MDS Sales Tax AVALARA Interface Training Guide

Djf 4/16/2008
updated 9/15/2020
updated 12/23/21
updated 5/31/22

Overview:

The MDS system allows you to create and record a tax jurisdiction for each order and invoice. This will allow you to calculate and create a tax register for your company based on that data. Exceptions are allowed by customer, product group and product.

With the addition of the Esalestax interface MDS now will automatically calculate the correct taxable rates based upon your company's tax liability in each jurisdiction and the type of products you sell.
Each transaction will be sent via the internet to avalara.com and will return the total amount of tax for the order/shipment/invoice
Orders will create a tax transaction, but no actual tax is ever charged until your run the Invoice update process.
Once an invoice is processed it creates a tax liability for your company on avalara.com
They also offer the ability to file the taxes automatically for each jurisdiction.
Alternately you can print the MDS tax Register or run the sales tax export and report/file your taxes with each appropriate taxing jurisdiction.
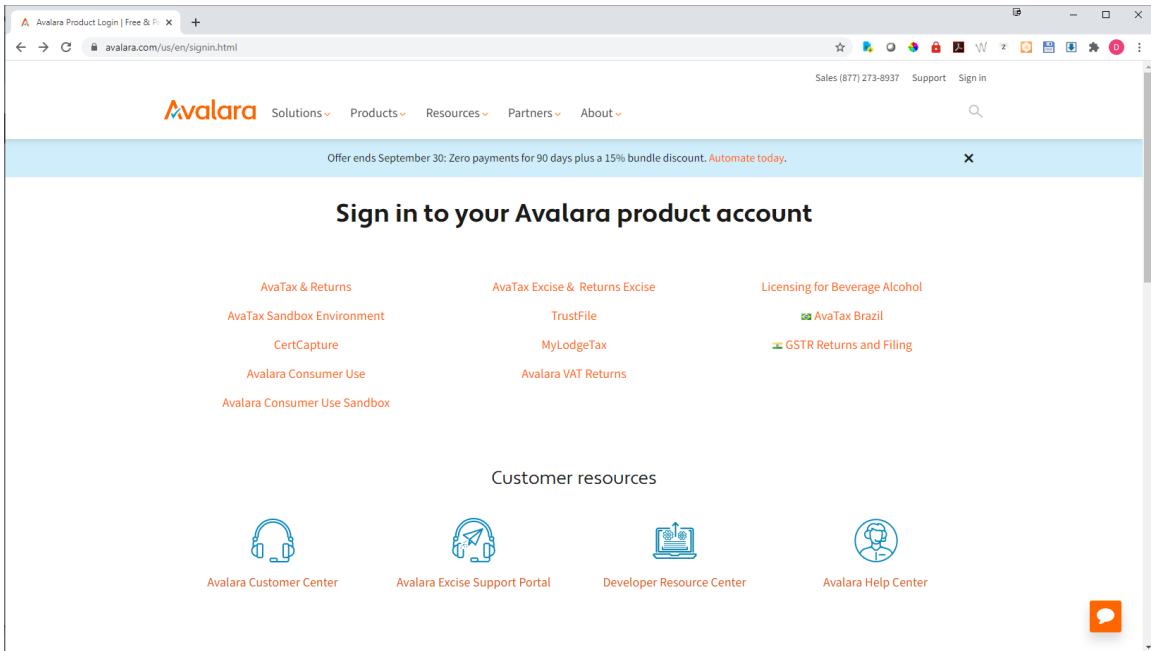
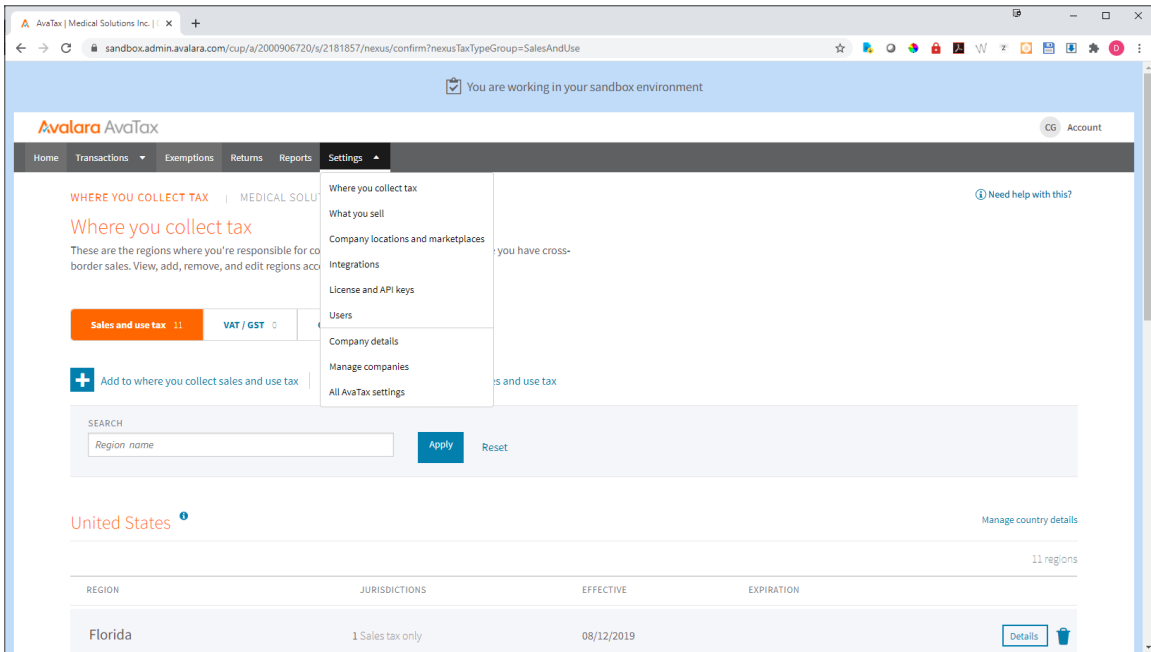Step1. Logging in to the Avalara.com Web Interface

