



THE SYSTEM CFO SERIES
HINDOL DATTA

FREE ASSESSMENT

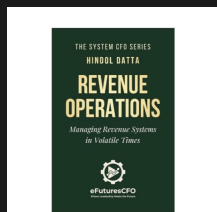
PILLAR 3: TACTICAL OPERATIONS | TOOLKIT #16 OF 37

THE SALES TAX AND NEXUS COMPLIANCE DIAGNOSTIC

*Mapping Your Obligations Before
the Taxing Authorities Map Them for You*

20-Question Diagnostic | 5-Page Assessment

Score Your Organization 1-5 Across Four Dimensions
Identify Gaps and Build Your Action Plan



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QUESTIONS 1-5

Section A: Nexus Identification and Monitoring

Do You Know Where You Have Tax Obligations — All of Them?

Post-Wayfair, economic nexus has made sales tax compliance exponentially more complex. Physical presence is no longer the only trigger — revenue thresholds, transaction counts, and even marketplace facilitator rules create obligations in states where you have no employees, no office, and no inventory. The System CFO maps all potential nexus triggers proactively rather than waiting for a state to send a notice.

A. NEXUS IDENTIFICATION AND MONITORING

1	The organization has conducted a comprehensive nexus study — evaluating physical presence, economic activity, affiliate relationships, and marketplace obligations in all US states	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
2	Economic nexus thresholds are monitored continuously — the organization tracks revenue and transaction counts by state against each state's threshold and receives alerts before	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
3	Nexus-creating activities beyond sales are identified — including remote employees, independent contractors, trade shows, stored inventory (including Amazon FBA), and software	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
4	The nexus assessment is updated at least annually — or triggered by business changes such as new hires in new states, new sales channels, marketplace expansion, or acquisition of	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
5	A nexus matrix is maintained — documenting for each jurisdiction whether nexus exists, the type of nexus (physical, economic, affiliate), the triggering activity, and	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION A SCORE: Total: ____ / 25 Average: ____ / 5

QUESTIONS 6-10

Section B: Tax Calculation and Collection Accuracy

Are You Collecting the Right Tax, at the Right Rate, on the Right Products?

Sales tax calculation is deceptively complex. Rates vary by state, county, city, and special taxing district. Product taxability varies by jurisdiction — the same software product may be taxable in one state and exempt in another. The System CFO implements automated tax calculation that handles this complexity without manual research, ensures accurate rate application, and maintains defensible audit positions.

B. TAX CALCULATION AND COLLECTION ACCURACY

<p>6 Tax calculation is automated — a tax engine (Avalara, Vertex, or equivalent) determines the correct rate and taxability for each transaction based on product type, customer location, and</p>	<p>1 Non-Ex</p>	<p>2 Ad Hoc</p>	<p>3 Dev</p>	<p>4 Estab</p>	<p>5 Best</p>
<p>7 Product taxability has been researched and documented — the organization knows which of its products and services are taxable, exempt, or partially exempt in each jurisdiction</p>	<p>1 Non-Ex</p>	<p>2 Ad Hoc</p>	<p>3 Dev</p>	<p>4 Estab</p>	<p>5 Best</p>
<p>8 Exemption certificates are collected, validated, and stored systematically — the organization can produce a valid exemption certificate for any exempt transaction within</p>	<p>1 Non-Ex</p>	<p>2 Ad Hoc</p>	<p>3 Dev</p>	<p>4 Estab</p>	<p>5 Best</p>
<p>9 Tax calculation accuracy is verified monthly — a sample of transactions is reviewed to confirm correct rate application, product classification, and exemption handling, with errors</p>	<p>1 Non-Ex</p>	<p>2 Ad Hoc</p>	<p>3 Dev</p>	<p>4 Estab</p>	<p>5 Best</p>
<p>10 The tax engine is integrated with the ERP and billing system — tax is calculated at the point of sale or invoicing, not as a manual adjustment after the fact, ensuring every transaction</p>	<p>1 Non-Ex</p>	<p>2 Ad Hoc</p>	<p>3 Dev</p>	<p>4 Estab</p>	<p>5 Best</p>

SECTION B SCORE: Total: ____ / 25 Average: ____ / 5



QUESTIONS 11-15

Section C: Filing, Remittance, and Reconciliation

Are Your Returns Accurate, On Time, and Reconciled to the General Ledger?

Filing sales tax returns in 20, 30, or 45 states with different deadlines, formats, and reporting requirements is an operational challenge that demands systematic process and technology support. Late filings incur penalties. Inaccurate returns invite audits. Unreconciled balances between the tax liability account and filed returns signal control failures. The System CFO builds a filing process that is automated, reconciled, and audit-ready.

