

## **The Best Practices of a Best-in-Class Corporate Tax Department**

*Today's tax department leaders face many challenges including implementing corporate tax policy, staying on top of technical issues, managing the internal and external perception of the department, and funding the department in lean budget times.*

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**T**oday's tax department leaders face many challenges including implementing corporate tax policy, staying on top of technical issues, hiring and retaining personnel, managing the internal and external perception of the tax department, and funding the department in lean budget times. Balancing all of these priorities takes a great leader. But how do tax leaders know what the best practices are in all of these areas? And where should they focus their attention to get their department to a leadership role—internally as well as externally? The Sales Tax Institute addressed these issues at its inaugural "Tax Leader Summit" held in the fourth quarter of 2012. To gather feedback from leading companies regarding the administration of their tax functions, the Institute prepared and distributed a survey to 1,243 companies throughout the U.S. The survey was sent to tax directors and tax department vice presidents, and company CFOs, treasurers, and controllers. A second

survey was sent to the Tax Leader Summit attendees to gather further details regarding the management practices within their organizations.

We received 89 responses, representing some of the largest companies in the U.S. Of the respondents, 61% represented public companies and more than 63% reported annual revenues in excess of \$1 billion. Manufacturing and retail/wholesale companies represented 31% and 26%, respectively, of the responses. Thirty-one percent of the responding companies have tax departments employing more than 15 people.

Our goal was to identify the best practices used by tax leaders, as well as practice tips that could be shared with others. The results were used to benchmark attendees at the Institute's Tax Leader Summit. Attending the Summit were leaders from companies respected for their tax functions. Author Diane Yetter, of the Sales Tax Institute, and Kai Ranabargar, of the Tax Technology Group, Inc., facilitated the panel discussions, and author LeAnn Luna, with the University of Tennessee, discussed the research results. Insightful discussions followed, providing Summit attendees with actionable ideas to take back to their companies for evaluation and implementation. In this article, we share some of the key findings of the research as well as some of the actions identified by the Summit participants that they plan to implement in their tax departments. A copy of the full research study is available via the Internet, at [www.yettertax.com/summit2012](http://www.yettertax.com/summit2012).

The research survey focused on the following areas critical to the successful management of a tax department:

- Staffing, personnel development, and core task analysis.
- Outsourcing.
- Visibility of the tax department.
- Communications.
- Funding the tax department.
- Tax reserves and accruals.
- Budgeting, forecasting, and variance control.
- Data management

We chose to focus on these areas because they are critical to building a "best in class" tax department. The best tax departments have amazing staff who are creative, committed, and smart. Attracting, rewarding, developing, and retaining these individuals is the backbone of the best tax departments. Part of successfully staffing the department is knowing what core tasks should be performed internally and what functions can or should be outsourced. Celebrating the department's successes internally and externally is important to obtaining the funding necessary to accomplish the goals. Knowing how to gain visibility and promote the department's value to the company's bottom line is a skill a best-in-class tax leader must master. Managing risk and minimizing surprises through appropriate reserves, accruals, budgets, and forecasts will gain the support of corporate leadership, as a focus on the bottom line is foremost in their minds. And to accomplish all of this, the need for easy access to data from throughout the organization builds the foundation. The following discussion explores these focus areas in more detail.

## **Staffing, Personnel Development, and Core Task Analysis**

One key to managing the tax function is to maintain appropriate staffing levels. An equal number of respondents felt their tax departments were appropriately staffed as felt they were understaffed. Just one respondent believed his department was overstaffed. Only 20% of the companies, however, actually have their staff keep track of their time (see Exhibit 1), and only 32% track the tasks within the department with an estimate of the effort required (see Exhibit 2). Although less than a third of the companies participating in the general survey have methods in place to track the productivity and efficiency of their staff, 71% of the Tax Leader Summit attendee companies have these types of processes in place, and thus have some confidence that their employees accomplish as much as possible in a given week.

Development of staff through training is the foundation of a best-in-class tax department. Training should occur at all levels, and cover not only technical tax topics but also other skills such as technology, communication, and leadership. In the general survey, only 37% of the companies require a specified level of training annually (see Exhibit 3). By contrast, 86% of the Summit attendee companies require their tax staff to attend training, and 72% of these companies budget at least \$1,000 per employee per year for training.

### Exhibit 1. Do your employees track their time?

		Response Percent	Response Count
Yes		20.7%	17
No		79.3%	65

### Exhibit 2. Do you maintain a listing of all the tasks/functions performed by personnel and the estimated time requirements per task?

