



Non-resident Payroll Withholding: Springing to Action

1,001
employees traveled

47%

56 were new travelers

118 had new destinations

74
International
Destinations
Days spent

24
Travel
Origins
Office presence

1,276
Routes
Taken
Routes taken (no. of

PRIVATE & CONFIDENTIAL. CANNOT BE SHARED WITHOUT PERMISSION

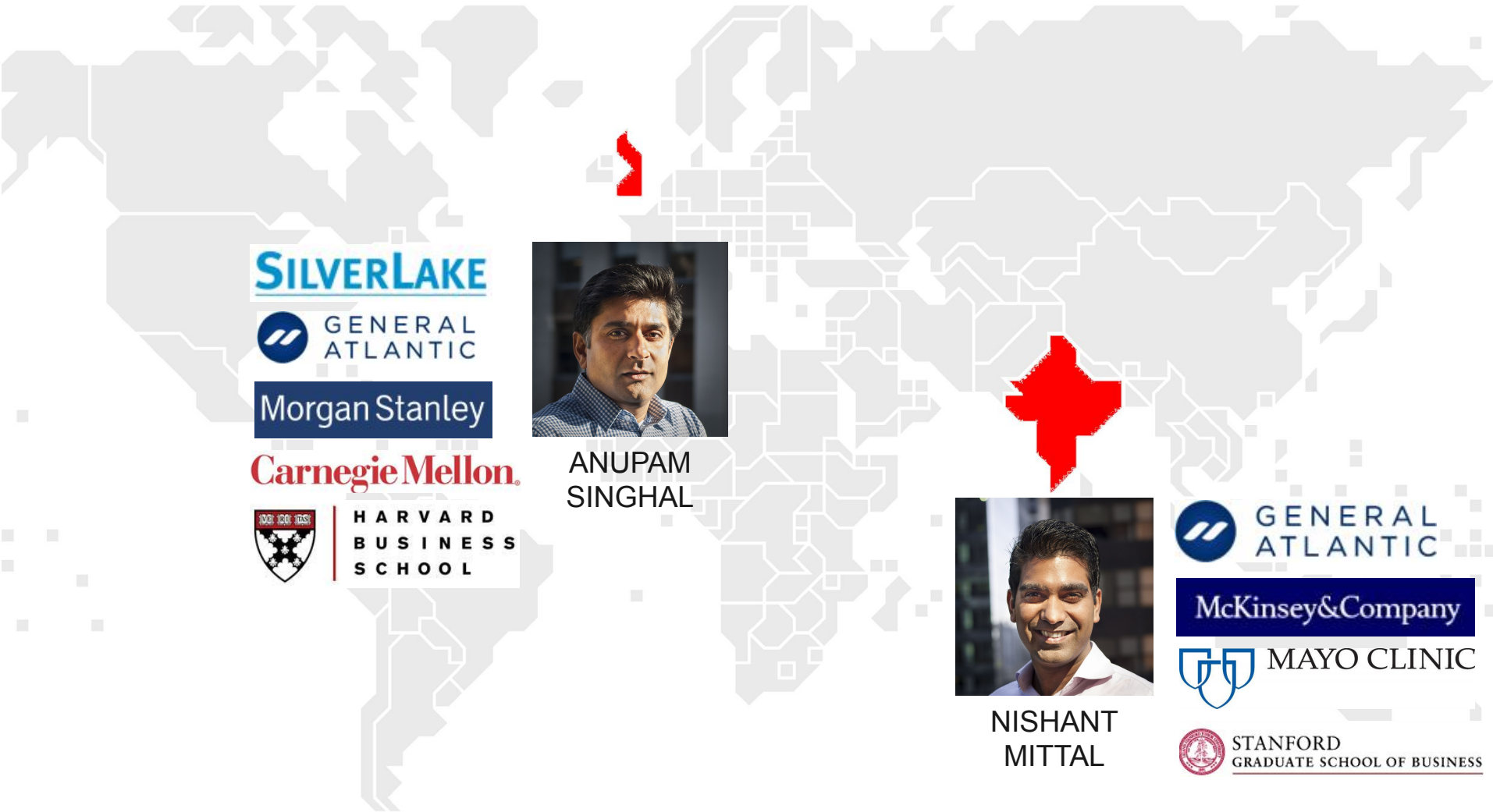
© 2019 Monaeo, Inc. All rights reserved.

AGENDA

- Introduction
- Individual Tax Implications
 - Counting Days
 - State Residency Audit Trends
 - Auditor & Taxpayer Audit Tools
 - Using Technology to Fight Audits
 - Advisors Using Technology in Residency Audits
- Corporate Tax Implications
 - Visibility into Employee Travel
 - Global Tax Implications
 - U.S. State Tax Implications
 - Audit Trends & Case Study
 - Using Technology to Fight Audits
- Q&A



INTRODUCTION



SILVERLAKE



Morgan Stanley

Carnegie Mellon



HARVARD
BUSINESS
SCHOOL



ANUPAM
SINGHAL



NISHANT
MITTAL



GENERAL
ATLANTIC

McKinsey & Company



MAYO CLINIC



STANFORD
GRADUATE SCHOOL OF BUSINESS

UC Irvine
University of California, Irvine

NECESSITY IS THE MOTHER OF INVENTION



A woman with dark hair tied back, wearing a light blue button-down shirt, is shown in profile from the chest up. She is looking towards the left of the frame with a thoughtful expression. The background is a soft, out-of-focus indoor setting.

THE MOST
VALUABLE ASSET?
PEOPLE.
WORTH \$5.6
TRILLION
A YEAR.



