

# Vertex Income Tax – Domestic Case Study

*Fairmount Minerals, Ltd., headquartered in Chardon, OH, is one of the largest producers of industrial sand in the United States. The company operates silica sand mining and mineral processing plants throughout the U.S. Products are distributed through a global network with operations in China, Mexico, Canada, and Denmark.*

## Business Issues

For more than 20 years, Fairmount Minerals utilized services from a Big Four accounting firm to prepare and file its Federal and State income tax returns. While this process was largely successful, Fairmount made a strategic decision to bring return preparation and filing back into the organization to improve planning capability and reduce costs.

Fairmount also engaged Bruce McBrian as Director of Tax, not only to create an internal resource capable of handling the return preparation and filing, but more importantly to manage the company's effective tax rate and take advantage of planning opportunities.

Shortly after assuming the role, McBrian began searching for a comprehensive solution to automate the preparation and filing processes. Step one was to develop a rigorous list of essential requirements and evaluate a number of vendor offerings. Topping the list of criteria was software that was easy-to-use, able to maintain accurate calculations, and that required minimal support from IT and Finance.

Based on McBrian's research and vendor evaluations, Fairmount opted not to license the software used by their former Big Four accounting firm. Although continuing to use this software may have facilitated historical data transfer, "The software was complex and required programming skills." As McBrian explains, "I am not a computer programmer and don't want to be. The software used by the consultants was unnecessarily complex."

Instead, McBrian and Fairmount selected Vertex® Income Tax Domestic. "Vertex was head and shoulders better than anything I have ever seen," recalls McBrian.

## Fairmount Minerals and Vertex

Fairmount began using the Vertex Income Tax Domestic solution to prepare and file their income tax returns for the 2008 tax year. The organization filed a Federal return with 15 entities represented, and an additional 15 combined State returns, some of which contained complex rules. For example, Fairmount has a subsidiary corporation operating in Oklahoma that also includes mining activity located in Michigan. Oklahoma tax law states that mining income and expenses must be allocated to the state where the activity takes place. The built-in flexibility of the Vertex Income Tax Domestic solution allowed Fairmount to readily address this and other complex State filing requirements.



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– Bruce McBrian  
Director of Tax  
Fairmount Minerals

To address the Oklahoma tax issue, different corporate structures were set up, accommodating State filing requirements. Fairmount established structures for the Michigan division including revenues and expenses from mining operations and another structure without this division and its mining operations. This structure simplified the State filing process and provided the ability to properly include revenues and expenses associated with mining operations in Michigan to their Oklahoma legal entity.

Vertex Income Tax Domestic also brought additional benefits to Fairmount including:

- **Book/Tax Adjustments for Assets** – Classification of dispositions is simplified as the system allows McBrian to drill-through forms and work paper information to investigate further where adjustments originate. This action provides immediate access to information that might otherwise require searching outside of the system – resulting in significant time savings. In addition, McBrian is able to track the tax affect of differences and automatically populate additional required Schedules (including Schedule M-3).
- **Schedule M-3** – M-3 codes are assigned only once per Chart of Accounts for all entities, and instructions for this process are clear in the Vertex workflow. For McBrian, this minimizes the work associated with populating Schedule M-3 and assures that information for Schedule M-3 flows consistently for all entities.
- **Cost of Goods Sold** – McBrian is able to quickly identify 263A inventory differences and automate the book to tax adjustment needed for tax purposes by using Schedule L values. The system illustrated for McBrian the relationship between the balance sheet and Schedule A, eliminating the frustration of reporting tax affected inventory.

## End Results

Fairmount anticipated that an in-house system would require an upfront investment of time and resources in order to map data and define reports. However McBrian and Vertex were able to transition from Fairmount's JDEdwards General Ledger to Vertex Income Tax Domestic in two days, less than the time allocated. By opting not to import historical data from the consultant's legacy software tool, McBrian further streamlined the process.

"I didn't want to inherit the mess," he explains. The navigation tools within the Vertex system provided the power to quickly and efficiently implement the application. McBrian indicated that the process was so intuitive he was able to eliminate the need for additional support.

According to McBrian, Fairmount has been very satisfied with bringing the tax function in-house as returns are prepared and filed with great confidence and accuracy. However, the greatest gain for Fairmount has been having an internal resource use the Vertex software to support strategic tax planning. With the Vertex software, McBrian is able to better forecast and manage potential tax savings opportunities – a positive impact to Fairmount's bottom-line.

## A Proven Provider

For businesses that want more effective technology solutions, Vertex provides a comprehensive suite of software and services backed by more than 30 years experience. Our innovative solutions help companies worldwide streamline tax management in every major line of business tax including income tax, transaction tax, and payroll tax.

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