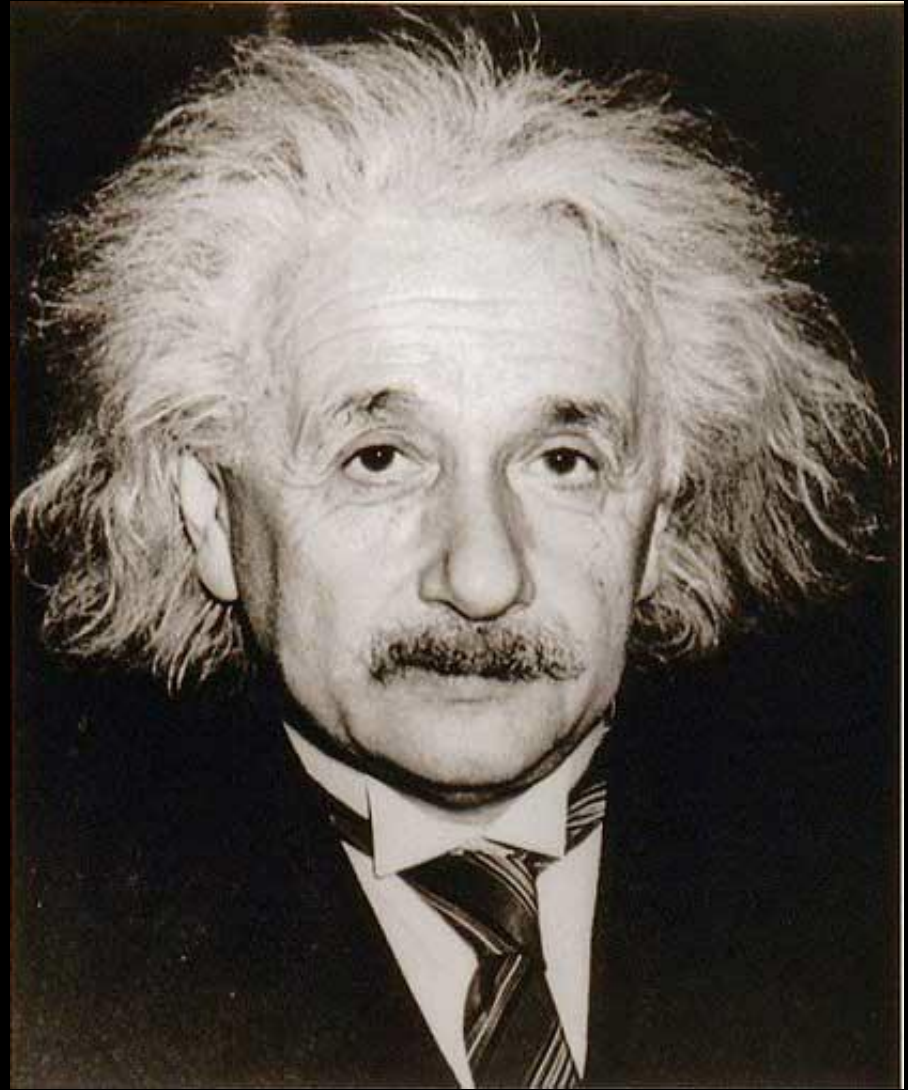




How to Close Compliance Gaps (Without the Headaches)

11 September 2015
APA NPW

“The hardest
thing in the
world to
understand is
... taxes.”