		Response Percent	Response Count
Yes		31.6%	25
No		68.4%	54

### Exhibit 3. Do you require a set level of employee training per year?

		Response Percent	Response Count
Yes		37.0%	30
No		63.0%	51

**Tips for staff training and development.** During the Summit, participants shared a number of suggestions and ideas for developing staff and enhancing staff moral. Summit attendees ranked the following as the top choices and most likely to be implemented within their organizations:

- (1) Improve the interviewing process by incorporating behavioral questions into the procedure. Have human resources personnel provide training for the individuals responsible for conducting interviews.
- (2) Conduct "lunch and learn" sessions to expose all members of the department to the various technical areas. Use this also as an opportunity for staff at all levels to gain presentation skills. Consider inviting individuals from outside the tax

department to sit in and/or make their own presentations, thereby enabling tax staff to build rapport with other key departments.

(3) Develop a mentor network for all levels of personnel. Consider asking leaders from other departments to mentor tax department staff. And tax department leaders should offer to mentor individuals in other departments.

(4) Provide other opportunities for tax staff to meet individuals in other key groups.

(5) Consider using nontraditional activities (e.g., a "scavenger hunt") to educate tax staff about other departments in the company.

(6) Cross-train employees to provide backup for key tasks in order to mitigate risk and ensure that the absence of one individual will not threaten a critical project.

One of the overarching themes during the discussion was the importance of identifying and training the next leader. Looking for the right mix of technical, communication, and leadership skills will help identify the candidates, but they also need "passion." Without passion for what we do every day, and the ability to make that passion visible to employees, we find it hard to encourage others to follow in our footsteps.

## **Outsourcing**

A key component of building and managing a tax department is an evaluation to determine who should perform various corporate functions. Other internal departments may be appropriately suited for some functions. Whether the finance and tax function is centralized or decentralized will have a significant influence on some of these decisions. Some tasks are better suited to external sources. The extent to which a company outsources key tasks is a function of both the corporate culture and the management philosophy of tax leadership. When properly made, a decision to outsource can allow the tax department to concentrate on its core mission while delegating high-volume, low-risk tasks, or tasks that fall outside internal competencies and expertise. Outsourcing can also prove disastrous, however, if communication regarding the decision is handled inappropriately, if appropriate resources are not retained internally to manage the outsource provider, or if the engagement scope is not clearly defined. Nevertheless, a decision to outsource a task still requires significant management skill to make it work, both at the front-end negotiating the terms of the contract, and by monitoring and frequently communicating with the outside firm.

In our general survey, just over 50% of the companies outsource some part of the tax department functions. Compliance, including transaction tax, income tax, and property tax, ranks as the most frequently outsourced function. Least likely to be outsourced are tax planning and audit defense.

When companies use external resources for either outsourcing or special projects in the tax department, the best practice is for the tax department to select the appropriate provider. Whether a formal "request for proposal" (RFP) process is used is not as critical as who the company's decision-maker is. Just over 50% of the survey participants use a formal RFP process (see Exhibit 4). The formal process of drafting the RFP forces managers to properly define the need for and the precise scope of the service. Further, allowing competing vendors to bid can reveal varied approaches to efficiently accomplishing the task. Best-in-class companies should build some flexibility into the RFP process and also involve the key stakeholder in the final decision, rather than delegating this critical task to the procurement or contracting department.

Fifty-two percent of the survey respondents indicated that their companies' tax departments have the final authority on vendor selection for tax-related projects (see Exhibit 5). Another 10% indicated that, while their tax departments do not have decision authority, they can provide input on the vendor selection. It is a best practice for the tax department to have the final authority to make decisions regarding tax-related projects. Cost may not be the deciding factor, and the tax department leader is best suited to evaluate competing proposals.

