

# TRANSACTION TAX: THE ULTIMATE SOLUTION FOR UNCONVENTIONAL POINTS OF SALE

## Geospatial Technology in Determination of Sales and Use Transaction Tax

Transaction tax determination and compliance is often a difficult issue, particularly with respect to business operations not attached to a physical address. Geospatial technology addresses the problem in determining transaction tax for unconventional points of sale by implementing geospatial resources. With GeoInvoice, businesses and tax authorities can now easily and reliably implement geospatial technology to streamline sales and use tax for any and all points of sale, regardless of physical attributes.



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## The Sales Tax Conundrum

According to the US Census Bureau, sales and gross receipt taxes comprise nearly half of total tax collected by the States<sup>1</sup>. Transaction Tax – meaning sales and use tax – has traditionally been difficult to reconcile. Ask any tax professional and they will agree. This is particularly true for the United States, which is notorious for the complexity of the tax system. Rates are updated routinely (monthly, bi-annually, quarterly, or annually) and tax laws are complicated, to say the least. It's no understatement that the US has one of the most – if not the most – complex tax rules and regulations of any other country in the free world. For example, Colorado, a state without a state-wide uniform tax rate, has over 700 possible combinations of sales tax a business may have to consider.<sup>2</sup> And, that's if they are lucky enough to have a physical address for which to calculate the sales tax owed. There are only 11 states with a uniform tax rate. This means the majority of the US is not in a favorable position for ease of transaction tax reconciliation.

## Establishing Physical Address

There are two primary ways in which a business can determine sales and use tax: 1) an individual state's rate look-up system, generally provided on the state's governmental website or 2) a query through the Streamlined Sales Tax Project (SSTP) boundary and rate database. Each of the above systems is dependent upon a finite list of addresses or zip codes. The SSTP boundary and rate database is composed of thousands of records that one must query by address or zip code to look up the correct Federal Information Processing Standards (FIPS) code. Using the FIPS code for the boundary, one must then query the rate database for the correct sales or use tax rates. Errors in these systems are not only possible, they are probable. One such error resulted in a legal dispute involving the failure of a State's tax rate locator system (the Texas Tax Rate Locator system) to capture a special purpose district (SPD)<sup>3</sup>. This case proves it can be challenging for a business to ensure they are getting correct information even when using the best information available. On the States' side, the list-based system contains a finite data set that may contain inconsistencies or omissions. On the Business owners' side, one must be sure that the entire address is entered correctly, with no room for error. This is not a situation that instills confidence in the transaction tax reconciliation system.

## Physical Address versus Unconventional Points of Sale

Businesses with a physical address are able to collect and remit transaction taxes directly through address or zip code look-up to determine the rates within their areas of operation. Examples of such would be a big-box store, your salon in town, or the café where you get your morning latte. Relatively speaking, any traditional “brick-and-mortar” place of business has it easier when determining sales tax. On the other hand, there are companies with business operations at locations that do not have a physical address. Those businesses include, but are certainly not limited to, field service companies (oil and gas, electrical, plumbing, etc.), pipelines that cross jurisdictions, and mobile food trucks. Oil and gas exploration sales and use tax will vary greatly on a state-by-state basis depending on where the equipment is purchased versus where it is used. On the latter subject, there are over 4,000 food trucks motoring around the USA, with that number rapidly growing.<sup>4</sup> How can food trucks determine sales tax with any accuracy when they are bouncing between cities, counties, special purposes districts, and even states, all within a matter of hours without a physical address? This is where geospatial technology can help.

## The Implications of Incorrect Tax Collection

We have established that a business having a physical address does not necessarily mean ease of tax liability determination. What is even more difficult than having a physical address is not having one at all. What does this mean for businesses that have physical but not address-based presence? Think of that food truck, that might sell at ten different locations a month<sup>5</sup>, but none of which has an address. How can it verify that the 8.25% it assumes it should be accounting for while operating on a street in Denton County, Texas is not actually 6.25% – the rate a mere few streets over which is not subject to additional 2% city and SPD taxes? A 2% overpayment for a company could be a deal-breaker in a competitive market. This is one of the primary benefits behind a new concept developed by GeoInvoice with technology serving any business operation without a physical or land-based location – also known as an unconventional point of sale. This new technology provides that a sales or use tax rate will be found from any location with a GPS signal.