Agenda

- Compliance Landscape
- Costs of Noncompliance
- A Tale of Two Case Studies

ODDs ARE STACKED AGAINST US

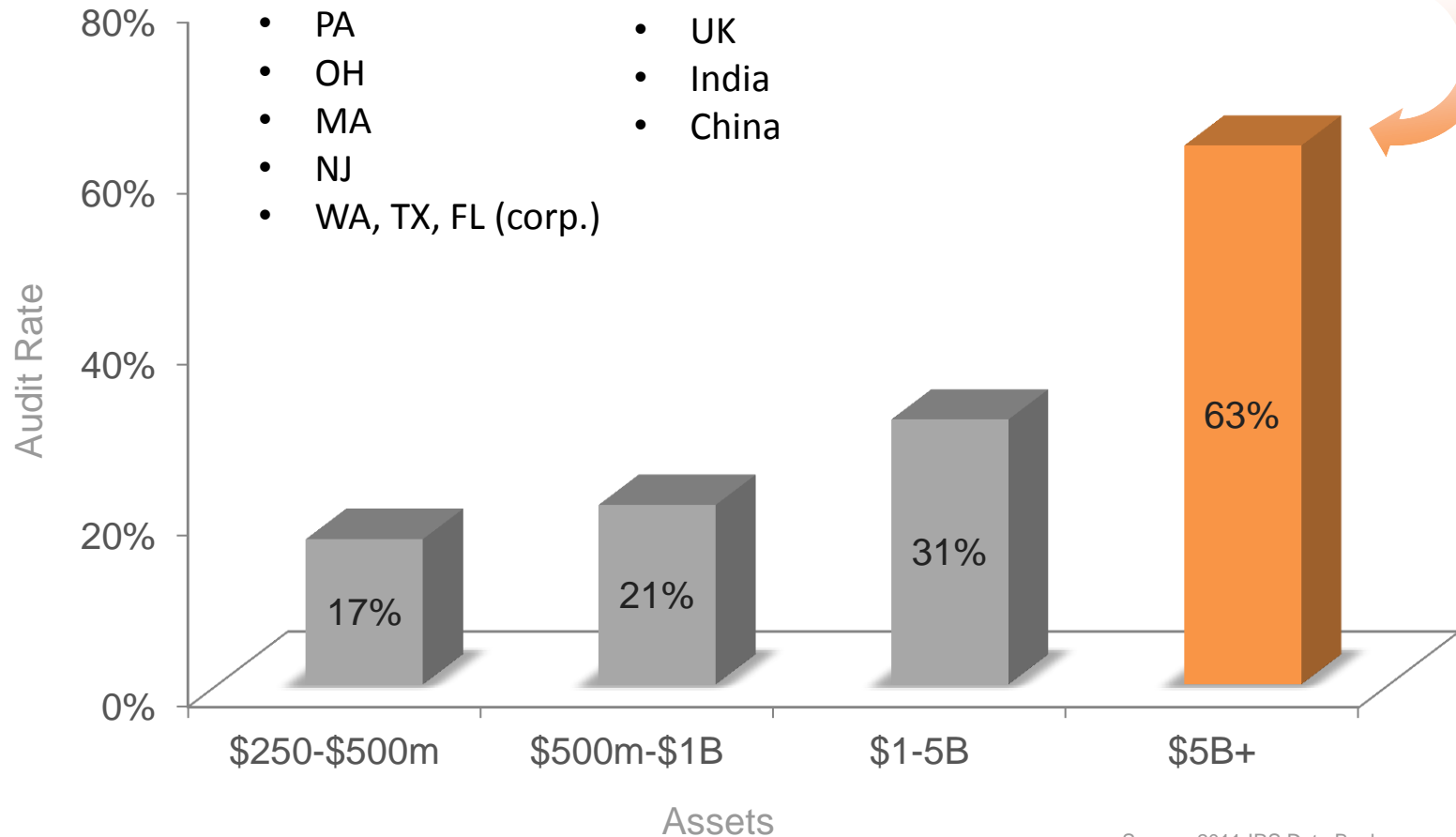
Domestic

- NY
- CA
- PA
- OH
- MA
- NJ
- WA, TX, FL (corp.)

Int'l

- US
- Canada
- UK
- India
- China

1,300 of global 2,000 companies likely to be audited this year



Source: 2011 IRS Data Book



"Politically, who better to go after than those who do not even claim to be residents of the state?"