**Exhibit 4. Do you have/use a formal RFP process?**

		<b>Response Percent</b>	<b>Response Count</b>
Yes		53.6%	45
No		46.4%	39

**Exhibit 5. Does the tax department have decision authority on vendor selection for tax-related projects?**

	Response Percent	Response Count
Yes—final authority	52.4%	44
Yes—one of the decision makers	38.1%	32
No—but can provide input to the selection	9.5%	8
No—we have no authority or input into the decision	0.0%	0

**Outsourcing guidance.** Some of the key take-aways identified during the Tax Leader Summit relating to outsourcing and the RFP process include:

- (1) Do not shortchange the process. Spend the appropriate amount of time on your analysis and include all the costs and benefits.
- (2) If you do outsource, whether it is a day-to-day function or a special project, set up regular communications with the provider. The success of the project will reflect on the tax department, and regular communication allows the manager to discover and correct problems sooner rather than later.
- (3) As facts and circumstances change, re-evaluate the scope and cost of the contract and revise as necessary to reflect changing conditions.
- (4) Your provider has goals and objectives in taking on any project. Understand the provider's objectives in order to have realistic expectations of success.
- (5) Build into any agreement the ability to adjust fees for improvements in internal efficiency. If you improve your systems or make other changes that impact the engagement, you should see benefits in the outsourced engagement's costs.
- (6) Conduct an RFP process, albeit challenging. The process will help you define the scope of the project and better understand what you really need. Also, talking to at least two providers gives you the opportunity to hear about different approaches and

techniques. But do not overkill the process; if it is too onerous, you might not get the best candidates to participate.

(7) In making the final decision on a provider, do not rely on just the proposal. The references offered by the provider will generally be satisfied customers. Call those references and compare their processes and needs to your own, but also use your networking resources to find and question other companies that have used the provider's services.

## **Visibility of the Tax Department**

The ultimate success of the tax department will depend on how well it is perceived internally and externally. This is one of the biggest challenges for tax leaders. Knowing how to manage and craft the messages of the tax department are not skills that come naturally to most tax professionals. But this skill is one that will garner the most return. High-performing individuals want to work for a tax department that is respected and is "known" within the organization as a whole, as well as externally. Balancing the need to protect confidential information with the need to promote the value of the tax department's activities can be challenging.

Recognizing key staff contributions is a key component of an internal public relations strategy. Companies that take the opportunity to promote the successes of overhead departments such as tax, as well as individual contributors, tend to have more success. Although almost 60% of the survey participants do not engage in this valuable activity (see Exhibit 6), over 85% of Summit attendees do. Taxes, and in particular indirect taxes, touch so many functional areas of the company. Promoting the department throughout the company is critical.

Having processes in place for the company to recognize the efforts of the tax department is a best practice as it can assist in gaining company support for tax initiatives. The tax department should promote both its functions and its successes across the company. It is also important for the tax department to be perceived as understanding the business. Make sure you know who the important customers are, exactly what the company does, and how it makes money. Credibility of the tax staff in understanding operations will improve



communications throughout the company. Awareness of how the tax department can help the bottom line is a best practice.

It is just as important to be a cheerleader within the department and recognize the successes of individual staff members. Only 38% of survey respondents, however, have a program in place to recognize employee accomplishments (see Exhibit 7). Recognition can be done in many different ways, and personal attention by the tax leadership is likely the most effective. Recognition programs do not need to be costly or sophisticated. Something as simple as a "recognition certificate" or a personal note sent to an employee's home address can have enormous impact. This is an area in which everyone can find some improvement.

It is a best practice to have a recognition program within the tax department to reward staff when appropriate. This simple policy creates an environment where staff members are more inclined to exceed expectations. Another best practice is to engage in not only top-down recognition but also peer recognition and bottom-up recognition. This encourages teamwork and also gives all staff members the opportunity to recognize accomplishments that they believe impact the department and the company.

**Exhibit 6. Do you have a process for recognizing efforts by the tax department staff accross the company?**

		<b>Response Percent</b>	<b>Response Count</b>
Yes		41.9%	31
No		58.1%	43

## Exhibit 7. Do you have a recognition program within the tax department to reward staff?

		Response Percent	Response Count
Yes		37.8%	28
No		62.2%	46

**Pointers on visibility.** At the Tax Leader Summit, we took an interesting approach and invited a marketing professional (Becka Bates of BatesMeron Sweet Design, in Chicago) to present her ideas. She outlined some strategies and approaches that everyone found creative and helpful. Some of those ideas included:

(1) Remember that there are many stakeholders—internal and external—for the tax department. Communicate to all of them authentically and with a unified message. Create opportunities at all levels and empower your staff to create visibility at their own levels.

(2) Determine your department brand and make sure it is consistent with your corporate brand. Whom do you want to be and what do you want to be known as? Build your reputation around this brand—whether it is a world-class compliance group, a creative tax planning function, or the most automated and technological department. Knowing this and building visibility for it will help you attract the right type of people to help you not only maintain but improve.