www.avalara.com
Required:
Username (provided by your inhouse Admin) – or Avalara Support.
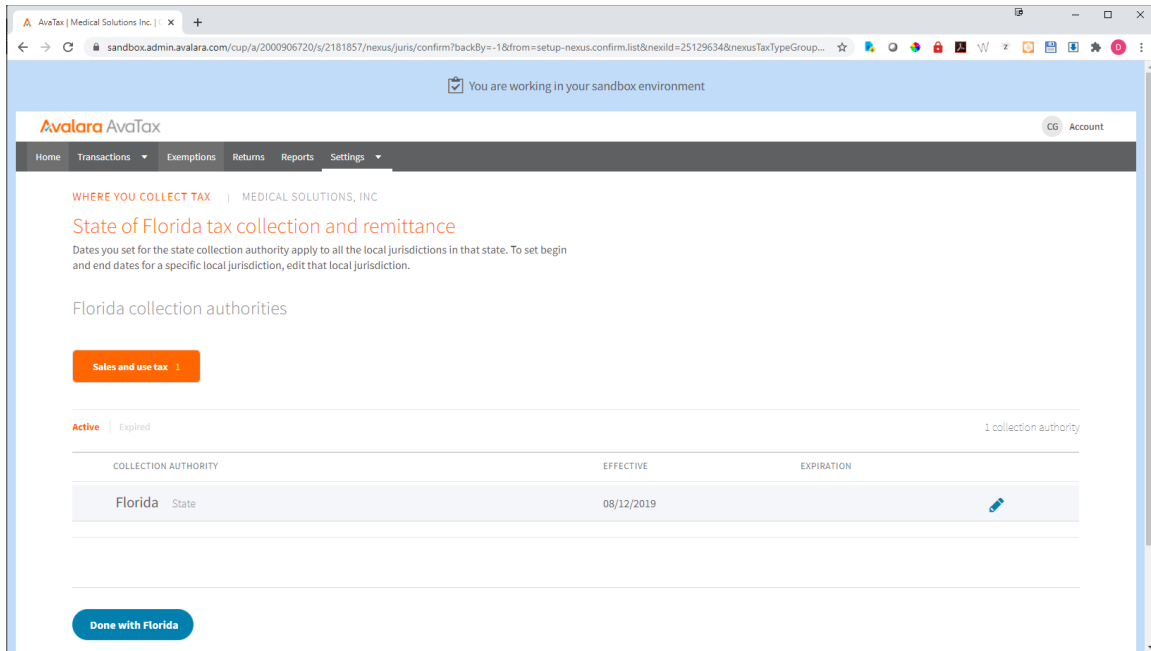Password: (provided by your inhouse Admin)
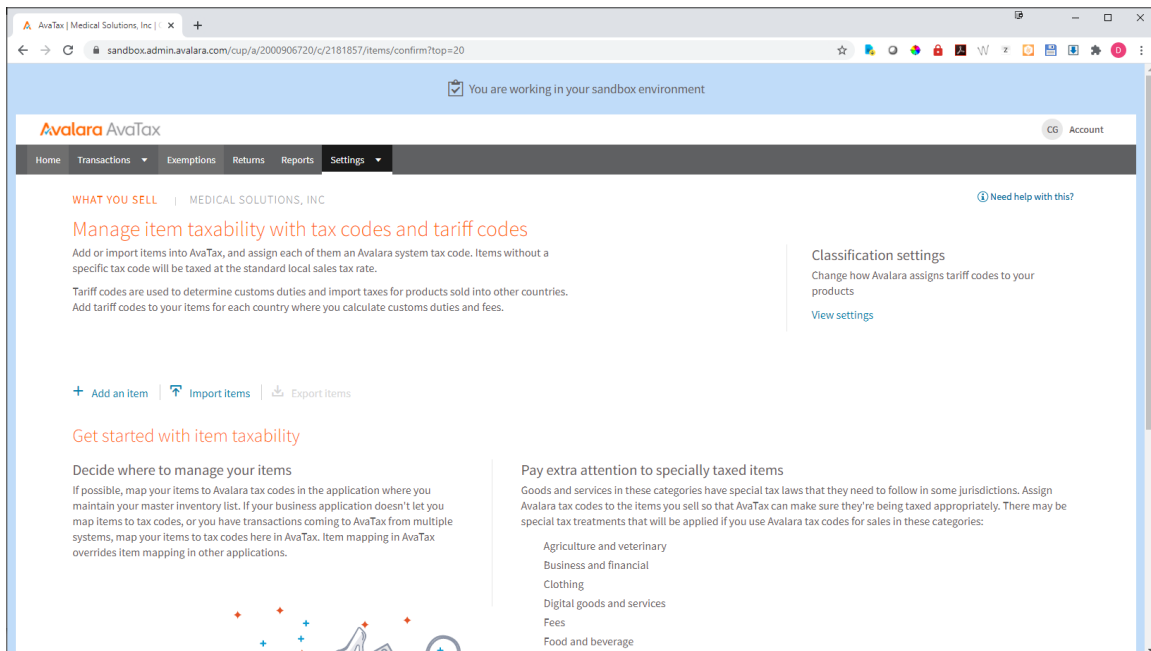
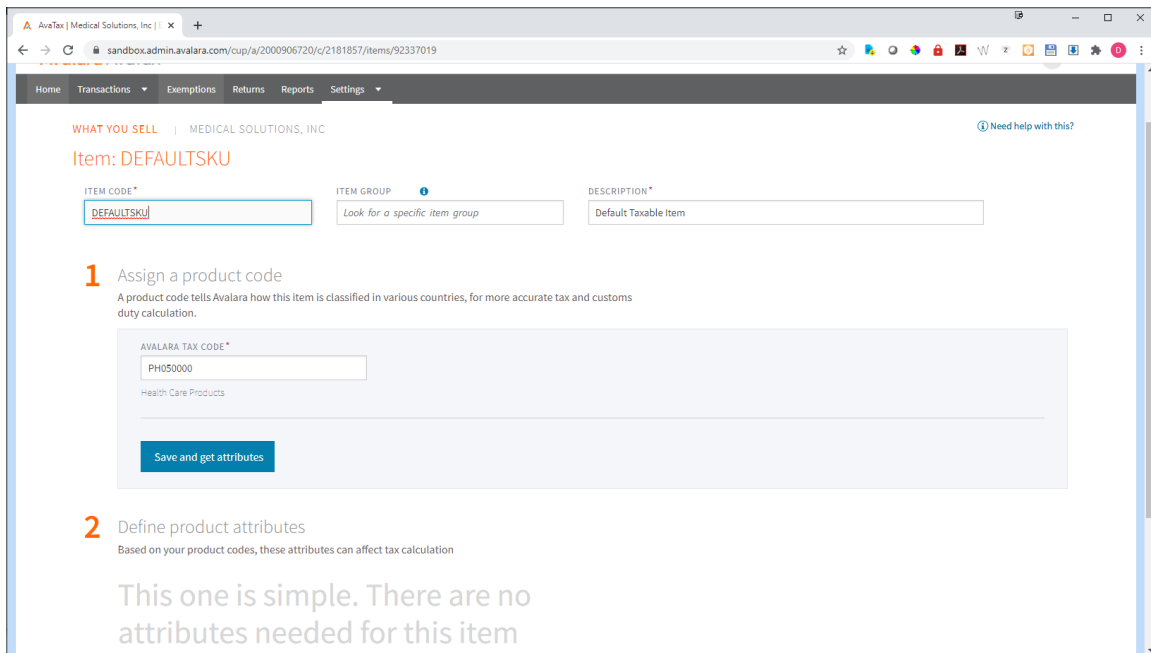Step 2. Setting up your Locations and Tax Nexus

Add a new location:

Once you have setup all the jurisdictions you are charging tax in you will now need to define your default products

3. Define your default product

Once your default item category is setup all transactions will be based upon that product category – Example: General Merchandise or Medical Products