5 - 10% GROWTH IN
TRAVEL EACH YEAR.
ON \$1.25 TRILLION.

CURRENT VISIBILITY
INTO EMPLOYEE
FOOTPRINT?
LIMITED AT BEST.

CORPORATE TAX IMPLICATIONS

CORPORATE TAX

- Permanent establishment
- Nexus
- Corp. tax apportionment
- BEPS
- R+D credits

CORPORATE PAYROLL

- Payroll withholding
- Deferred compensation
- Stock compensation
- Fringe benefits

HR / MOBILITY

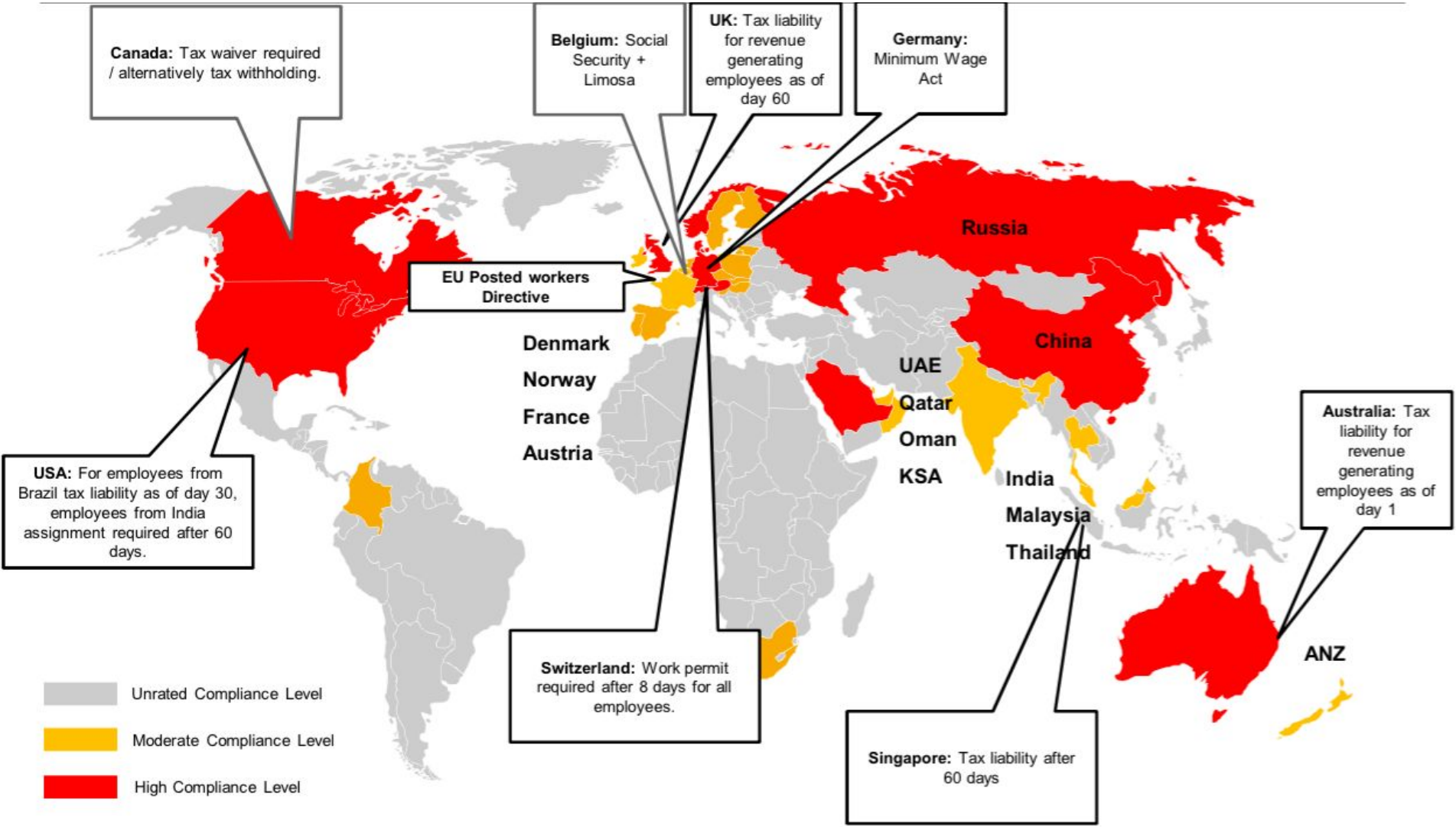
- Carried Income
- Residency
- Income allocation
- Travel footprint
- Immigration

COMPLIANCE / RISK

- Appendix 4
- Statutory reporting
- FIN 48/SoX Compliance
- Reputational risk



COMPLEXITY, GLOBAL



GLOBAL TAX CONSEQUENCES – CHINA EXAMPLE

Category:	Information:
Host country	▶ China
Industry/category	▶ Multinational manufacturing company
Assignment type	▶ Short-term international assignees; short-term business travellers
Compliance type	▶ Tax
Background	▶ This company was subjected to the largest payroll audit ever undertaken in China resulting in a requirement for payment of back taxes and penalties
Financial impact	<ul style="list-style-type: none"> ▶ USD 25 million in back taxes ▶ USD 8 million in penalties
Other impacts	<ul style="list-style-type: none"> ▶ Press and public relationships ▶ Reputational impact
Public domain	▶ Anonymized