(3) Do not work in a "silo." Get out of your office and interact with the business. Seek invitations to meetings that you know require tax input. Show value to your participation and soon you will be at the top of everyone's list. Be creative and find different ways to show your value. Consider providing a "help desk" to the sales force or accounts payable personnel, and offer to educate nontax staff on relevant tax issues. When possible, offer to review deals to identify tax saving strategies and provide support to the internal audit staff.

## Communications

Good communication in a tax department is related to the department's visibility. In today's social media-driven world, tax department leaders face new challenges. We surveyed issues related to not only how the department uses more traditional communication tools but also what the department's social media policies are. Given the quantity and confidential nature of the information known by the tax staff, it is important that tax leaders work with corporate communications professionals to craft appropriate policies.

Another key issue is how to ensure the quality and consistency of information provided outside the tax department—whether to customers, vendors, internal departments, or government officials. We also addressed how tax leaders can ensure that no information leaves the tax department without an understanding of the request, how the data will be used, and how to manage relations with customers.

Only 23% of respondents indicated that their employees use standard templates for written responses to customers (see Exhibit 8). This practice creates a risk of miscommunication, especially if lower-level staff members have responsibility for this type of communication.

One area where tax opportunities are lost is when information is released externally. Eighty-four percent of respondents indicated that the tax department is not required to review and approve external communication releases (see Exhibit 9). A best practice is to work with the communications, marketing, and legal staffs to identify the types of external communication that could have an impact on tax policy or tax consequences for the company. These could include announcements regarding facilities, release of new lines of business, changes in corporate structure, acquisitions and divestitures, and other similar types of information. Many times, a government official raises issues from public releases that the tax department had no part in drafting or reviewing. As a result, defending the company can become much more difficult.

More and more relationships are developed through social media. This technique has also become a key tool for many professionals—sometimes in lieu of conducting their own research. Unfortunately, there have been a number of situations where social media tools have been used inappropriately, resulting in exposure for the company. Most social media outlets are public, and auditors frequent these arenas to gather information about their audit targets. Less than 20% of survey respondents monitor their employees'

communication on social media (see Exhibit 10). It is a best practice to establish a formal departmental policy related to social media use and to periodically monitor the activity of staff. By conducting monitoring, especially with regard to business-related social media (e.g., LinkedIn, corporate message boards, public tax forums), you can become more aware of information releases that may impact your company's tax standing.

**Exhibit 8. Do employees use standard templates for written responses to customers?**

		Response Percent	Response Count
Yes		23.5%	8
No		76.5%	26

**Exhibit 9. Is the Tax Department a "required" review and approval source for all external communication releases?**

		Response Percent	Response Count
Yes		15.8%	12
No		84.2%	64

**Exhibit 10. Do you monitor what your employees might be saying on social media (Linked In questions, message boards, public forums, Twitter, Facebook, online publications comments)?**

		Response Percent	Response Count
Yes		19.7%	15
No		80.3%	61

**Particulars for communication.** Similar to the "visibility" session, the communication discussion at the Summit was enhanced by a marketing perspective. Some of the key action items that were identified for implementation were:

(1) None of the Summit attendees have a social media policy in place within the tax department. After talking through the risks, all agreed this area needed to be formally addressed. They also identified the need to ensure all communication policies are followed. Coordination with overall corporate policies is important.

(2) Keeping with the goal of establishing a good reputation, the group discussed the need to protect their image and to have honest discussions with their staff regarding their social media activities—even on a personal level. What employees post on their personal pages could affect the company's reputation.

(3) Keep track of the types of communications the department handles—whether it is requests from sales staff, customer or vendor inquiries, or help in determining the taxability of purchases by accounts payable staff. Use these statistics to your advantage.

(4) Provide examples of the type of communication your staff should be providing to external parties. Develop standard templates for requests and responses. This will help ensure the appropriate communication—even if you cannot personally review everything.

(5) Do not forget to communicate the successes. Consider using a department newsletter, blog, or web page. Use public social media outlets to give your staff recognition and announce promotions externally where appropriate.