You are now ready to utilize the MDS Esalestax Interface

This step should be performed by your TSH Support Representative

Setup for PARAMETER ESALESTAX – Navigate to the TAX Integration menu and choose the option to setup your Sales Tax Options

File ▾ Edit ▾ Settings ▾ Reset ▾ Tools ▾ Mode ▾ Standard Functions ▾ Special Functions ▾ Refresh Dashboard Help ▾

Application

Parameter	ESALESTAX

Line	Parameter Option
1.	199.5.163.136
2.	1222
3.	DEFAULT
4.	Y
5.	Y
6.	Y
7.	PATH
8.	2000248162
9.	046C1A63D56359A9
10.	http://avatax.avalara.com/services/[AVALARA.TYPE]
11.	N
12.	05/20/12
13.	AVALARA
14.	Y
15.	https://development.avalara.net/Tax/TaxSvc.asmx?[AVALARA.TYPE]
16.	AvaTaxforMDS-Nx
17.	TSH-MDS-Adapter
18.	PH050000

Please make a selection, OK/END to Save,or Cancel

--more--(9(· Ok/End · Insert · Delete · Prev · Next · Inquiry · Cancel · Off · Popup

The Systems House   Operator:SF Ready.   12/23/2021 14:22   CAP   NUM   SCRL

File ▾ Edit ▾ Settings ▾ Reset ▾ Tools ▾ Mode ▾ Standard Functions ▾ Special Functions ▾ Refresh Dashboard Help ▾

Application

Parameter	ESALESTAX

Line	Parameter Option
37.	* https://avatax.avalara.net/Tax/TaxSvc.asmx?[AVALARA.TYPE]
38.	* attr #11 Flag to determine if Esalestax is active on this account(Y/N)
39.	* attr #12 Start date in MM/DD/YY format - can't send tax before this dt
40.	* attr #13 interface type ESALESTAX or SPEEDTAX or AVALARA
41.	* attr #14 - Send using Curl Y/N
42.	* attr #15 - Url for Suretax
43.	* attr #16 - AVALARA profile CLIENT
44.	* attr #17 - AVALARA profile ADAPTER
45.	* attr #18 - AVALARA DEFAULT TAX CODE
46.	* attr #19 - AVALARA DEFAULT FREIGHT TAX CODE
47.	* attr #20 - AVALARA DEFAULT MISC FEE TAX CODE
48.	** NEW URLS FROM SURETAX
49.	* http://webservices.esalestax.net/CertiTAX.NET/[REQUEST.TYPE]
50.	* https://testapi.taxrating.net/Services/STOL/STD/V01/CertiCalc.asmx
51.	*
52.	
53.	
54.	

Please make a selection, OK/END to Save,or Cancel

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Example Defaults for Avalara:
0016: AvaTaxforMDS-Nx
0017: TSH-MDS-Adapter
0018: PH050000
0019: FR000000
0020: OF030000
* attr #16 - AVALARA profile CLIENT
* attr #17 - AVALARA profile ADAPTER
* attr #18 - AVALARA DEFAULT TAX CODE
* attr #19 - AVALARA DEFAULT FREIGHT TAX CODE
* attr #20 - AVALARA DEFAULT MISC FEE TAX CODE

Freight Tax and Fees are treated like items for certain tax purposes, please consult with your Avalara representative for what works best for your company – you can also create specific products as an override if need be.

Step 2. Testing your connection to Avalara.
Navigate to Optional Systems → Tax Integration Menu

Choose Option to Test your connection
During various processes (order entry, maintenance, verification, credit memos etc.)

You will see a new popup informing you that the MDS system is communicating with the online sales tax system.
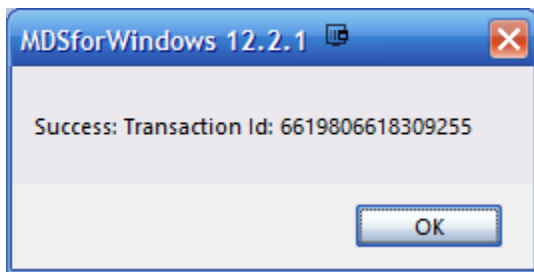
If you do not see a successful transaction, please reach out to TSH support.

