

## Tax services for federal government agencies.

*Unlocking hidden value in tax*



In our work with the federal government, we see several issues that impact government agency operations today from a tax perspective. Among the most notable are:

- Improving the business of government
- Managing costs related to purchase cards and fuel payments
- Workforce and independent contractor issues

These issues have both compliance and planning implications that cannot be ignored. Although addressing them all can be a tough balancing act, doing so may unlock hidden value for your agency. Deloitte can help.

### Understand. Manage. Integrate.

Deloitte has one of the largest tax practices in the United States — a scope of resources that can translate into value for you. Our clients benefit from field-experienced practitioners devoted full time to the federal government, as well as from our deep-bench strength across tax disciplines. We can address your need for specialized tax knowledge and also supplement your tax organization with ongoing compliance support.

As in the private sector, tax matters for federal and associated agencies are complex and nuanced — yet many agencies are unaccustomed to considering such tax related nuances. When potential points of tax risk and reward are overlooked, financial losses, a regulatory quagmire, or both can result. We can help you explore ways to reduce your exposure and realize potential savings by helping you understand and manage critical tax related issues.

#### Improving the business of government

Recent reforms have brought important changes to the way government business is conducted. Yet financial transformation, information sharing, agency consolidation, and public-private partnerships all carry with them the potential for tax complexity. In the federal sector, such complexity can lead to more than an investment drain — because public money is involved, it may result in a regulatory and public relations issue.

Today's government-wide emphasis on finance transformation and information sharing is a case in point. High-level technology spending has tax implications. For instance, an agency that purchases software as part of a system upgrade or implementation may not be required to pay sales tax. Because regulations vary, experience is required to understand the regulatory landscape and avoid overpayment of sales taxes.

# Unlocking hidden value in tax

## Deloitte's integrated approach brings added value to our clients

Our strengths include:

- Strong experience with federal government operations and their tax ramifications — we currently serve many federal government agencies, as well as more than 40 U.S. states and territories
- Tax practitioners who understand the complexities of federal and quasi-governmental agencies
- The deep resources of one of the largest tax practices in the United States
- Tax services that range from general compliance support to tax technical niche services
- Experience in problem-solving for large, multi-office agencies and departments, in the United States and internationally through Deloitte and its U.S. affiliates
- Access to the member firms of Deloitte Touche Tohmatsu and their affiliates worldwide

Deloitte can help your agency identify overpayments of sales and use tax on significant purchases or detect tax-payment leakage in international supply chains. We also can draw from our experience with federal and quasi-governmental agencies to see if your agency might be able to obtain refunds of overpaid foreign jurisdictional taxes associated with purchased products and supplies.

### Managing costs related to purchase cards and fuel payments

The basics of travel and fuel form an area that many agencies find needs special attention. The government spends billions on purchase, travel, and cash debit cards. Fuel purchases amount to billions more. Are agencies claiming the appropriate refunds of state and local sales and excise taxes?

Deloitte can help your agency identify refund opportunities and apply to recover these payments. We understand how to capture the data necessary for refunds and can share with you leading practices to prevent overpayment of taxes in the future. By giving these purchases proper attention from a tax perspective, we can help your agency address applicable regulations while at the same time focus on protecting taxpayer dollars.

### Workforce and independent contractor issues

As the largest employer in the United States, the federal government faces incredibly complex employment tax issues related to its workforce and independent contractors. Changes to organizational and operational structures in recent years have increased the potential for errors in withholding and other payroll data.

At the same time, workforce demographics have changed and our society has become more transient, creating the need to update and change information continuously. As a result of these complexities, it is increasingly critical that government agencies focus on the proper calculation and reporting of compensation and benefits to employees and contractors.

Deloitte can help you address challenges related to your agency's compensation and benefits — for example, W-2 forms. Miscoded employee information, such as worksite location, can result in improper federal and state withholding. Not only can this lead to erroneous reporting to the IRS, but it can affect employees, who could unintentionally make errors on personal tax returns and activities related to their health, retirement, and other benefits plans.

More challenges can arise around contractor services and purchases. Agencies and contractors alike may not realize that invoices can contain embedded taxes from which the agency may be exempt. Through our experience in analysis of contractor agreements to protect federal exemptions, Deloitte can help you explore ways to reduce the risk of overpayment.

We can also assist as you consider tax ramifications associated with a rise in large government payments to selected groups of people, such as those involved in class-action settlements.

## The Deloitte difference

As agencies follow directives to boost service efficiency and improve financial management and transparency, tax can play a crucial role. The Deloitte team can help your agency seek ways to recover savings and redirect erroneous payments. Beyond this, we can apply our experience to helping you simplify internal processes and improve tax management overall.

Our long-standing working relationships with major government agencies give us hands-on knowledge of your issues. Professionals with diverse backgrounds in the public and private sector, as well as a wide range of tax specialties, give us the ability to deliver an integrated set of services.

Learn how Deloitte practitioners understand both the opportunities and scrutiny government agencies face — and can help you to navigate both.

## Audit . Tax . Consulting . Financial Advisory .

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