## **Funding the Tax Department**

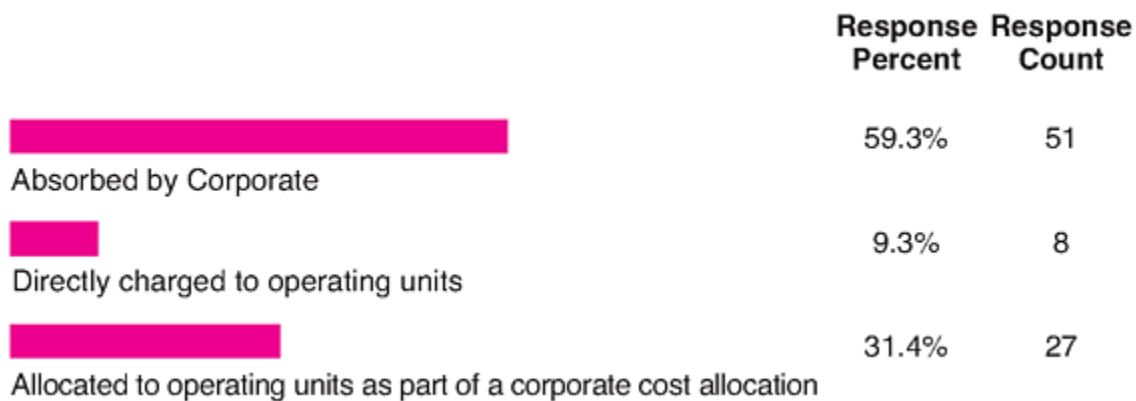
Without the proper funding, the tax department cannot provide the services required. In today's environment of budget cuts and limits, tax department leaders need to be creative in making sure they have the funds available to provide the resources needed to service the business. Our survey questions focused on which department should carry the costs for personnel, projects, and resources of the tax department, particularly when the benefit brings value to other areas in the company.

We discovered that for a large percentage of survey respondents (nearly 60%), the costs of the tax department, and in particular the transaction tax function, are absorbed by corporate (see Exhibit 11). This approach, however, does not represent a best practice for several reasons. Absorbing costs in corporate misrepresents the costs of operations at the business level. Furthermore, it does not encourage compliance at the operational level.

Another area on which we focused related to transaction tax vendor compensation credits. Such credits can often serve as a funding source, particularly for retailers. A majority of respondents (64%) indicated that the tax department does not retain any vendor compensation credits allowed on sales tax remittance; instead, these receipts offset general corporate expenses (see Exhibit 12). This is not a best practice because it creates an internal reporting mismatch between costs and benefits. When the tax department provides the compliance and tax calculation resources, the vendor compensation credits intended to reimburse companies for their compliance costs should be used to offset those costs for internal reporting purposes.

The Summit attendees found the most valuable take-away to be the discussion related to vendor compensation credits and the matching of credits with expenses. Over a third of the attendees generate between \$500,000 and \$1 million, annually, in vendor compensation credits. This amount would go a long way in covering not only the direct costs of sales and use tax compliance but also the cost of other tax department initiatives. The other interesting idea was that all operating departments should absorb costs related to above-the-line benefits, such as tax refunds and credits and incentives negotiated on those departments' behalf by the tax staff.

### Exhibit 11. How are costs of the tax department and in particular the transaction tax function charged?



### Exhibit 12. Does the tax department retain any vendor compensation credits allowed on sales tax remittance?



## Tax Reserves and Accruals

Another element essential to the success of the tax department concerns the proper timing for booking reserves and accruals related to taxes, applying the likelihood-of-success theories to estimating reserves, and crafting and managing disclosures. Not surprising, survey respondents in public companies update reserves at least quarterly and are more likely to have reserves audited. A small number of responders review reserves as items change, which could be more or less often than quarterly. Discussions at the meeting identified three different ways to calculate reserves:

- (1) During the audit process.
- (2) Item-by-item, state-by-state, or year-by-year.
- (3) By applying an error rate to a population from a stratified sample.

The best practice will be company specific, depending on the nature of transactions.

Reserves for unpaid taxes can arise because, e.g., the company has adopted an uncertain tax position and must reserve for the potential results of an audit that may successfully challenge that position. Companies, however, also establish tax reserves to estimate operational errors or omissions, such as accounts payable failing to retain invoices, exemption certificate errors, or incorrect tax charged by vendors. Managers should be encouraged to identify the source of the liability and remediate the operational problem whenever possible, rather than set up reserves after the fact.

The general survey also asked who makes final decisions about reserves and reserve levels. Seventy-four percent of respondents indicated that reserve decisions are made in-house exclusively (see Exhibit 13). When there are material controversial issues potentially subject to reserve, consultation with outside counsel is a best practice in order to obtain a broader perspective on the risks of assessment and actual costs.