Step 3. Product Tax Codes Overrides/Setup
This is only needed if you wish to override a products taxable status, for most clients a single default product will cover 90% of the product sold – but if you needed to setup specialty items -you want to designate the codes here first, then add to your products.
An online search is available at https://taxcode.avatax.avalara.com/
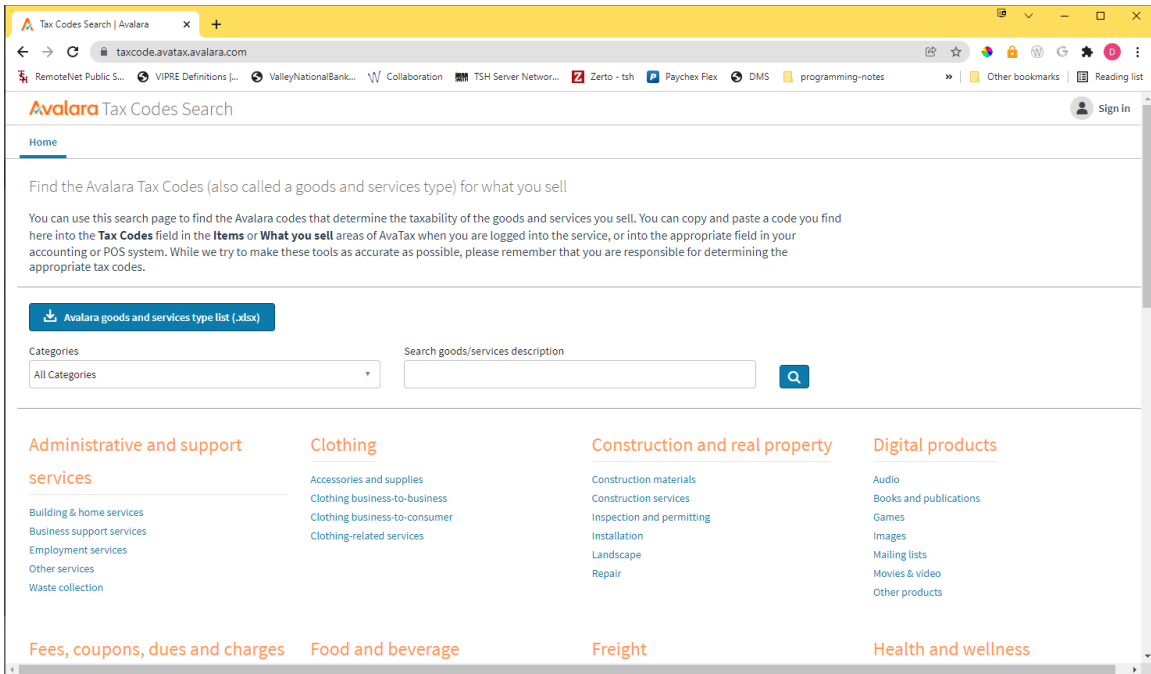
Once you have your code you can enter it into the MDS system.
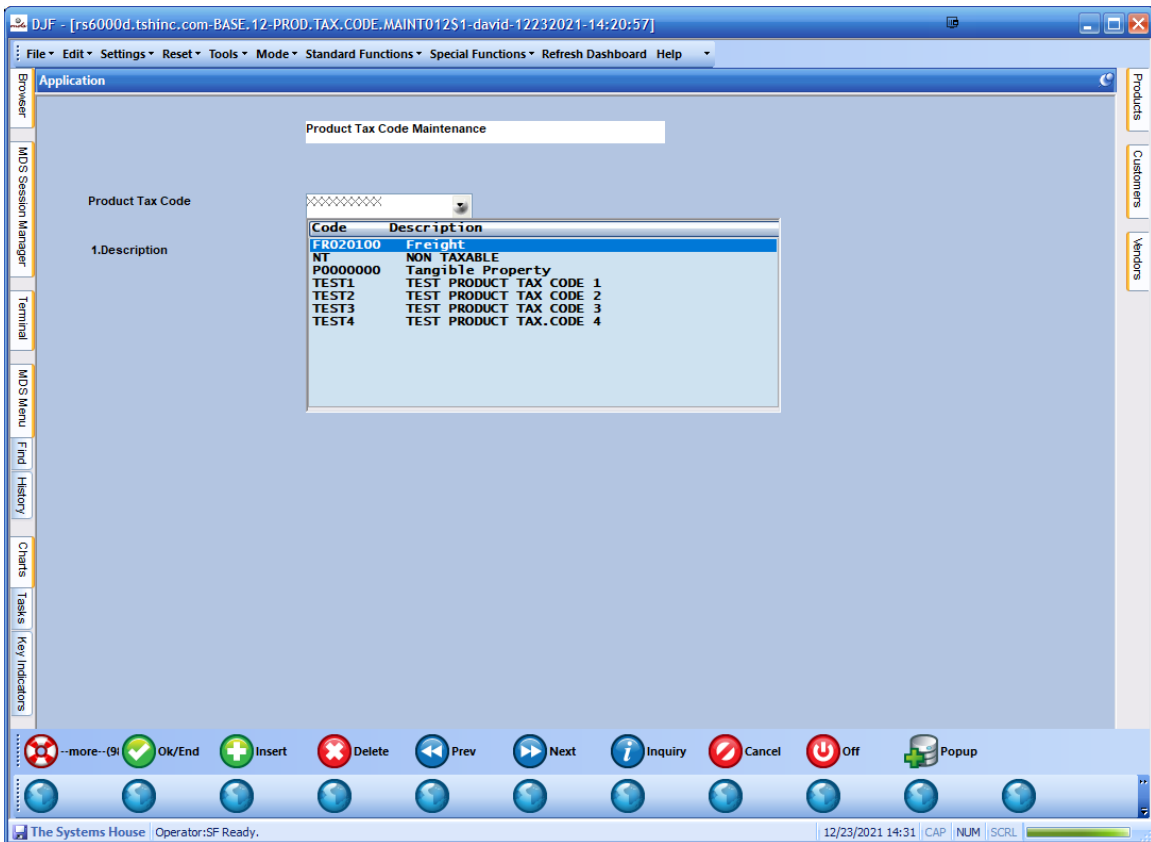
Then attach to specific products in the product master maintenance. – if no code is specified it will default to the product setup as your default product when creating your Avalara account.
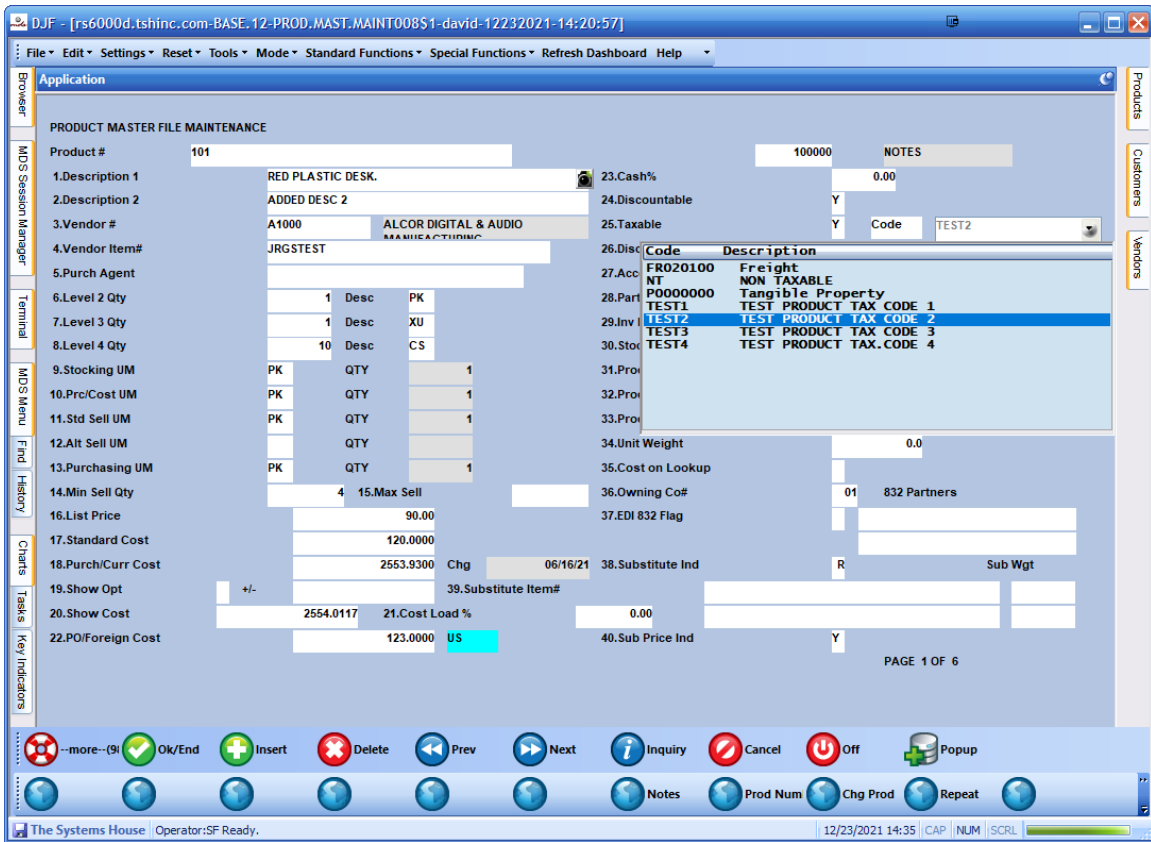
Step 4. Customer Tax Code Overrides
By default, customers can be flagged as taxable or nontaxable, and you can load and send a tax exemption certificate into the customer master.
In addition, you can also specify the reason a sale to this customer is not taxable using the Customer Tax Code table.