GLOBAL TAX CONSEQUENCES – JAPAN EXAMPLE

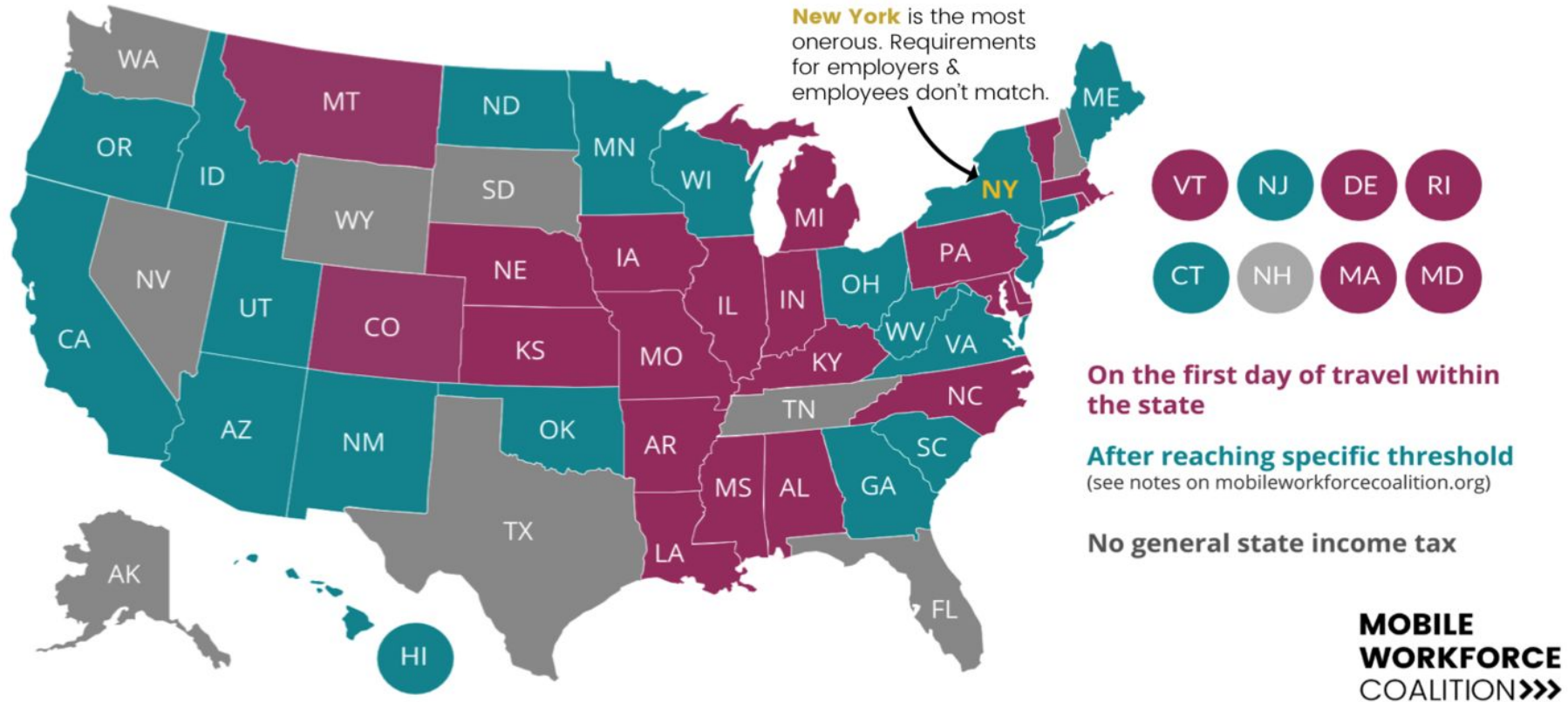
Category:	Information:
Host country	▶ Japan
Industry/category	▶ Global financial service company
Assignment type	▶ Short-term international assignees; long-term international assignees
Compliance type	▶ Tax
Background	▶ This global financial services company had their entire foreign retirement plan disqualified retroactively for Japanese tax purposes requiring payment of back taxes and penalties
Financial impact	▶ USD 8 million in back taxes ▶ USD 1 million in penalties
Other impacts	▶ Press and public relationships ▶ Reputational impact
Public domain	▶ Anonymized



GLOBAL TAX CONSEQUENCES – INDIA EXAMPLE

Category:	Information:
Host country	▶ India
Industry/category	▶ European multinational company
Assignment type	▶ Short-term international assignees; short-term business travellers
Compliance type	▶ Tax
Background	▶ This European multinational company was assessed penalties for failing to report full home-paid compensation for employees assigned to work in India. The Indian authorities then opened a full 3-year investigation
Financial impact	▶ USD 5 million in penalties ▶ USD 1 million in additional, professional fees to respond to the 3-year investigation
Other impacts	▶ Press and public relationships ▶ Reputational impact
Public domain	▶ Anonymized

COMPLEXITY, DOMESTIC: PAYROLL WITHHOLDING



More than half of the states that have a personal income tax require employers to withhold tax from a nonresident employee's wages beginning with the *first day* the nonresident employee travels to the state for business purposes (maroon states on the map above). Other personal income tax states provide for a threshold before requiring tax withholding for nonresident employees (teal states).

Please note that this map only covers *withholding*--many states have different (and usually lower) standards for imposing tax on nonresidents (that is, the employee may owe tax even where the employer is not required to withhold tax). Map also does not include reciprocal agreements.