## Offshore Operations: Territorial vs. International Waters

Another consideration is the areas immediately offshore the United States, with each coastal state having jurisdiction over its territorial waters. These territorial waters vary by state. For example, Florida controls its state territorial waters 9 nautical miles offshore the coastal side of the state within the Gulf of Mexico, yet 3 nautical miles offshore the Atlantic side of the state (see image below). This can certainly lead to an easy mistake when determining tax rates for offshore operations in territorial waters. In addition, a company would certainly not want to be collecting or remitting transaction tax while in international waters where there is no tax jurisdiction. GeoInvoice's geospatial sales tax retrieval system allows for an infinite number of points of sale. Those points of sale can occur either within territorial waters – in which would retrieve a sales or use tax rate – or in international waters – which would return a zero rate indicating no tax liability. Implementing such a system makes it easy to determine whether you are in or out of taxable territorial waters simply with geolocation technology. There is no guesswork or physical address entering. A user does not even need the latitude and longitude. They merely need a GPS signal.





## Who is GeoInvoice?

GeoInvoice is a technology company specializing in geospatial transaction tax solutions, founded in 2013 by Susette M. McNeel, a Certified Public Accountant. McNeel discovered in her 20 years of oil and gas tax accounting experience that retrieving the precise locations of sales and use of equipment and service in the oil and gas fields was particularly frustrating. During a reverse audit, McNeel asked an oil and gas vendor's tax accountant how they determined the sales tax rate charged. The accountant explained, "We want to do it the right way, but we don't know how to determine the exact areas of our operations because we don't have addresses." This plea for help was the catalyst for developing GeoInvoice. McNeel found it often impossible to ensure that proper sales or use tax was being remitted purely based on the lack of a physical address in the field. Finding a way around that issue was the foundation of GeoInvoice technology. Now, with the company's patented technology, there is a way to ensure correct sales and use tax rates each and every time, no matter how remote a location and without the risk of using a hand-entered address.