- Brian Gordon, former audit head & 30yr veteran of NY state Dept. of Finance & Taxation

Payroll Compliance

Compliance Requirements

- Wide range of requirements
 - Complex landscape
 - Legislative changes
 - International challenges
- Cross departmental (HR, finance, tax, legal, comp/benefits)
- Technology hurdles

Payroll Compliance

The Cost of Noncompliance

- Easy to measure:
 - Penalties
 - Interest
 - Resources to correct errors (internal & external)
- Difficult to measure:
 - Damage to brand reputation
 - Employee dissatisfaction

Case Study (Part One)

- Technology company
- HQ: Texas
- Employees: 1,000
- Travelers: 200 (active)
 - New York
 - Washington
 - Florida
 - UK

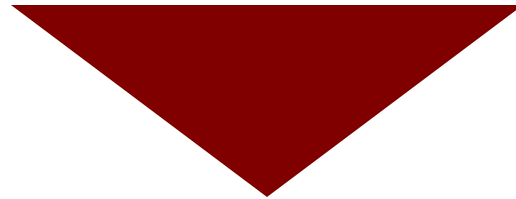
CALENDAR

			?	1	2	3
4	5	6	7	8	?	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

MONAEO

Current Situation

- Lack of visibility
- Unknown exposures
- Manual, inefficient
- Inaccurate, incomplete



Costly | Painful | Risks Credibility



Time and Resources Spent

Payroll and Tax Staff

480
hours

Travelers

400
hours

Tax Advisors

\$40k
fees

\$100,000
in audit costs

Audit Exposure

20%

withholding misallocation

\$1,300,000

in payroll W/H exposure

...FAST
FORWARD
3 YEARS



\$1,400,000

audit exposure + costs

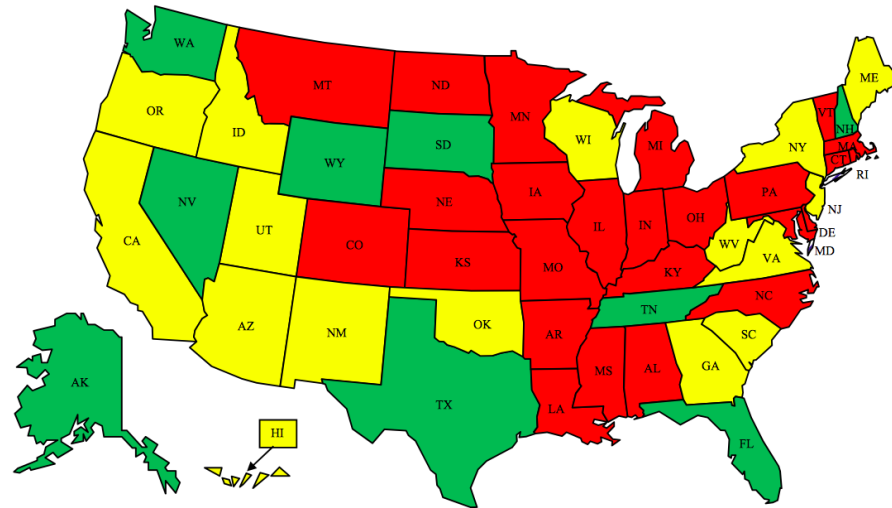
Tales from the Trenches

Case Study (Part Two)

- Fast-growing retail company
- Stores in 47 states
- Multiple entities
- Several groups of business travelers (executives, district managers, regional managers)

Tales from the Trenches

The Problem



Key

- Nonresident employees subject to tax withholding on *first day* of travel
- Nonresident employees subject to tax withholding after reaching threshold (see Appendix A for details)
- No general personal income tax (or, in the case of Washington, DC, no tax on nonresidents)

Travel across state borders was creating risk for the company, as well as headaches for payroll, tax, and employees.

What should they do?

Create a framework.

DIAGNOSE

Review exposures

- Who?
- Where?
- What for?
- How much?

REBALANCE

'True-ups' and 'tune-ups'

- Payroll withholding
- New jurisdictions
- New legal entities (nexus/PE)
- Feedback to business teams

PREPARE

Anticipate, avoid, comply

- Monitor employee travel
- Get actionable insights for tax, payroll, and HR processes

Key Ingredients?