DE MINIMIS RULES

- Some states require withholding only after **threshold dollars** earned
(Examples: Idaho, Oklahoma, Oregon, Wisconsin, South Carolina)
- Other states require withholding only after **threshold days** worked in the state reached
(Examples: New York, Connecticut, Arizona, Georgia, New Mexico)
- Many states require withholding **on the first dollar earned and/or first day** worked in the state (Examples: Alabama, Colorado, Delaware)
- Lots of companies applying *'practical'* rules

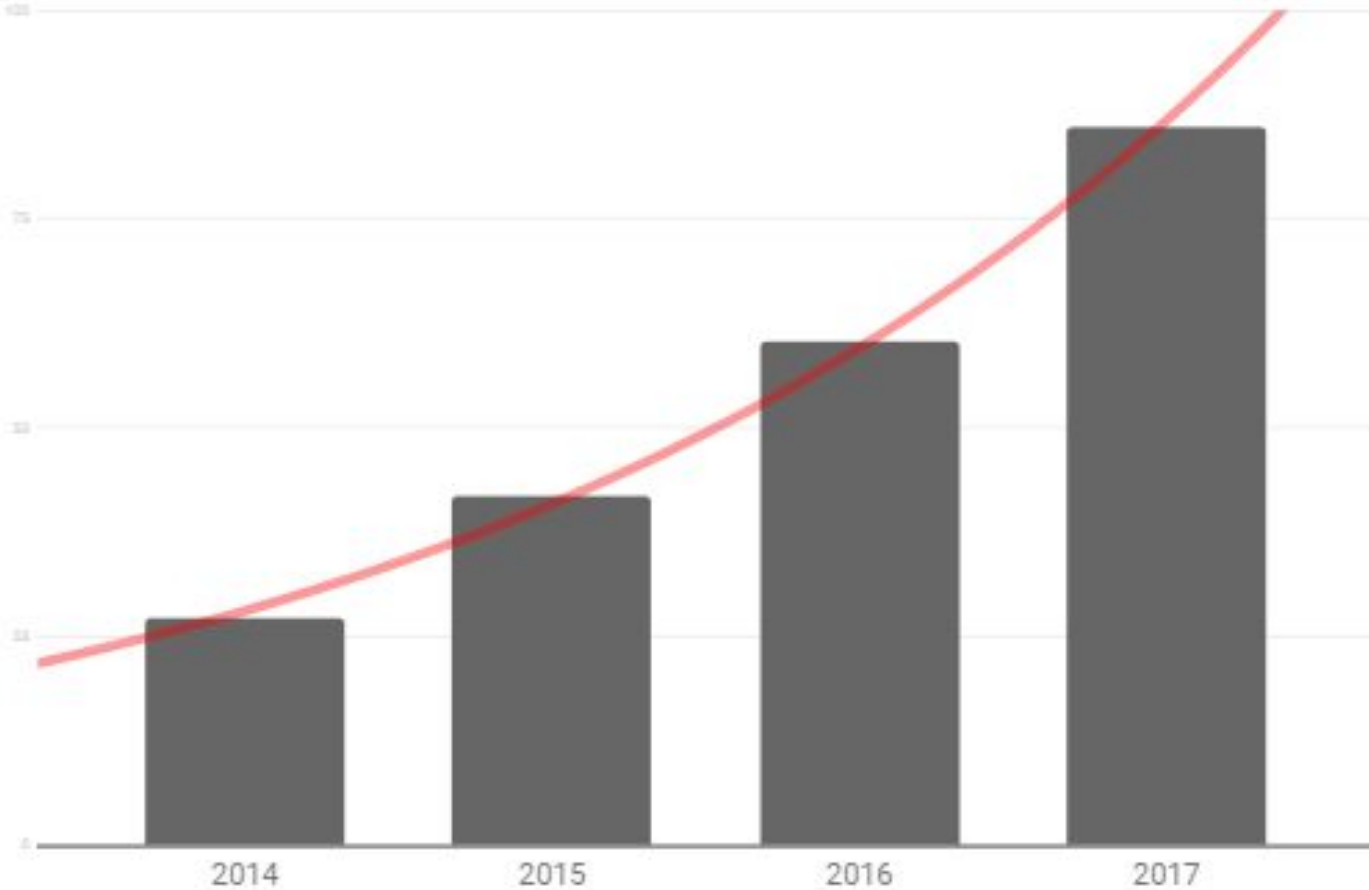
RECIPROCITY AGREEMENTS BETWEEN STATES

- Some states have reciprocity agreements – they only require withholding in the state of domicile
- Examples:
 - Ohio exempts residents of MI, ND, WI from withholding
 - Illinois exempts residents of KY, MI, OH, PA, WI from withholding
 - Maryland exempts residents of PA, VA, WV who work from a Maryland office
 - Minnesota exempts residents of MI, ND, WI from withholding
- New York & California do **not** have any reciprocity agreements

NONRESIDENT WITHHOLDING AUDITS ARE GROWING QUICKLY

Example: New York State enforcement trends

Withholding Audits: New York Collections (\$m)



930
audits

↑ **~4x**
more companies
2017 vs. 2015

↑ **3.2x**
more dollars
2017 vs. 2014

80%
NYS success rate in
w/h audits

Source: NYS Department of Taxation & Finance; received by Monaeo, Inc. via a FOIA request

© 2019 Monaeo, Inc. All right reserved.



AUDITS ARE PAINFUL & EXPENSIVE



Burden of proof is on you.