Note: In addition to the maintenances, we also offer and import/export capability for bulk maintenance. From the MDS Import/Export Files menu
Choose the options for:
PRODTAXCODE   Product Tax Codes
Tax_Code   Description

PRODTAX   Product Master Tax Codes
Alpha_Prod_Key   Product_Tax_Code

TAXRATEPROD   Tax Rate Product Codes
Tax_Rate   Ln_No   Product_Tax_Code   Prod_Tax_Rate   Prod_Rate_TaxableYN
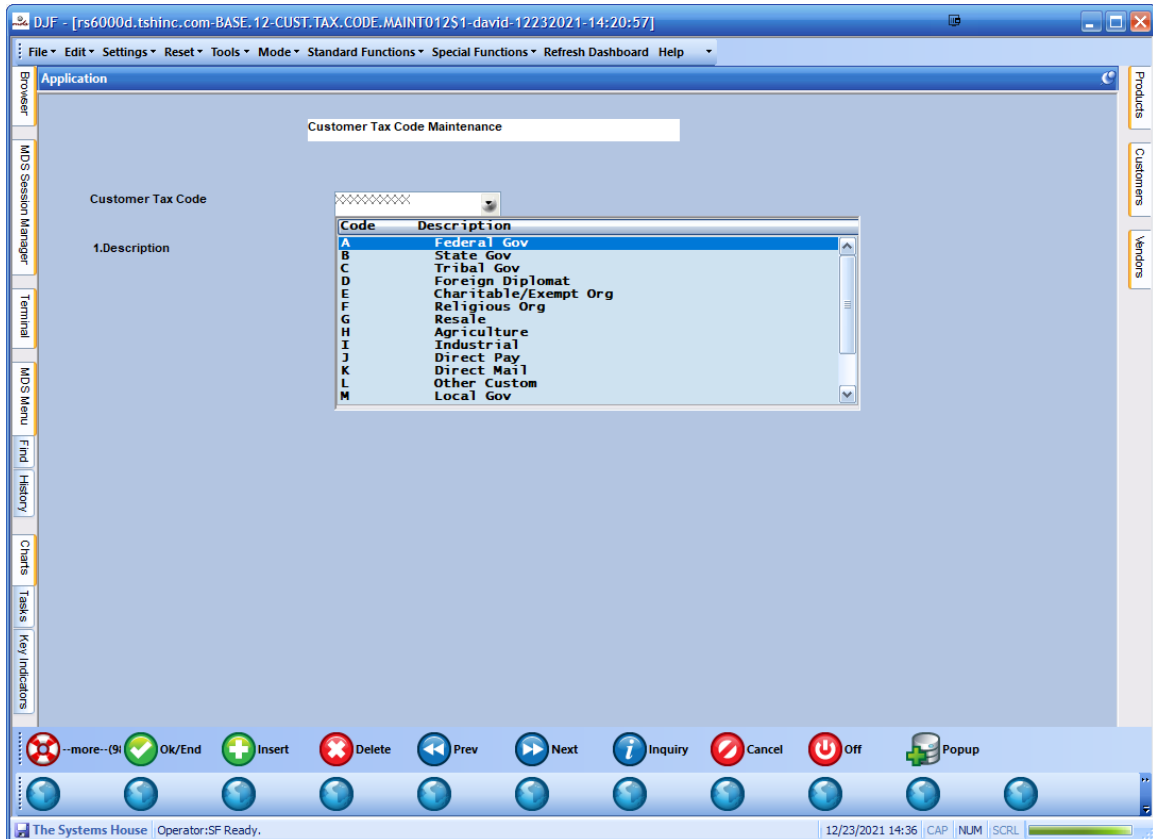
Once you have setup your override code (list available from Avalara)

In AvaTax, the `EntityUseCode` field provides information about how a transaction will be used by the customer, and information about the type of customer making the purchase. For example, a purchase made by the US federal government would be designated for government use, and it would generally be exempt or non-taxable for that specific use.

https://sandbox-rest.avatax.com/api/v2/definitions/entityusecodes

Once updated you can attach customers to each Customer Tax Code. Using the customer master maintenance.
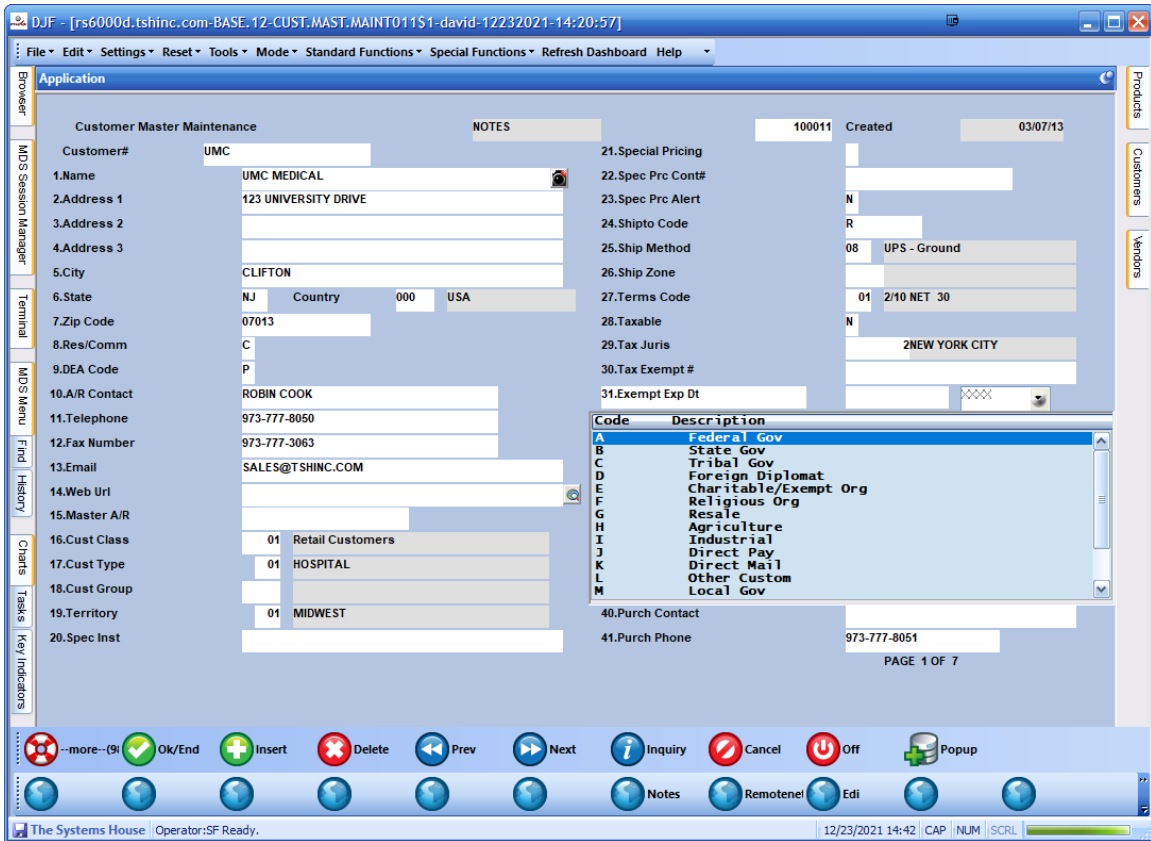
Step.4 Processing your Orders
Enter a sales order as you normally would