## Facts about GeoInvoice

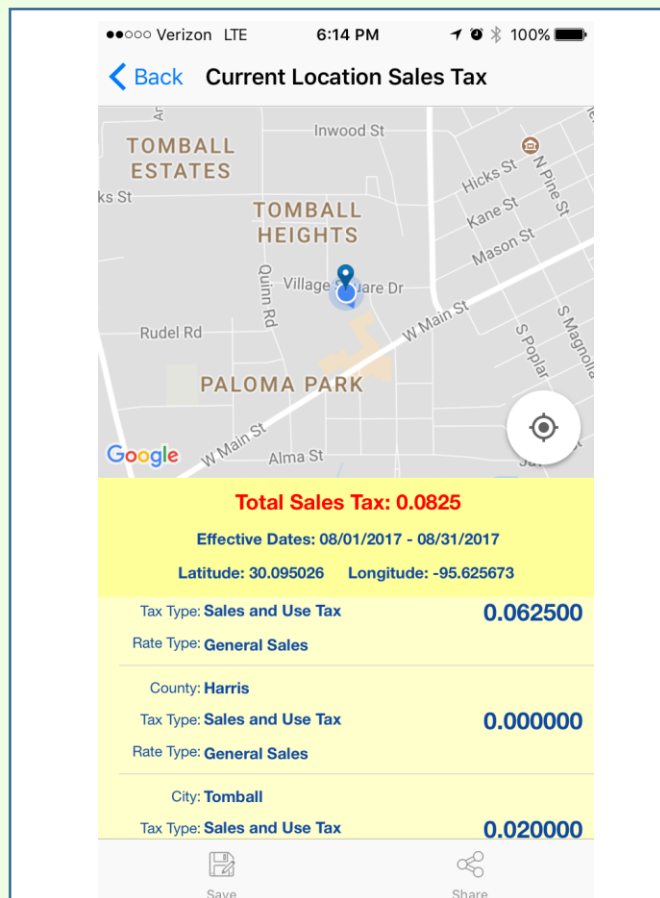
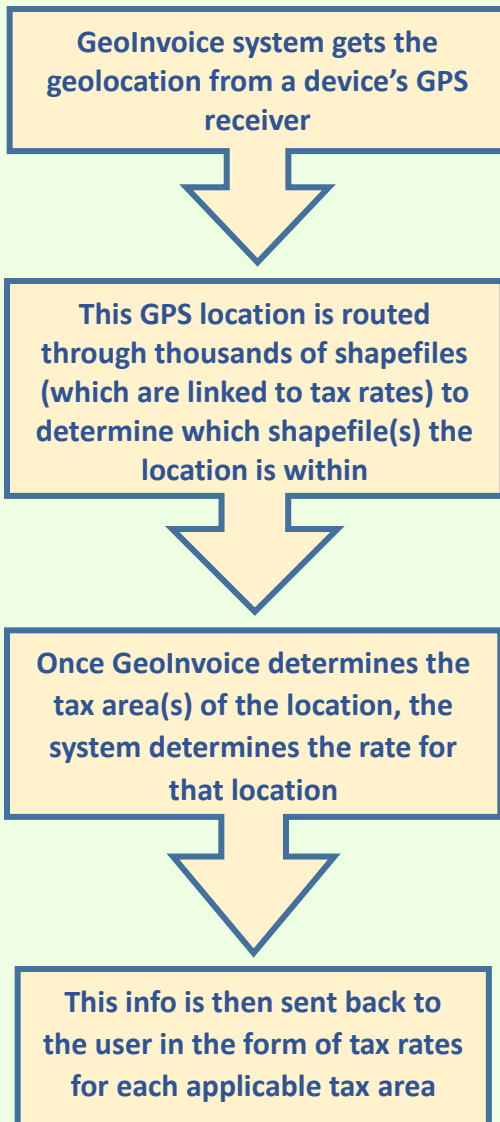
- ① In March of 2017, GeoInvoice was granted a US Patent (#9589259) for their exclusive technology. The patent covers the system and method of location-based calculation of transaction tax for unconventional points of sale.
- ② The GeoInvoice database currently contains over 37,000 shapefiles across all states, counties, municipalities, and special purpose districts within the North American continent
- ③ Tax areas and rates are routinely updated within the GeoInvoice system so users can be confident in getting the most up-to-date information for their accounting practices
- ④ Users can download the GeoInvoice app (available on the App Store and on Google Play<sup>6</sup>)
- ⑤ By the end of 2018, GeoInvoice will have a complete system of all applicable tax rates and areas for the entire globe. From Maine to Mongolia and Alaska to Argentina, a device with a GPS signal will be able to quickly and easily determine if a location has transaction tax (including VAT, GST, etc.), and what that applicable tax may be.

## The Benefit in Using GPS Technology

- **Taxpayer and Tax Authorities** Sales and use tax compliance will increase by implementing a GPS-based system, benefitting the taxpayers and tax authorities. Both parties using the same technology would greatly improve the compliancy issue encompassing the United States today.
- **Accounting Firms and E-Commerce** In addition to real-time GPS utilization for tax rates within an area, GeoInvoice also has capabilities of integration of the database and technology into accounting platforms, such as e-commerce systems or in-house accounting software.
- **Unique Patented Technology** GeoInvoice is the only source of this patented technology for determining transactional tax for any and all locations, regardless of physical address. The technology is a game-changer for not only the field of accounting, but general commerce throughout the world.
- **Software and Internet Sales** Certain states tax internet and software sales at the point of delivery, including to a device such as a cell phone. Geospatial technology can be utilized to accurately provide the rates for the location of that device or destination of such software. Sales and delivery of software, including all internet sales would be greatly benefitted by a GPS-based system.
- **Eliminates Tax Barriers** Tax rate retrieval via GPS technology will eliminate the sales tax barrier into other markets. A business can venture from point-to-point without worry over differing tax liabilities in outside markets.
- **Relief from Rates** GeoInvoice's founder Susette McNeel states, "The four R's of sales tax are rates, rules, reports, and returns." GeoInvoice will eliminate the work required of a tax professional in finding sales and use tax rates. This, in turn, will allow focus on other requirements of tax compliance, simplifying the process of tax accounting by large margins.
- **Competitive Advantage** Geoinvoice eliminates overpayment of transaction tax. The result is decreased unnecessary expenses for the ultimate competitive advantage.
- **Reduced Audit Risk** Geoinvoice eliminates underpayment of transaction tax. The result is assurance that taxes were properly remitted and collected, meaning reduced deficiency assessments, penalties, and interest in the case of an audit.