CASE STUDY: \$5MM NEW YORK PAYROLL WITHHOLDING AUDIT

- NY based **financial services firm** with employees traveling everywhere~5,000 employees nationwide
- NYS audit years 2010 to 2012; expands into 2014 and 2015 during audit
- Audit method: 2012 test year
- Identify employees making \$500K+ w/o NY withholding
- 95 total employees identified
- Requested all 2012 T&E data for 1 out of 5 of these employees
- Estimated \$144K due for those 20 employees
- \$1.9m in wages paid to these 20, creating a 0.0769 error rate
- \$65m in wages paid to other 75 employees in the >\$500K test
- \$507K in tax due for test year 2012
- Error rate, extra 5x tax = \$3.3m, plus penalty and interest!
- **Total bill: \$5,000,000!!**

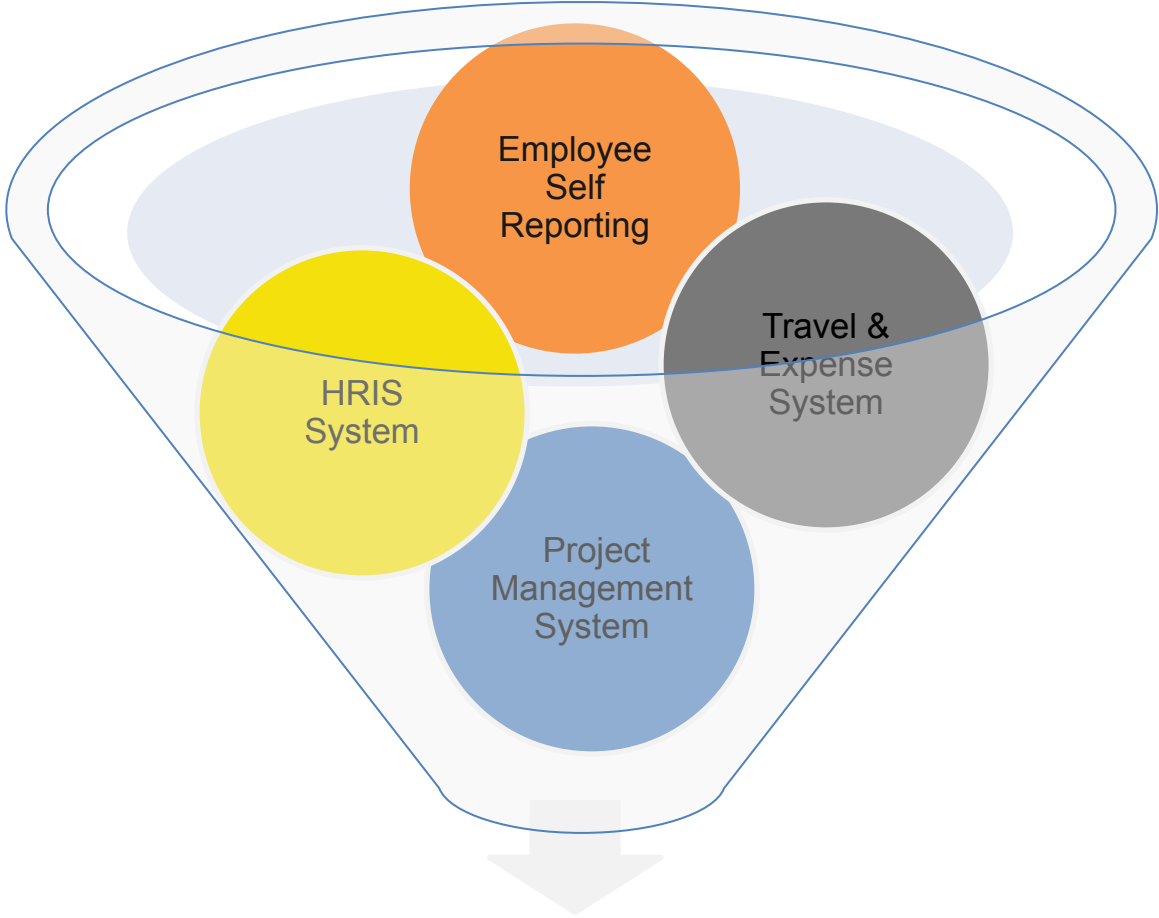


WHAT SHOULD COMPANIES DO?

The first step is assessing your **risk**:

- **Who** is traveling?
- **What** is the purpose of the travel?
- **How much** travel is occurring?
- **Where** are the biggest exposures?

KEY CHALLENGE: ACCESS TO RELIABLE DATA WHEN NEEDED



No single repository for required data exists



SMARTER DATA TRANSFER IS MAKING IT EASIER



Preferred partnerships | Pre-built integrations | Defined workflows



EXAMPLE: CONCUR



- Monaeo is a **preferred partner** of Concur
- **Pre-built integration** with Concur Travel & Expense
- **One Page authorization** form to get started
- **Directly plug** into your Concur data to provide visibility you need