Once a response from the Esalestax system is received the MDS system will inform you of any errors or response codes.
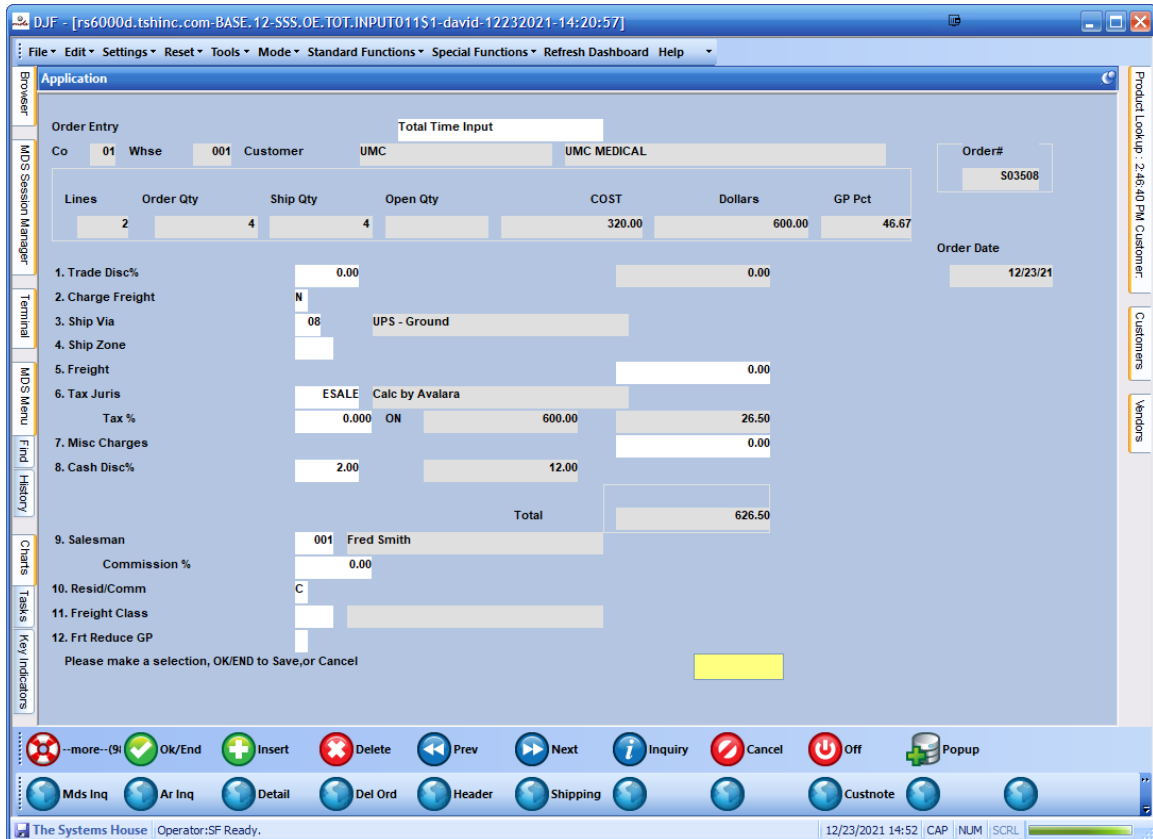
If there are no errors the Taxable Base and the Tax Amount are displayed and stored in the order/release record As well as a Unique Tax transaction ID. The Jurisdiction will be ESALE for Automated Sales Tax Calculation

Examples of an error would be a communications Error (Code 999)
The most common error is a 999 – this is caused by the server not responding within 5 seconds - - and is a non-fatal error – you can recalculate by going to the ship via or freight class fields.

You can now verify that the transaction was successfully transmitted to the avalara.com website by logging in and going to the transactions tab.

The MDS order/Credit Memo/Release number is sent to Esalestax for lookup purposes

You can then view the details for each transaction

Once the MDS Invoice Update process is run the tax transactions are converted from
"Uncommitted" to "Committed"
And creates a tax liability for your company

