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Dealing With Complicated Spreadsheets



Scott Dunkley



Stephen Day

This is the sixth installment of our Tax Technology Corner. As a corporate tax professional, you know how important technology is and how it's evolving at warp speed. With new regulatory and compliance initiatives in the federal, state, and international areas, landmark tax reform legislation, and globalization of tax monitoring and enforcement, keeping up with tax technology is not a luxury—it's a necessity. Each installment of this column will pair a taxpayer with a service provider. Together, in Q&A format, they'll tell a story about how they have worked together to solve a specific tax problem, implement a better solution, cut costs, or improve productivity. In this installment, Scott Dunkley, tax director at O.C. Tanner, and Stephen Day, a cofounder of Tax Prodigy, discuss how they dealt with complicated ASC 740 spreadsheets that had raised concerns from auditors. Michael Levin-Epstein, senior editor of *Tax Executive*, moderated the discussion.

Michael Levin-Epstein: Tell us about your companies.

Scott Dunkley: O.C. Tanner is a ninety-three-year-old company that's privately owned here in Salt Lake City, Utah. The company's primary business is strategic employee recognition and reward solutions for large multinational companies. We help people accomplish and appreciate great work in their jobs. As part of our Culture Cloud suite of applications and solutions, we provide various offerings that allow our clients to appreciate their employees and recognize them for the work they do. One of our oldest products is what we call service awards. The current product, named Yearbook, allows an employer to recognize an employee for, say, five or ten years of service. The recognition can include an emblem or trophy that we manufacture with the employer's logo on it. Many employers also offer a physical or digital Yearbook where peers, leaders, friends, and family can write congratulatory comments to the recipient. An employee can also choose some sort of merchandise through a catalog of awards determined by the employer.

We also have a platform that allows employers to recognize their employees for great work. It's a points-based system, so if you've done a great job on a project, your manager can nominate you for an award, which has a point value associated with it. The employee can then accumulate points over time and redeem them for an award of their choice. For example, it could be a sea kayak, golf clubs, or an experience like going on a cruise. There are all kinds of things that points can be redeemed for.

We also have a well-being offering and a leadership product that helps leaders with their one-on-ones. We also help with corporate celebrations. So,

if a company's been around for fifty years and they want to celebrate, we help them put together a great program with awards that they can give to their employees. We like to say that we try to develop great cultures within companies because we know a great culture helps employers attract great talent and retain their employees by making it a great place to work. We do business in over 150 countries and have offices or entities in eleven different countries. We just continue to grow internationally and, of course, here in the United States.

Stephen Day: I am one of three cofounders of Tax Prodigy. Tax Prodigy is a fast-growing corporate income tax technology company. Tax Prodigy promises tax professionals "Simple. Powerful. Fast." solutions. Our customers range from small companies just getting familiar with the requirements of ASC 740 to Fortune 1000 companies. In addition to the corporate customers, several of the top twenty-five accounting firms are customers of Tax Prodigy, using the platform to service their clients more efficiently and effectively. Our platform is designed by tax professionals for tax professionals with an intuitive user experience, because it is built to flow the way tax professionals think and work. The technology platform is built for speed and scalability. Tax Prodigy Provision is the product currently in the market and what we will be talking about today. It is the income tax provision (ASC 740) engine. It is, in our opinion, the most technically comprehensive ASC 740 solution available on the market; it is a fully integrated solution which addresses all aspects of ASC 740 within a single platform. As one of

our cofounders and [our] lead designer says, “We cover the company ‘from facts to footnotes.’”

Levin-Epstein: What was the tax technology issue that caused you to reach out to Tax Prodigy for help?

Dunkley: I think there were a few things that drove us to look to a different solution. When I first arrived here about ten years ago, there was a spreadsheet that was used that was developed by my predecessor. It did a pretty good job, but it was very complicated in its approach. It was difficult for the auditors to track through and understand what was going on. It was also difficult for more than one person to work on the provision at a time. We used that for quite a few years, and during that time we were looking for different ideas, whether it was a different spreadsheet solution or a software solution. About two to three years ago, it came to a head when the auditors gave some feedback to our audit committee that the spreadsheets were very difficult to audit. Then we started looking for different solutions. For one year we implemented a different spreadsheet solution that I had used at a previous employer. That was a better option, but we still kept our eyes out for different solutions, because the spreadsheet solution made it difficult to consolidate efficiently. Then, one day I came across an invitation to watch a webinar about Tax Prodigy. When I watched that, it was totally different than other products I had seen in the past. That piqued my interest, and that’s how we ended up learning about Tax Prodigy and soliciting their help.

Levin-Epstein: Stephen, from your point of view, did you feel right from the beginning like you could be of assistance to them?