C. FILING, REMITTANCE, AND RECONCILIATION

11	Sales tax returns are filed on time in every jurisdiction — the organization has not incurred any late filing penalties in the past 12 months, and a filing calendar with automated	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
12	Return preparation is automated or streamlined — transaction data flows from the ERP to the filing system with minimal manual intervention, and returns are pre-populated from system	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
13	Tax collected is reconciled to tax remitted monthly — the sales tax liability account is fully reconciled each period, with any difference between collected and remitted amounts	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
14	Overpayments and underpayments are identified and corrected promptly — the organization monitors for situations where it has collected more or less tax than required and files	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
15	Filing positions are documented and defensible — where judgment is required on taxability, sourcing, or exemptions, the organization maintains written positions with supporting	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION C SCORE: Total: ____ / 25 Average: ____ / 5



QUESTIONS 16-20

Section D: Audit Readiness and Risk Management

If a State Auditor Called Tomorrow, Would You Be Ready?

Sales tax audits are inevitable for growing companies — the question is not whether one will happen but when. The System CFO maintains perpetual audit readiness: organized records, defensible positions, responsive systems, and trained personnel. An audit should be an inconvenience, not a crisis. The organizations that fare best in audits are those that invested in compliance infrastructure before the audit notice arrived.

D. AUDIT READINESS AND RISK MANAGEMENT

16	The organization can produce complete transaction-level detail for any jurisdiction and any period within 48 hours — including invoice, tax calculated, rate applied, product	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
17	Prior audit findings and voluntary disclosure agreements are documented — any historical compliance issues have been resolved, and the root causes have been addressed to prevent	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
18	Sales tax exposure for unregistered jurisdictions is estimated — if the organization has potential nexus in states where it is not yet registered, the potential liability and penalty	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
19	A contingency reserve for sales tax exposure exists in the financial statements — the organization has evaluated uncertain tax positions and recorded appropriate reserves for	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best
20	The organization has a relationship with a sales tax specialist — either in-house expertise or an external advisor who can support nexus studies, VDA filings, audit defense, and	1 Non-Ex	2 Ad Hoc	3 Dev	4 Estab	5 Best

SECTION D SCORE: Total: ____ / 25 Average: ____ / 5

OVERALL ASSESSMENT SCORE

Section A: ____ / 25 Section B: ____ / 25 Section C: ____ / 25 Section D: ____ / 25 TOTAL: ____ / 100 AVG: ____ / 5

GAP TO GOAL

Gap-to-Goal Action Plan

Bridging the Gap — Sales Tax and Nexus Compliance Diagnostic

Transfer your five lowest-scoring questions. For each gap, define the target state, specific actions, owner, timeline, and success metric. Focus on highest-impact gaps first.

GAP #	Q REF	CURRENT	TARGET	SPECIFIC ACTION TO CLOSE GAP	OWNER	DEADLINE	METRIC
1	Q__	___/5	___/5	_____	_____	_____	_____
2	Q__	___/5	___/5	_____	_____	_____	_____
3	Q__	___/5	___/5	_____	_____	_____	_____
4	Q__	___/5	___/5	_____	_____	_____	_____
5	Q__	___/5	___/5	_____	_____	_____	_____

ASSESSMENT SUMMARY

Completed by: _____ Date: _____

Overall average score: ___ / 5 Items scored 1-2 (critical): ___

Items scored 3 (developing): ___ Items scored 4-5 (strong): ___

Top strength: _____

Most critical gap: _____

One action this week: _____

READY TO GO DEEPER?

This free assessment identified your gaps. The Premium System CFO Toolkits provide the frameworks, templates, and action plans to close them. Visit EfuturesCFO.com





READY TO GO DEEPER?

This Assessment Identified the Gaps. The Premium Toolkit Closes Them.

PREMIUM: The Organizational Finance Assessment Kit (46 Pages)

The full premium assessment kit includes comprehensive diagnostics across 16 finance domains including tax compliance, with 300+ evaluation items, maturity scoring frameworks, and detailed remediation planning templates covering every aspect of the finance

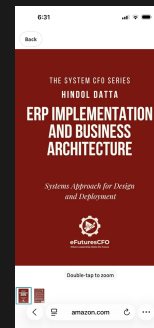
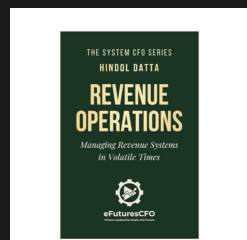
*Plus: Access the ^{function} Super Exclusive 46-Page
System CFO Organizational Finance Assessment Kit*

ABOUT THE AUTHOR

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