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Printer ready

Software Tools Ease Online Tax Allocation Problems

Taxware teams with logisoft to offer businesses online tax calculation and compliance

By [Larry Greenemeier](#)

There are two certainties in the digital economy: E-business and taxes--and both are difficult to implement. New software and services are helping businesses assign taxes on purchases made over the Internet, ensuring that they remain in compliance with state tax laws. The offerings should also help states hold on to mounting tax revenue as E-commerce grows.

TaxWare International Inc. and Logisoft Corp. last week released Global Tax Tag for ColdFusion. The jointly developed software tool lets companies integrate TaxWare's online tax calculation and assessment applications with E-business applications written to run on Allaire Corp.'s ColdFusion Web application server.

Eastman Kodak Co. is using Global Tax Tag to break new ground in online photo imaging. Beginning this month, real-estate agents and mapmakers worldwide can purchase images from Kodak's aerial imaging Web site. Global Tax Tag will identify, collect, and invoice taxes on the purchases so that the \$14.1 billion company is in compliance with domestic and international tax requirements.

It's the first time Kodak's commercial and government systems division will sell products online. Although the site is physically located in Rochester, N.Y., Kodak wanted its worldwide offices to be responsible for the remittance of taxes to local authorities. "We knew taxation capabilities would add to the complexity of the overall implementation" by involving Kodak's legal and tax departments, says Mark Malvaso, operations manager for Kodak's aerial imaging site. "But we wanted all our offices to track how much they owe."

Just like paper-based catalog companies, businesses selling over the Web are subject to tax laws. When a sale is made in a state or country where a company has a factory or retail store, a business is required to collect and remit sales tax. While catalog merchants haven't enforced the payment of customer tax for more than a century, the explosive growth of E-business threatens to drain the coffers of state and local governments if commerce isn't properly taxed.

The key difference between E-business and a catalog business is the amount of money at stake. Forrester Research estimates that last year, state and local governments missed out on about \$525 million in potential tax revenue because online business-to-consumer transactions weren't taxed. As online marketplaces grow, the tax loss associated with business-to-business purchases will surpass those from consumer purchases, says Jeremy Sharrard, a Forrester analyst. Forrester says that in the United States alone, B-to-B E-commerce will grow to \$2.7 trillion by 2004, yielding significant tax-revenue potential.

E-business taxation is just a part of doing business online for Abercrombie & Fitch Co., a \$1 billion Columbus, Ohio, clothing retailer. Because Abercrombie & Fitch has stores in 48 states, the company collects sales tax on all purchases shipped to customers in the United States. Abercrombie & Fitch has integrated TaxWare's Sales/ Use tax software with its IBM Net.Commerce E-business software to calculate state sales

tax and provide tax information to the customer at the time of purchase.

In contrast, BlueLight.com, a San Francisco E-retailer backed by Kmart and SoftBank Venture Capital, uses software by Vertex Inc. to collect and remit taxes only in California and Ohio, where the company has physical locations.

For some businesses, E-business taxation becomes more of a concern as they adopt a direct online sales model. Autodesk Inc., a \$1 billion San Rafael, Calif., developer of design and engineering software, is moving away from selling shrink-wrapped CDs in favor of electronic distribution. "We've always shipped our products in tangible form," says Mark Abrahams, senior director of tax for Autodesk. "With the new ASP model, applications are distributed electronically, which in some countries could call into question the character of a transaction: Is it a sale or a roy-alty? The New Economy creates new questions." ■

Photo of Abrahams by Richard Morgenstein

DEFINITION: An electronically distributed app in some places is a sale, in others a royalty, Autodesk's Abrahams says.



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