**Exhibit 13. How often do you review and update your forecasts?**

	Response Percent	Response Count
In-house exclusively	74.1%	63
Using outside advisors exclusively	2.4%	2
Using a blend of in-house and legal counsel	23.5%	20

**Reserve and accrual thoughts.** Take-aways from this discussion include:

- (1) Simplify your analysis process. Reserves frequently are analyzed and revised. Determine ways to streamline processes and work to get them automated.
- (2) Initiate discussions with corporate leadership as well as your external and internal audit staff. Understand audit expectations so that your approach and processes meet these needs.



(3) Understand your corporate leadership team's philosophy. Determine the best approach on how to communicate issues to them with the right level of detail and at the appropriate time.

## **Budgeting, Forecasting and Variance Control**

How tax leaders estimate and keep current with budgets and forecasts, as well as how they minimize variances when dealing with extended forecasts and wildcard variables, also are factors that help determine the success of the tax department.

We asked survey participants how often they review and update forecasts. Not surprisingly, we found that large companies update forecasts more often than smaller ones. Public company respondents tend to review and update their forecasts monthly or quarterly, while private companies have a less-formalized policy and update as events occur. It is a best practice to review forecasts on a regular basis.

We received a wide range of responses for this question. Forty-seven percent of respondents indicated that they review and update forecasts quarterly (see Exhibit 14). While, as noted above, forecasts should be reviewed on a regular basis, how frequently to do so is often dictated by finance management and external auditors. If there are significant changes, immediate adjustment may be appropriate. Further, the vast majority of public company respondents (85%) use materiality levels to monitor variances, as compared with about 60% of private company respondents (see Exhibit 15). It is a best practice to incorporate materiality levels into explanations of variances.

A key issue that was discussed during the Summit was budgeting for contingent-fee-based projects such as "reverse audits," which are audits conducted at a taxpayer company's request to find tax overpayments, as opposed to government audits looking for tax underpayments. (See, e.g., Leifer, "Sales and Use Tax Audit Strategies for Proactive Corporate Tax Departments," 14 JMT 6 (January 2005).) Managers are cautioned that although it is common to hear fee quotes reaching 30%-50% of recoveries, companies in attendance reported an upper end equal to the lesser of 20% of final recovery, including interest, or twice what an hourly fee engagement would have been. Companies must also consider the possibility that refunds will be denied and, thus, should include provisions for

such an occurrence in the contract with the audit provider. Finally, about two-thirds of Summit attendee companies limit the contingent fee to recoveries from prior periods, and therefore do not pay fees on future savings.

Although contingent fees are often budgeted to the tax department, refunds may go to a general corporate account, creating a budgeting mismatch between expenditures and the benefits resulting from those expenditures. Ideally, the fees paid to perform the audit and any recovered taxes should be offset in the same department so the costs and benefits are clearly visible to those responsible for the overall budget. Alternatively, the tax department can retain sufficient fees to cover the costs of the audit, with the excess being returned to the general or operational department budget. This was an area attendees identified as a significant change that they planned to implement within their organizations.

If the company uses its own workers to assist in reverse audits (or other special projects), consider using temporary staff rather than full-time employees. Doing so accomplishes two goals. First, hiring temporary employees does not affect long-term staff budgets and allows managers greater flexibility with staff levels. For example, it is simpler to not renew a temporary position than to terminate an employee. Second, the salaries paid to temporary employees can be budgeted to fees and offset by audit recoveries or otherwise clearly designated as one-time expenses associated with a special project.

**Exhibit 14. How often do you review and update your forecasts?**



## Exhibit 15. Do you use a materiality level(s) for monitoring explanations of variances?

		Response Percent	Response Count
Yes		74.4%	61
No		25.6%	21

## Data Management

With regard to data management, we evaluated the record-retention and record-accessibility plans that are used and addressed the approaching paperless environment. We also looked at how data is organized to better avoid duplicated requests and unnecessary "fire drills." Information technology (IT) support and IT resources dedicated to the tax department are keys to successfully managing data.

Effective and efficient data management systems are essential to a successful tax department, but a majority of survey respondents indicated significant areas for improvement. Approximately 90% of survey respondents use a hybrid of paper and electronic forms of data management, with very few working exclusively in a paperless environment. Three out of four of the companies participating in the general survey were unable to locate records required for audit because of a violation of the company's record-retention policy. A majority of Summit attendee companies, and almost two-thirds of survey respondents, indicated that system limitations created operational inefficiencies. Summit participants specifically noted bandwidth limits (often system imposed, such as limits on the size of e-mail attachments) and the inability to purchase new technology as areas of particular concern.