Day: Yes, absolutely. Companies like O.C. Tanner, and tax professionals like Scott and his team, are exactly the reason we created Tax Prodigy. O.C. Tanner is a very mature business, a business that, from a financial and organizational standpoint, has complex ASC 740 requirements. So, for them, developing the tax provision in a very accurate but also quick and efficient way is challenging. We knew we could help. One of the strengths of Tax Prodigy Provision is the fact that the platform handles the more complex aspects of ASC 740 in a way that is more intuitive and [simple] than other solutions, including and especially Excel solutions. For example, Tax Prodigy Provision easily handles complex consolidations, currency translations, uncertain tax positions, valuation allowances, [and] state-by-state tax effecting, just to mention a few. That kind of power, the simple user interface, the rapid implementation all at Tax Prodigy

“For Tax Prodigy, there is absolutely nothing more important than responsiveness.”

—Stephen Day

Provision’s price point, made the platform a great match for the O.C. Tanner team.

Structure of Relationship

Levin-Epstein: Scott, could you describe how the ongoing relationship with Tax Prodigy was structured?

Dunkley: Once we learned about the product and saw how it worked, we requested a demo of the software. We were given access to the software, and we played around with that a little bit. I actually tried to duplicate one of the provisions that we had from the prior year, just to get comfort that it was working as we expected. Once we did that, the results were great. The implementation process was fantastic. We worked with an individual who we regularly set up time with. At least once a week, we would discuss how we should implement certain aspects of our provision. Then we would work on implementing that item for a week, and if we had questions we could call or email to get input as we went along. Then, the following week, we’d have a call and go over those results, and we’d ask questions that we may have come across during the past week. When I dealt with tax provision software in the past, implementation was often a very challenging task. When we first started down this path, I was kind of apprehensive: how’s this implementation going to go? But it’s intuitive in many ways of how to implement the information and roll it over from your prior process into the software. So, it went very quickly. We probably started rolling information over in November, and by the end of December we were ready to use Tax Prodigy for our 2018 tax provision. At first I was thinking I’m going to do two provisions—one using the old method and one using the new method—and after a while I scrapped the old method because I had enough confidence in Tax Prodigy that it was going to provide the right answers, solutions, and work papers for our auditors.

Levin-Epstein: Stephen, do you have anything to add to that, about how the process worked from your end?

Day: Actually, just a little color commentary, if I could. Obviously, Scott has nailed it [about] the implementation, and that is our experience with

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—*Scott Dunkley*

other users as well. I will add that, behind the scenes at Tax Prodigy, there is some method to the madness of the implementation process. We call it “implementation,” but truthfully, it’s also a training program. There are not many software companies, especially with this technical [...] a solution, that allow potential users to log in and “play around” with the platform on day one, as Scott described. Often potential users will watch “experts” navigate through the tool in a canned presentation they call a demo. At Tax Prodigy, we provide logins to any potential customers during the first demo and encourage them to go in and start evaluating for themselves. The functionality and usability have to be sensational to take that approach. The process Scott described as implementation, where they were addressing specific items each week, inputting data into the system, reviewing results, getting feedback from Tax Prodigy, etc., was equal parts implementation and training. We could have had one of our team members implement for O. C. Tanner in just a few days. But we don’t do that. We give the users a chance to do the work as they go to learn the software, to review their own technical ASC 740 issues along the way, determine if there are adjustments to be made, and really go through the transition in a methodical way with support every step of the way. There is great power in this implementation/training approach.

One Piece of Advice

Levin-Epstein: Scott, from your point of view, one piece of advice for what it takes to build a terrific

relationship with a vendor, and Stephen, just one piece of advice for what it takes to build a fantastic relationship with an end user.

Dunkley: Boy, it’s hard to just pick one piece of advice. But I think, in this relationship, what I would pick is the responsiveness of the provider. Whenever I had a question, it wasn’t days or a week [of] us waiting to get an answer. It was usually within that day that we could set something up and go through a technical question, a function of how the software works, where we should put an item of information, or what the best practice is to do something. We would usually get an answer quite quickly. And the help was usually readily available. The provider didn’t have to go back and look something up. They just knew what we were talking about, understood the issue, and usually provided us with a few options, because there’s more than one way to handle various situations with the software. And we were able to pick which solution we thought was the best and implement that. So, that’s the one thing I thought where Tax Prodigy stood out from other providers—responsiveness and great solutions. One example of this was during the audit. The auditor wanted to know how some of the information was flowing. I didn’t know the answer, so we got Tax Prodigy on the phone and they quickly walked us through it. Then, a few days later we were informed of a software upgrade that addressed the very question we had.

Day: If Scott hadn’t said it, I would have said “responsiveness.” For Tax Prodigy, there is absolutely nothing more important than responsiveness. The thing I would say to layer onto responsiveness is knowledge. You must have knowledge of the topic itself. And you must also have knowledge of the day-to-day best practices. ASC 740 is a very technical area. Providing a partial solution just isn’t helpful. A software provider’s ability to be responsive, to be a solution, and to add value really depends on their understanding the problem their potential customers need help with. Only those with the deepest understanding of the issues have the capacity to design a solution that is elegant, streamlined, and intuitive. We do provision work, and we understand what will be valuable to our customers because we use the tools ourselves, just like they will. A deep knowledge of the topic and related challenges is critical. ♦