in their own state regardless of where they were shipping their products. This was a huge disadvantage to brick-and-mortar retailers that have a presence in multiple states. This is changing fast as states are requiring out-of-state companies to pay tax to the state where the product is ultimately shipped to. For small businesses, the reporting requirements to report and pay tax to multiple states is onerous. This is where AvaTax comes in. They will submit the filings and remit taxes on behalf of its clients.

If you do not already have an AvaTax account, please contact [Avalara](#).

AvaTax integration is only available for US based companies.