TRAVELERS

- **Title**, e.g. senior executives
- **Function**, e.g., sales, implementation/engineering, service
- **Geography**

STAKEHOLDERS

- **Tax** – domestic, international?
- **HR** – payroll, mobility, comp & benefits
- **CXOs** – CFO, CIO, CEO

POLICIES (BASED ON RISK APPETITE)

- **Thresholds** – de minimis (w/h, PE, nexus)
- **Jurisdictions** – ‘hot’ list
- **Employees** – tax gross ups, filing assistance/reimbursement

DATA SOURCES

- **Travel & expense** records
- **Time & attendance**
- **Calendars**, manual surveys
- **Apps** on laptops, tablets, or phones

Leverage Technology



**AUTOMATIC
TRAVEL ANALYSIS**

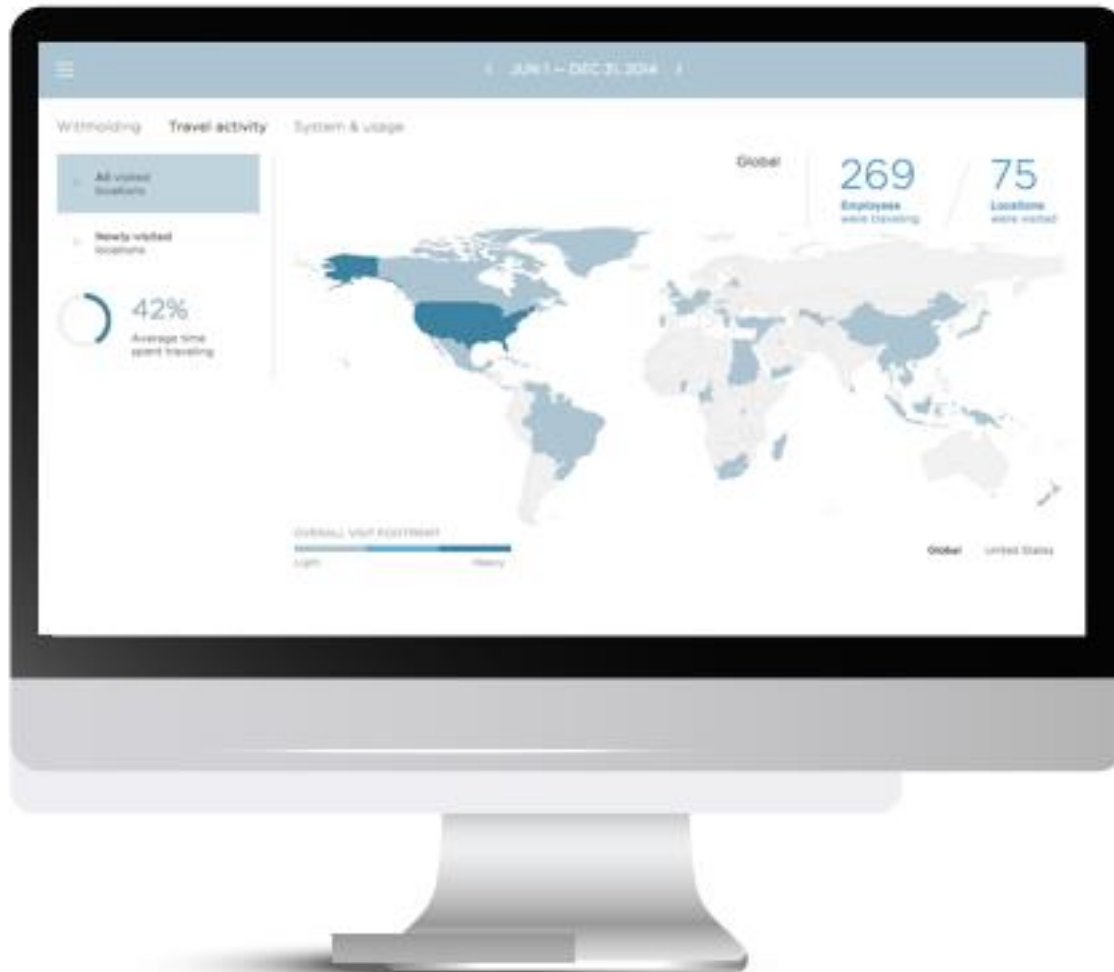


**DATA & REPORTS
FOR AUTOMATED
COMPLIANCE &
AUDITS**

Improve Compliance



Save on Taxes



Cost-Benefit

5-10x
ROI

SAVINGS

- Eliminate exposures
 - Employment tax (e.g., payroll withholding)
 - Corporate tax (e.g., UBT in NYC, apportionment)
- Optimize tax planning
 - Real-time footprint views (nexus/PE)
 - Early-warning alerts
- Minimize time, resource, and pain