During the verification process it will contact the server to finalize the amounts
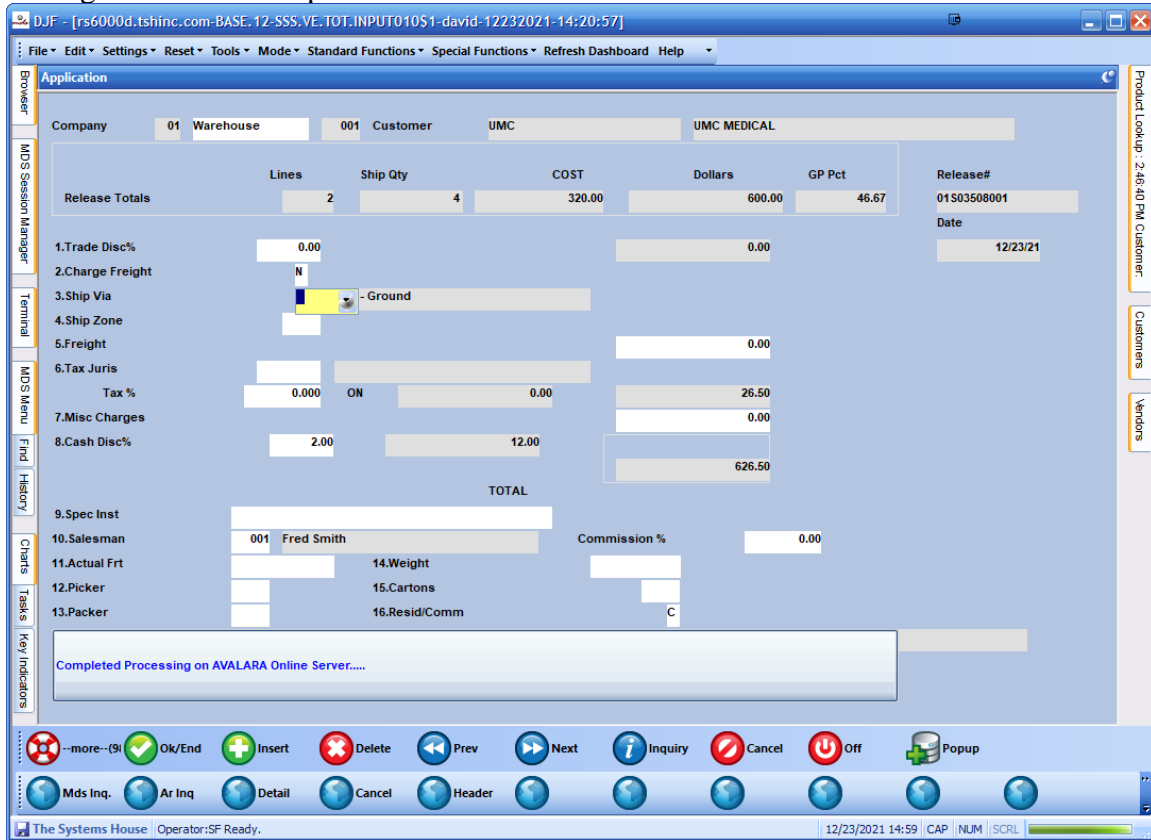
Once the shipment is updated, and you have your freight etc.
You can update it and generate the invoice – this will commit the tax and create the MDS
invoice
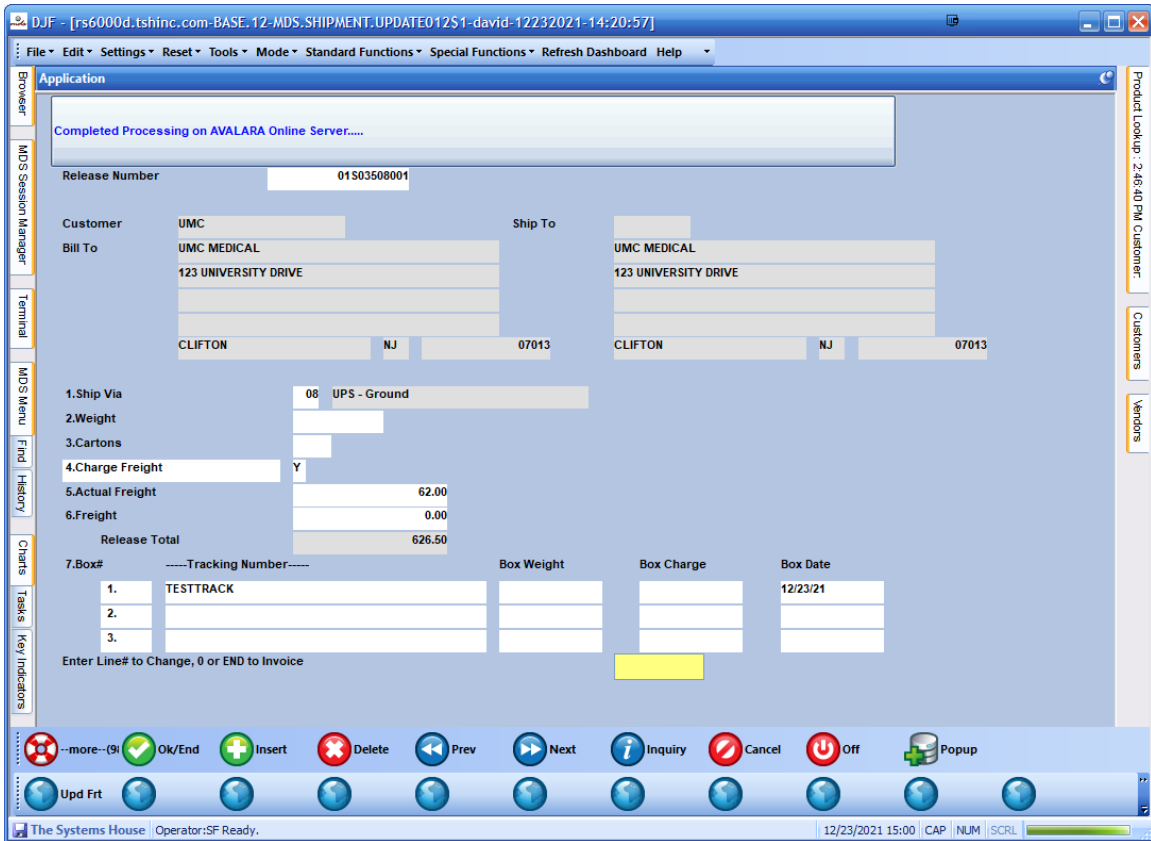
You can view the invoice and update

Invoice

Remit To:

Base Medical Supply1
1033 US HIGHWAY 46 East
SUITE A202
CLIFTON, NJ 07013
Tel: 973-777-8050
Fax: 973-777-3063
RH0482593 Exp: 12/31/25

Base Medical Supply
1034 US HIGHWAY 46 East2
A202
CLIFTON, NJ 07013
Tel: 973-777-8050
Fax: 973-777-3063

Inv Number
01A03014
Page: 1

Bill-to: UMC	Ship-to:	001	SF
UMC MEDICAL 123 UNIVERSITY DRIVE CLIFTON NJ 07013	UMC MEDICAL 123 UNIVERSITY DRIVE CLIFTON NJ 07013		

Invoice Date:	12/23/21	Salesman:	Fred Smith
Ship Date:	12/23/21	Ship Via:	UPS - Ground
Our Order No:	01S03508001	Customer Order #:	TEST-TAX1
		Terms:	2/10 NET 30
License	LIC#227722 Exp: 11/15/23	DEA #	BP1245488 Exp:01/22/23 LicExp:11/15/23
Special Instructions:			

Line	Item Number / Description	Ordered	UM	Shipped	UM	B/O Qty	Unit Price	UM	Extension
1	TAX1P0								
	Tax item 1 - P0000000	2	EA	2	EA	0	200.00	EA	400.00
	Testing for Tax								
2	TAX2NT								
	Taxable items 2 - NT	2	EA	2	EA	0	100.00	EA	200.00
	Testing Tax item								
	SUB TOTAL								**600.00**
	**** Discount Terms ****								
	If Paid by 01/02/22								
	The Net Due is $588.00								
	(2.00% Discount)								
	Calc by Avalara T 2.000%								**26.50**
	INVOICE TOTAL								**$626.50**

CARTON TRACKING NUMBERS:
CTN#1 TESTTRACK
Additional License Information
State License for NJ - Origin
332111 Exp 11/25/23
State License for NJ - Destination
LIC#227722 Exp 11/15/23