## GeoInvoice Technology: How it Works

The GeoInvoice user interface is essentially comprised of tax areas and rates. For a user to determine the tax rates within their area, they must utilize GPS capabilities to “ping” their precise location. The following describes the methodology for a GPS look-up of the rates within the GeoInvoice system.



GeoInvoice technology can be utilized through a device with a GPS receiver such as a cell phone. The GeoInvoice app is available on the App Store and on Google Play<sup>6</sup> (screenshot in figure above). Additionally, the technology can be integrated into e-commerce or accounting software systems.

## Details on the Technology and System

### Software Implemented

GeoInvoice is built on a cloud-based, open sourced platform. GeoInvoice infrastructure is based on LAMP stack: Linux, Apache, PostgreSQL (in lieu of MySQL), and PHP.

### Team of computer programmers

The GeoInvoice technical team are experts in the field of computer language and database management. The team consist of programmers, computer science architects, and skilled network administrators.

### Internal audit team

Routine audit by the GeoInvoice audit team is completed to verify accuracy of the boundaries and to update rates to ensure the database is correct at all times. Rather than time spent on addresses cleansing, the audit team collects tax rates for a single shapefile boundary. The GeoInvoice audit team has found through its routine audits, which include cross-verification with other similar databases, that the GeoInvoice system is more comprehensive and correct than those similar databases.

### Precision

The technology behind the company provides that a location will be found within six (6) decimal places of a latitude and longitude, which is the equivalence of +/- 1.11 meters, or approximately 3.6 feet radius emanating from the geographic coordinates.





## In Conclusion

Using GPS technology is the only way to accurately calculate transaction tax for unconventional points of sale.

GeoInvoice has created a long-needed solution to finding sales and use tax for unconventional points of sale using patented geospatial technology. Whether on land or sea, any business operation without a physical address can be sure they are applying the correct transactional tax rates when using GeoInvoice. Business owners now can take the guess work out - and put confidence in - when it comes to transaction tax liability.

GeoInvoice technology is truly a game changer for the world of commerce.



### Further Information

To find out more about GeoInvoice, please visit [www.geoinvoice.com](http://www.geoinvoice.com) or send an email to [info@geoinvoice.com](mailto:info@geoinvoice.com)

**LinkedIn:** <https://www.linkedin.com/in/geoinvoice>

#### App Store Link:

<https://itunes.apple.com/us/developer/geoinvoice-inc/id1087383117>

#### Google Play<sup>6</sup> Link:

<https://play.google.com/store/apps/details?id=com.geoinvoice.SalesTaxRates>



*Relax. It's just sales tax.<sup>TM</sup>*

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#### References:

<sup>1</sup> United States Census Bureau, 2016 Annual Survey of State Government Tax Collections by Category Table, <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk>

<sup>2</sup> The Denver Post, Colorado has one of the most complicated sales tax systems in the country. Here's why that's so hard to change, June 12, 2017. Web.

<sup>3</sup> Texas Comptroller's Office State Tax Automated Research (STAR) System, SOAH DOCKET NO. 304-12-7142.26, November 5, 2012.

<sup>4</sup> The Economist, America's food-truck industry is growing rapidly despite roadblocks, May 4th 2017. Web.

<sup>5</sup> MobileCuisine.com, 10 Misconceptions About Food Trucks. Web.

<sup>6</sup> Google Play and the Google Play logo are trademarks of Google Inc.