Monaeo awarded Concur
App Center
Partner of the Year, 2017

Travel Profile Get - Elements Returned

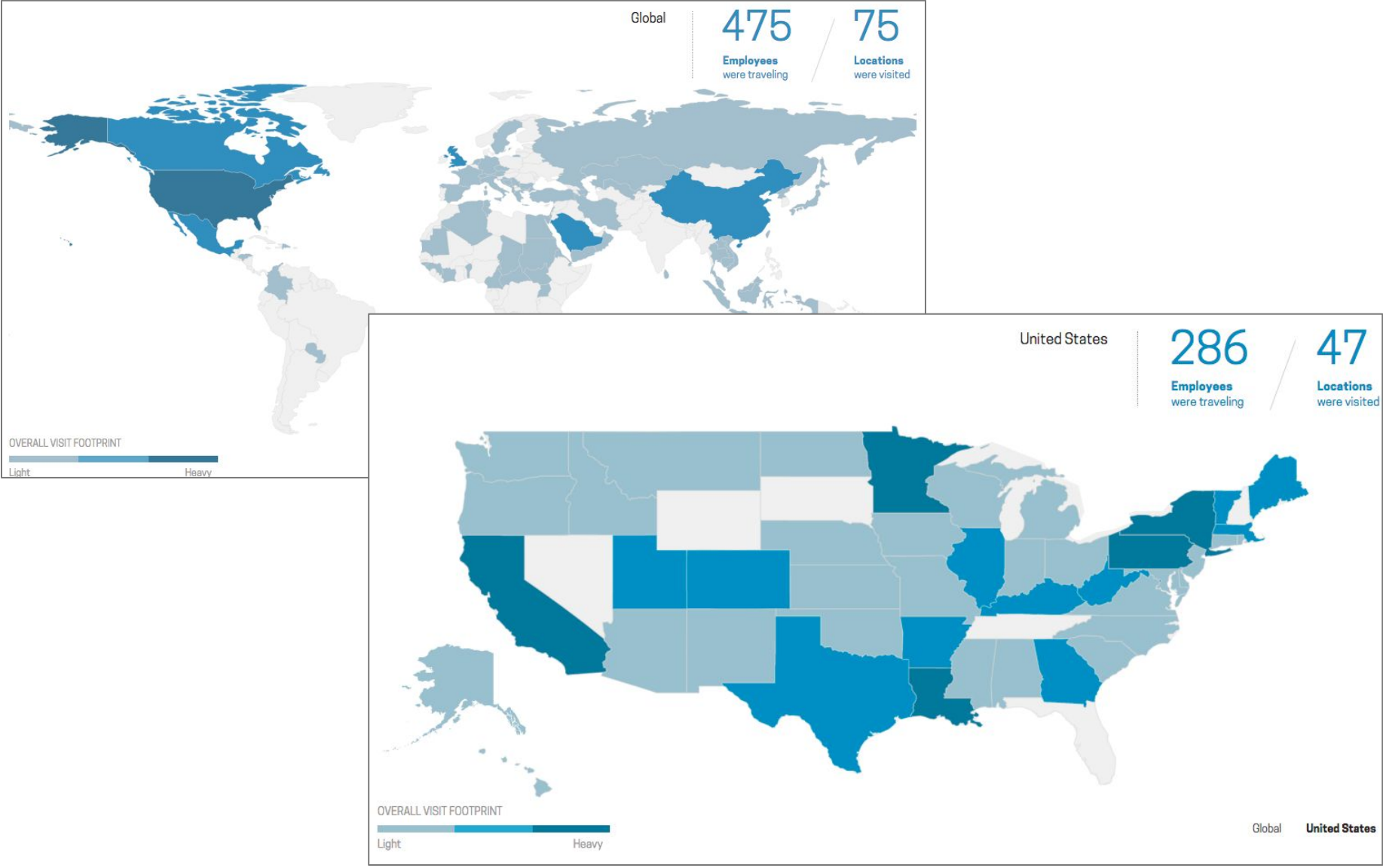
```
<ProfileResponse Status="Active" Unique="" LoginId="wsadmin@domain.com">
<General>
<FirstName>WSAdmin</FirstName>
<MiddleName></MiddleName>
<LastName>User5</LastName>
<NameSuffix></NameSuffix>
<PreferredName></PreferredName>
<JobTitle></JobTitle>
<HasOpenBooking>true</HasOpenBooking>
<CountryCode>US</CountryCode>
<CompanyName>Concur Connect-15 Trivisa</CompanyName>
<RuleClass>Concur Connect Trivisa</RuleClass>
</General>
<Telephones><Telephone Type="Work">
<CountryCode></CountryCode>
<PhoneNumber>3015551234</PhoneNumber>
<Extension></Extension>
</Telephone></Telephones>
<Addresses />
<EmailAddresses>
<EmailAddress Contact="true" Type="Business">wsadmin@trivisa-connect.com</EmailAddress>
</EmailAddresses>
<Air>
<AirMemberships />
<Seat>
<InterRowPositionCode>DontCare</InterRowPositionCode>
<SectionPositionCode>DontCare</SectionPositionCode>
</Seat>
<AirOther></AirOther>
</Air>
<Rail>
<Seat>DontCare</Seat>
<Coach>DontCare</Coach>
<NoiseComfort>DontCare</NoiseComfort>
<Bed>DontCare</Bed>
<BedCategory>DontCare</BedCategory>
<Berth>DontCare</Berth>
<Deck>DontCare</Deck>
<SpaceType>DontCare</SpaceType>
<FareSpaceComfort>DontCare</FareSpaceComfort>
<SpecialMeals>DontCare</SpecialMeals>
<Contingencies>DontCare</Contingencies>
<RailMemberships />
</Rail>
```