INVOICE MESSAGE

Cartons: 0	Weight: 0.0	* Non-Taxable
		** REPRINT(2) **

At the end of your reporting periods (monthly, quarterly, etc.) you can now run a register on the online sales tax system and check against the sales tax totals for the same period in the MDS system. NOTE: Because MDS doesn't calculate the totals we can only match to the totals and if there is a discrepancy you will need to summarize by customer or ship to location on both sides using reporting tools to identify any issues.
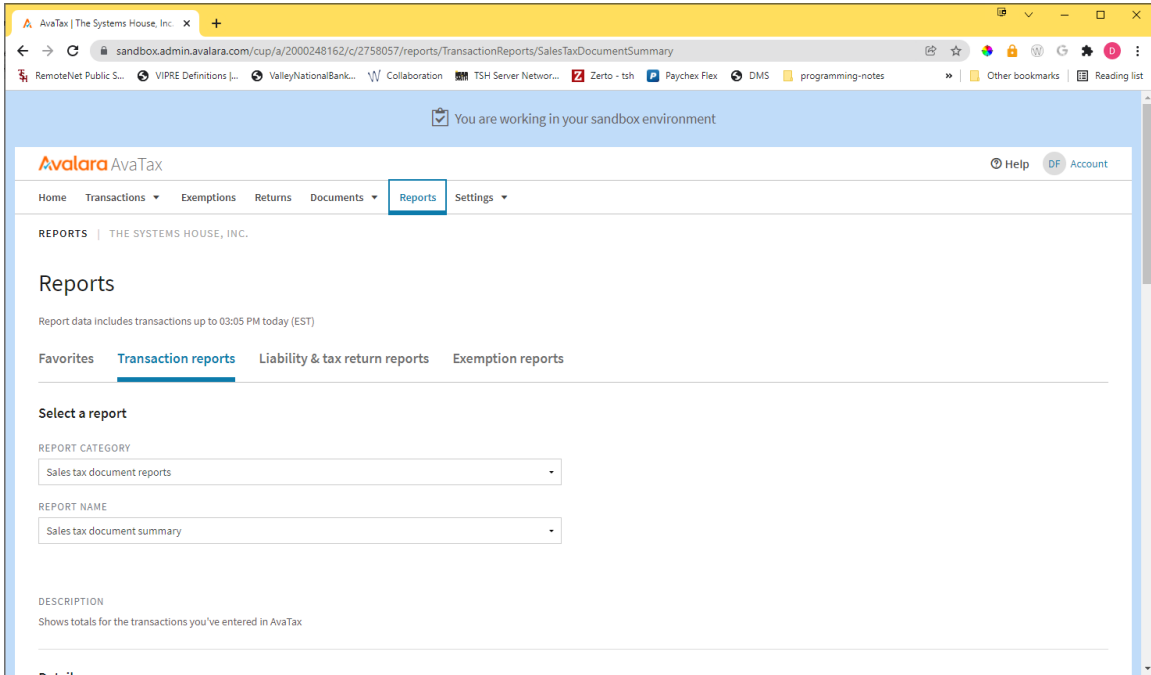
The Avalara.com website provides useful spreadsheets for reporting, as does the MDS system.

Here is an example of the spreadsheet you can download

To run a register from MDS you can use any of the standard Tax Listings or
Your custom exports (example of a custom export below)
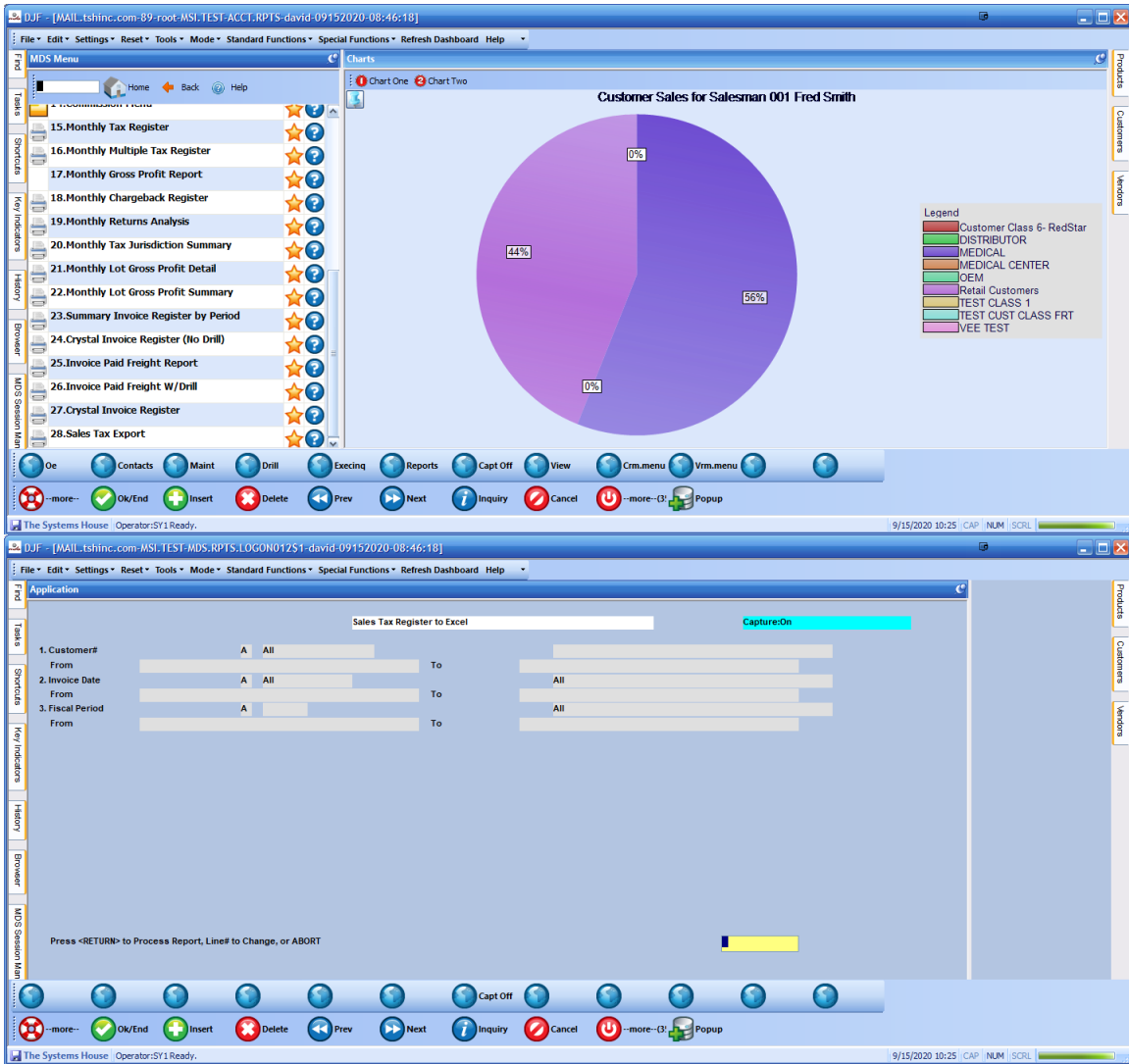
General Ledger and Reporting Impact

Note: It is important to note that when you start using the Avalara system, you are no longer required to map your tax rates to the general ledger.

With Avalara every committed transaction with Avalara would return a jurisdiction of ESALES to the MDS record. Prior to Avalara your MDS Tax. Rate file would have all the jurisdictions have a G/L# defined for each tax rate and code.

How will this work with Avalara?
Typically, we recommend you setup an ESALES jurisdiction in MDS using just one dedicated G/L# for everything and then adjusting entries each month to move to the separate G/L by state and division, if you wanted to keep track in the G/.

However, since you don't technically know what jurisdiction each transaction and line item are, you would not have them all setup in the G/L. Consequently, it is not practical to record them all in the G/L.

When you are using a service like Avalara to tell you what the taxing jurisdiction is, It's may not be practical to track sales tax by jurisdiction or state into the G/L the way you had it before.

The Recommendation is that the reporting would be in summary in the GL/Invoice Level, and you would need to go to Avalara to get to the details.

Note the

Transaction Date	**Transaction ID**

Can be used to tie out the transaction back to the sales tax online platform this is the internal id used for the transaction in both MDS and the Avalara Platform.