When asked what tools would improve the situation, 62% of companies surveyed indicated a need for faster desktop or laptop computers to manage large files, and 38% thought that new or different software would increase productivity. An additional 38% would benefit from remote access to files. Given the high percentage of companies that cite these basic needs, it is surprising that organizations do not make the appropriate investment in basic tools to gain efficiencies for their staff.

A more general issue is that long-tenured employees often have little expertise in IT, having come of age before the tech explosion. Properly identifying the efficiency roadblocks, and therefore picking the right areas to improve operations, can be difficult without the extensive background in IT necessary to identify and implement the many solutions available to today's managers. Tax departments would often benefit from an employee dedicated to IT, or at a minimum a more effective working relationship with the IT department that can assist in prioritizing problems and pushing for the necessary solutions.

Nearly half (45.9%) of survey respondents did not feel that they receive priority IT assistance as needed (see Exhibit 16). Just over 50% of companies have an IT resource dedicated to the tax department, and only one of the Summit attendees had an IT resource within the tax department. Given the complexity of some of the tax department IT needs, as well as the need for timely responses, having a dedicated person that is familiar with tax department needs could add significant value to the company. During the Summit discussions, this was one of the areas where the attendees voiced a fair amount of frustration.

**Exhibit 16. Do you feel you receive priority IT assistance as needed?**

		<b>Response Percent</b>	<b>Response Count</b>
Yes		54.1%	40
No		45.9%	34

**Tips for managing data management.** Some of the key ideas attendees gleaned from their peers in this area include the following:

- (1) Effective data management is key to a good tax department. The ability to access, analyze, and retain tax and business data requires a strong relationship with the IT department. This relationship should be nurtured for the tax department to be successful.
- (2) Having access to the raw data is only the first step. Being able to manipulate and analyze the data is also important. Empower the staff to learn database tools.

(3) Work towards building a business case for naming an IT "head" within the tax department dedicated to technology. See if one of the tech-savvy tax staff might have more interest in developing their technology skills rather than their tax skills. Or look into other departments, such as finance or IT, for individuals with curiosity about learning the technology needs of the tax department. Dedicating a person to technology can have the dual benefits of improving the IT functions while allowing other tax professionals to focus on their core strengths.

(4) A tax department leader faces many different technology issues. Pick your battles, prioritize your needs, and know when to escalate the items that will most benefit not only the tax department but the organization as a whole.

## **Conclusion: Actionable Ideas**

The survey results validated key assumptions made by tax leaders about successfully managing the tax function. The tenure of the tax staff is strong, with over two-thirds of the survey participants reporting average staff tenures of between six and ten years. There were, however, some surprising results that offer opportunities for improvement for those in leadership roles.

The biggest surprise we learned was the low commitment to training. Given the nature of taxes and the complexities in the tax rules across all functions, we were shocked to learn that over two-thirds of the companies have no formal training process in place. In fact, the larger the company, the lower the formal commitment to training. This is an area that, if addressed, will bring significant improvements to many of the areas discussed above—staff retention, staff development, risk mitigation, and building a positive image of the tax function.

At the conclusion of the Tax Leader Summit, the participants identified the following as their "top ten" ideas critical to a best-in-class tax department, and they planned to work to implement them within their organizations.

(1) Develop and continue programs to recognize employees' efforts and successes.

(2) Develop marketing and branding tools to showcase the tax department, including making sure that others in the company know what tax really does.

- (3) Create a culture in the company of learning how the tax department can help.
- (4) Keep the passion going—what each person does is significant to the company.
- (5) Encourage managers and leaders to be role models to their staff.
- (6) Develop efficiency improvements and make sure what is being done makes sense. Stop the non-value-added paperwork and remove the administrative hurdles.
- (7) Incorporate metrics for performance for both departmental activities as well as individual performance. Make the department and its employees important and relevant. Document successes and reward individuals for meeting and exceeding goals and expectations.
- (8) Be "all in"—for the company, for the staff, and for yourself.
- (9) Network! We cannot do this work on our own, and it is a lot more fun when you have people you can call on.
- (10) Develop social-media and communication policies to manage risk and promote consistent messaging. []