PUTTING TECHNOLOGY TO WORK

employee_id	date	selected	candidate	candidate_status	item_type	item_description	raw_input (all remaining columns)				
16882	2/2/16	IL	IL	selected	expense	Expense in IL on 2016 US	5811136	16882		cabs to/from	Local Trans Metro North/Taxi/Tra
16882	2/2/16	IL	IL	selected	expense	Expense in IL on 2016 US	5811136	16882		Marketing Tri	Meals - Travel Self
16882	2/2/16	IL	IL	selected	expense	Expense in IL on 2016 US	5811136	16882		cabs to/from	Local Trans Metro North/Taxi/Tra
16882	2/2/16	IL	GA	non_candidate	expense	Expense in GA on 201 US	5811136	16882			Airfare
16882	2/2/16	IL	CA	non_candidate	expense	Expense in CA on 201 US	5811136	16882		cabs to/from	Car Service
16882	2/2/16	IL	MN	late_arrival	travel_arrival	Flight EHENSL[1] from 16882	EHENSL	1	MDW	MSP	
16882	2/2/16	IL	MN	late_arrival	travel_stay	TravelStay in MN from 16882	EHENSL	1	MDW	MSP	
16882	2/2/16	IL	IL	selected	departure	Flight EHENSL[1] from 16882	EHENSL	1	MDW	MSP	
16882	2/2/16	IL	MN	late_arrival	hotel	Hotel in MN from 20: 16882	MSP		2016-02-03T00:00:00		STEFFEK/AMY M
16882	2/2/16	IL	CA	non_candidate	expense	Expense in CA on 201 US	5811136	16882		cabs to/from	Car Service
18117	1/11/16	WI	WI	selected	travel_arrival	Flight FWQABP[1] from 18117	FWQABP	1	BOS	MKE	
18117	1/11/16	WI	MN	late_arrival	travel_arrival	Flight YYOTNH[1] from 18117	YYOTNH	1	MKE	MSP	
18117	1/11/16	WI	MA	early_departure	departure	Flight FWQABP[1] from 18117	FWQABP	1	BOS	MKE	
18117	1/11/16	WI	WI	selected	departure	Flight YYOTNH[1] from 18117	YYOTNH	1	MKE	MSP	
18117	1/11/16	WI	MN	late_arrival	hotel	Hotel in MN from 20: 18117	MSP		2016-01-12T00:00:00		STIRLING/JOSHUA CLAYTON
18117	1/11/16	WI	MN	late_arrival	hotel	Hotel in MN from 20: US	2411135	18117		Client Meetin	Room Tax
18117	1/11/16	WI	MN	late_arrival	hotel	Hotel in MN from 20: US	2411135	18117		Client Meetin	Room Rate
18117	1/11/16	WI	MA	early_departure	expense	Expense in MA on 20 US	2411135	18117		Client Meetin	Local Trans Metro North/Taxi/Tra
18117	1/11/16	WI	WI	selected	expense	Expense in WI on 201 US	2411135	18117		Client Meetin	Meals - Travel Self
18117	1/11/16	WI	WI	selected	expense	Expense in WI on 201 US	2411135	18117		Client Meetin	Meals - Travel Self
18117	1/11/16	WI	MN	late_arrival	expense	Expense in MN on 20 US	2411135	18117		Client Meetin	Local Trans Metro North/Taxi/Tra
18117	1/11/16	WI	OK	non_candidate	expense	Expense in OK on 201 US	2411135	18117		Client Meetin	Airfare
18117	1/11/16	WI	WI	selected	expense	Expense in WI on 201 US	2411135	18117		Client Meetin	Local Trans Metro North/Taxi/Tra
3292	3/6/16	VA	VA	selected	travel_arrival	Flight AVEHGI[1] from 3292	AVEHGI	1	LGA	DCA	
3292	3/6/16	VA	VA	selected	travel_stay	TravelStay in VA from 3292	AVEHGI	1	LGA	DCA	
3292	3/6/16	VA	NYC	candidate	departure	Flight AVEHGI[1] from 3292	AVEHGI	1	LGA	DCA	



