

## State income, franchise and gross receipts taxes.

The complexity of state income and franchise taxes present many tax-savings opportunities.



The complexity of state taxes presents many opportunities to both explore tax savings as well as address corporate tax compliance risk. Although most states have net income and franchise based taxes, some states have recently enacted variations of gross receipts based taxes, thus requiring broad knowledge and the resources to respond to an ever-changing tax landscape.

### Your issue

State income, franchise, and gross receipts based taxes are a constantly moving target. Rules vary widely between states and the states are becoming more creative in their attempts to increase their tax base. We are seeing substantial change in nexus and apportionment rules, and outright replacement of tax systems in many states with a focus on gross receipts tax regimes. The compliance and accounting for such taxes can be cumbersome. Too often these complexities become a drain on tax department resources and company profits. Today's Tax Directors are left to address various concerns and questions including:

- In how many states does your business have income, franchise, or gross receipts tax liabilities?
- How efficiently is your organization meeting filing deadlines, and at what cost to other important tax department activities?
- In the rush to meet deadlines, could your team be missing vital data gathering that could impact the tax burden or that may trigger an assessment later?
- Are you capable of making tax decisions concurrently with the associated accounting decisions?

Deloitte can help.

### Our approach

Our team of experienced state tax professionals effectively covers the United States, specializing in large-scale corporate and individual tax issues. We not only know the tax law, but also how it relates to a state tax return. Our specialists will likely have industry-related experience in your most important states. In a tax environment that is so heavily focused on change, it is important to understand the application of those changes to your business.

We leverage many resources, in terms of people, technology, and proven processes, in order to effectively serve with distinction. This includes nationwide internal collaboration among our state tax professionals as well as ready access to those who specialize in other disciplines (federal tax, country specific tax, specialty areas such as premiums tax, etc.). We pride ourselves on using that network to develop innovations necessary to address your company's unique needs and to identify virtually unparalleled resources for your particular industry and situation.

These professionals are backed by Deloitte's Washington National Tax-Multistate group ("WNT-Multistate"). WNT-Multistate assists in enhancing the quality of our services as well as providing innovation necessary to help you address your unique issues. Members of WNT-Multistate possess significant experience across tax jurisdictions, industries, and taxpayers. In this way, we endeavor to produce high-quality results. Consider our services.

### State tax compliance

Throughout the compliance process, we strive to support your organization, from helping you address simple questions about law changes and due dates, to assisting you in resolving more complex matters such as highly specialized apportionment issues. We can help you analyze the impact of new tax systems on your business — from pre-filing return reviews to outsourcing of your compliance process.

We can evaluate your tax processes and data sources, suggesting improvements that may help you reduce time and resource commitments, enhance the accuracy of returns, and reduce the risk of errors. If outsourcing is an option for you, we can help you explore efficiencies through our nationwide network of resources, scaleable systems, and extensive experience in each state. The cost savings opportunities may be significant.

We can help you report your federal tax audit changes to the states. Through the use of automated software and in-depth knowledge of state taxation, we can help you create efficiencies in the process and use this as an opportunity to explore additional tax benefits to include within those filings.

### State tax planning

Almost every business decision has a state tax consequence, so your organization should consider the related state tax impact as early as possible. Having the resources, time, and diverse skill sets in place to implement and execute state planning is often one of the largest hurdles most tax departments face. Planning may result in tax efficiencies.

We can help by supplementing your in-house staff and supporting opportunity evaluation and prioritization in key areas, including:

**Structuring** — The legal structure of your company can significantly impact your tax exposure, in both “separate company” and “unitary” states. Utilization of credits, state-specific deductions, and the manner in which different states apply apportionment rules are all considerations. Deloitte can help you assess whether a proposed substantive business structure is tax-efficient, while also being mindful of the accounting impact.

**Transaction planning** — State tax consequences arise from your company’s location of property, payroll, or sales. Your various business transactions, and their impact on your property, payroll, and sales, can trigger unique state tax results. To what extent does your company have the resources to adequately consider state tax consequences arising from business transactions and your strategic planning? Does your organization have an in-house staff with the time and experience to effectively address these issues? Deloitte can provide the experience and resources necessary to support transaction planning in your organization. Helping you make well-reasoned decisions during the transaction process can be critical to pursuing the most effective tax result. It can significantly change your company’s tax position and help elevate the visibility and stature of your tax department.

**Due diligence review** — We are a leading global provider of merger and acquisition transaction services to strategic buyers and private equity investors. We seek to add value to our

clients’ through sound multistate tax planning — incorporated early in the process — that aligns directly with the business objectives of the transaction.

**Audit defense** — Many issues can trigger a state income or franchise tax audit. The accuracy and timeliness of your responses are critical. We can help you:

- Develop or fine-tune procedures for responding to document and information requests.
- Organize audit documentation so that the relevant information is available when you need it.
- Develop audit strategies.
- Prepare necessary audit schedules and organize required substantiation.
- Explore opportunities to offset tax liability asserted by state tax auditors.
- Address the appeal process and negotiate with the states to establish a settlement calculation.
- Seek a closing agreement for the years under audit.

### Nexus studies, taxability determinations, and voluntary disclosures

Is your company expanding across state lines? Nexus issues no doubt exist. In today’s environment, it doesn’t take a new building to create nexus. Sales activity in a state and intercompany transactions can result in states asserting nexus. Our objective, an accurate and supportable nexus study, can help you quantify potential tax exposure. If you have exposure, we can help you navigate state voluntary disclosure programs, with the goal of limiting the number of open tax years and thus managing your total tax liability and related penalties.

### Recovery reviews

Even companies with sophisticated tax departments can better explore new tax-refund opportunities when assisted by our professionals. Rules are always changing and court decisions can significantly impact state taxation. Our team focuses on these changes. We also monitor how industry-specific tax issues develop across state tax jurisdictions. With this knowledge, our goal is to help you make a quick and thorough evaluation of your refund potential, often revealing other tax-planning, refund, or compliance opportunities. As a part of this process, we seek to help you explore additional potential statutory credits opportunities, including ways to enhance the benefit derived from credits that you are already taking.

For more information on our approach, the services we offer, and technical updates on current issues in state taxation, please visit [www.deloitte.com/us/tax/multistate](http://www.deloitte.com/us/tax/multistate)

### The Deloitte difference

Count on Deloitte for integrated tax services that help you pursue your business objectives. We offer:

- The right resources whenever and wherever you need us nationwide.
- A variety of experienced multistate tax professionals, including former state tax auditors, department of revenue employees, and even tax commissioners who can help you gain insight regarding what to expect and how to effectively interact with the various states.
- Collaborative approaches, methodologies and technologies.