UNDERSTAND YOUR ORGANIZATION'S BUSINESS TRAVEL FOOTPRINT



IDENTIFY NON-RESIDENT WITHHOLDING RISK

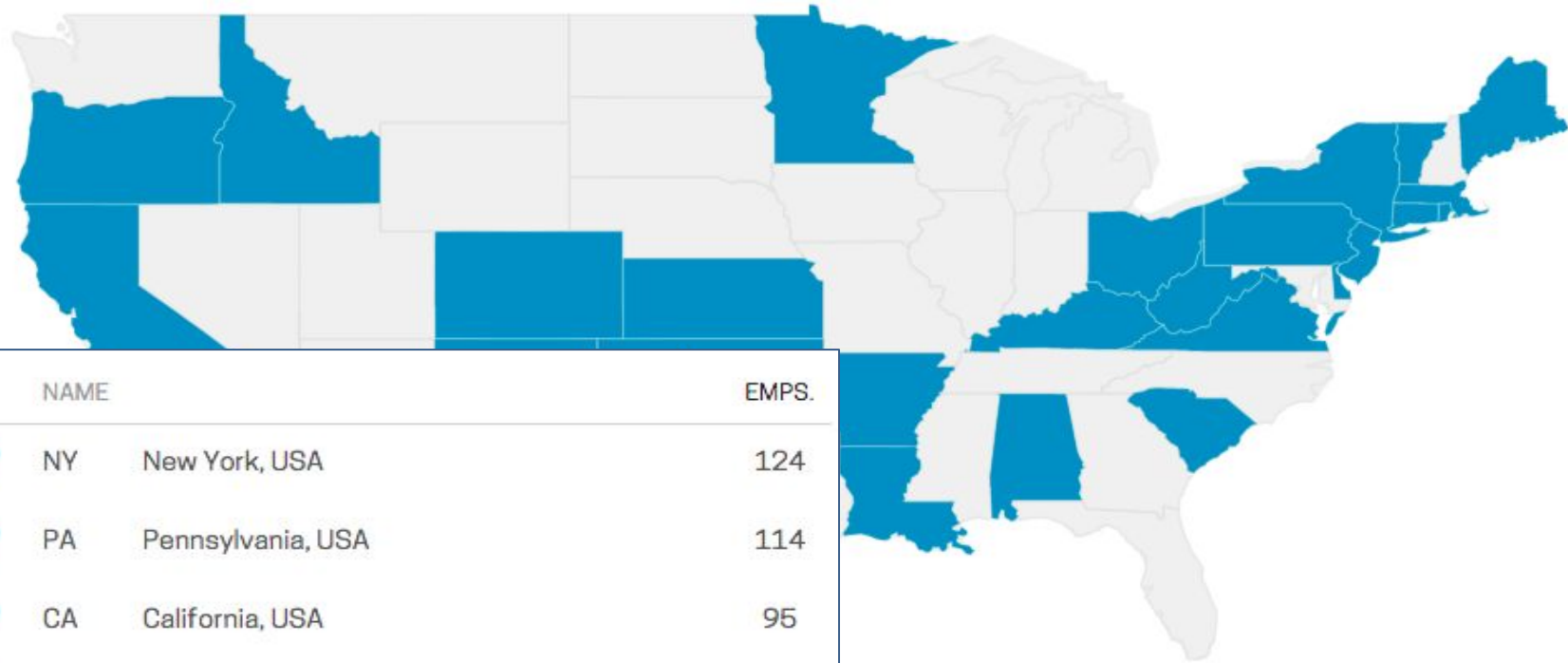
United States

144

Employees with withholding

25

Locations withheld for



	NAME	EMPS.
📍	NY New York, USA	124
📍	PA Pennsylvania, USA	114
📍	CA California, USA	95
📍	LA Louisiana, USA	75
📍	MN Minnesota, USA	75
📍	ID Idaho, USA	31

Global **United States**



ENABLE COMPLIANCE BY FEEDING SEAMLESSLY INTO PAYROLL

Employee id	First Name	Last Name	Legal Entity	Primary Work Location	Nonresident Work Location	Number of Workdays	% Of Income to be Allocated	Pay Period
14291632	Gunner	Beier	ABC Services Inc.	CT	OH	7	70%	09/18/17 - 10/01/17
14291632	Gunner	Beier	ABC Services Inc.	CT	OH	1	10%	09/18/17 - 10/01/17
14394394	Marjolaine	Hessel	ABC Co.	CT	IL	6	0%	09/18/17 - 10/01/17
16172570	Myrtis	Zieme	ABC Co.	NY	MA	9	82%	09/18/17 - 10/01/17
16172570	Myrtis	Zieme	ABC Co.	NY	CA	2	18%	09/18/17 - 10/01/17
18255209	Arvilla	Collier	ABC Inc.	CO	NY	3	0%	09/18/17 - 10/01/17
18255209	Arvilla	Collier	ABC Inc.	CO	TX	4	0%	09/18/17 - 10/01/17
18517031	Guido	Haag	ABC Co.	IL	NY	2	25%	09/18/17 - 10/01/17
18517031	Guido	Haag	ABC Co.	IL	CT	1	5%	09/18/17 - 10/01/17
18517031	Guido	Haag	ABC Co.	IL	CA	5	50%	09/18/17 - 10/01/17
19993543	Mariela	Gorczyan	ABC Services Inc.	CT	NY	5	150%	09/18/17 - 10/01/17
20014242	Brian	Gant	ABC Services Inc.	CT	OH	3	25%	09/18/17 - 10/01/17
10529023	Irwin	Dickinson	ABC Co.	NJ	PA	8	0%	09/18/17 - 10/01/17
10379590	Paula	Rau	ABC Co.	TX	CT	4	40%	09/18/17 - 10/01/17

Employee id	First Name	Last Name	Legal Entity	Primary Work Location	Nonresident Work Location	Work Days Allocated	% Of Income to be Allocated	Year
14291632	Gunner	Beier	ABC Services Inc.	CT	OH	21	8.8%	2017
14291632	Gunner	Beier	ABC Services Inc.	CT	OH	10	4.2%	2017
14291632	Gunner	Beier	ABC Services Inc.	CT	CA	7	2.9%	2017
14394394	Marjolaine	Hessel	ABC Co.	CT	IL	10	0.0%	2017
16172570	Myrtis	Zieme	ABC Co.	NY	MA	29	12.1%	2017
16172570	Myrtis	Zieme	ABC Co.	NY	CA	16	6.7%	2017
18255209	Arvilla	Collier	ABC Inc.	CO	NY	16	6.7%	2017
18255209	Arvilla	Collier	ABC Inc.	CO	TX	13	0.0%	2017
18517031	Guido	Haag	ABC Co.	IL	CT	15	6.0%	2017
18517031	Guido	Haag	ABC Co.	IL	NY	30	12.3%	2017
18517031	Guido	Haag	ABC Co.	IL	CA	16	6.7%	2017
19993543	Mariela	Gorczyan	ABC Services Inc.	CT	CA	27	11.3%	2017
19993543	Mariela	Gorczyan	ABC Services Inc.	CT	NY	16	6.7%	2017
19993543	Mariela	Gorczyan	ABC Services Inc.	CT	OH	3	1.3%	2017
20014242	Brian	Gant	ABC Services Inc.	CT	OH	3	1.3%	2017
10529023	Irwin	Dickinson	ABC Co.	NJ	PA	10	0.0%	2017
10379590	Paula	Rau	ABC Co.	TX	CT	16	6.7%	2017



THANK YOU

Nishant Mittal

Co-founder

www.monaeo.com

nishant@monaeo.com

949.468.7885

