



Tax Industry Calls for Improved Data Management

Industry survey reveals data management is the foundation of tax process improvement.



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Executive Summary

To explore tax professionals' perspectives on data-related tax process issues, the largest survey ever taken on this topic was conducted in December of 2009. In the blind survey, participants ranked "increasing workloads" as the number one driver for tax process change. This is not surprising in light of the effort required by the current regulatory climate. Further, the results revealed that improving the cumbersome and time-consuming processes surrounding management of tax data is generally seen as the root of improving tax process efficiency, and thereby recouping the time needed to meet the upcoming demands of hyper-regulation and global business expansion.

This article reviews survey results surrounding tax process issues, and probes deeper into the specific challenge of tax data management. While there was general agreement around the goals for data management and why solutions are needed, the survey uncovered many barriers to achieving improved data management efficiency. And respondents offered diverging opinions regarding what type of solution is needed. The results of the survey clearly indicate that, for most firms, a one-size-fits-all technology solution for tax data management is unlikely to yield desired results. Rather, the survey suggests that the market needs an extremely flexible tax data management solution that can be adapted to meet the unique needs of a wide variety of firms. The desired solution would support data collection, validation, storage, and preparation for use, as well as include automated workflow, business intelligence reporting and analytics, and document management functionality.

The article concludes with a discussion of why tax departments need to develop a long-term plan for tax data management at the enterprise level, why it's not too soon to begin, and how to get started.

Background

Tax Data Management: A Lifecycle Perspective

In the world of tax, you can't get much done without access to the right financial and tax-specific data. But chances are, your people spend too much time touching, retouching, and transforming tax data – all before they can begin using it. If there's a tax process worth making more efficient, it's data management.

In many organizations, tax data management is viewed as merely a collection process – in other words, soliciting the right financial information from corporate headquarters and each country where your organization does business. But in reality, data collection is just one step in a whole lifecycle of interdependent tax data management processes. These processes include:

- Collection – which involves requesting tax-sensitized data from all locations and source systems and aggregating it.
- Validation – which ensures that data ties out to the consolidated financial statements so that provisions and tax returns are accurate.
- Storage and retrieval – which requires storing tax data in one place for multiple years so that it's auditable and easily accessible by those who need it when they need it.
- Preparation for use – which involves getting data into the format required by different systems and for different uses (think standardize, map, and load).

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When done well, effective tax data management results in a comprehensive, up-to-date tax data warehouse that provides one-touch access to trusted, multi-year data to everyone in tax across all locations.

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When done well, effective tax data management results in a comprehensive, up-to-date tax data warehouse that provides one-touch access to trusted, multi-year tax data – a single version of the truth used by everyone in tax across

all geographic locations. Given recent advancements in database and storage technology that have increased capacity and lowered costs, tax data warehouses can now hold the detailed, multi-year data needed to support functions ranging from accounting for income taxes, compliance, tax planning, and audit support. But it's worth noting that these advancements haven't reduced the cost of a data warehouse enough to put it within reach of most tax departments. Since a data warehouse must be built on a custom basis for each company, implementing a solution like this can cost several million dollars. This suggests a need for lower cost, standards-based tax data warehouse solutions.

What's Driving the Heightened Focus on Data?

While getting all the above steps right may not be easy for most tax departments, it's becoming increasingly important to do so. Forward-looking tax departments see changes coming their way that threaten to overwhelm already-overloaded tax professionals. Perhaps most concerning are trends toward hyper-regulation – both nationally and globally.

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Most concerning, however, are the global transparency initiatives that will leave companies with no place to hide.

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Specifically, as sovereign deficits skyrocket, governments are focused on increasing tax revenue by enacting an unprecedented barrage of global tax changes. For example, the current U.S. administration is proposing international and other tax reforms aimed at reducing the deferral of foreign-based income, which will potentially increase the effective tax rates of U.S.-based multinationals. At the same time, U.S. states and local jurisdictions have raised sales tax rates 850 times in the last year alone – a pace far beyond prior periods. Other countries are following suit. At the same time, the FASB (Financial Accounting Standards Board) and the IASB (International Accounting Standards Board) are churning out new exposure drafts of proposed accounting standards – and their plans for convergence – at an historic rate.

Most concerning, however, are the global transparency initiatives that will leave companies with no place to hide. U.S. and foreign governments are demanding unprecedented levels of tax transparency and then sharing data in a variety of ways. For example, on the global front, the OECD (Organisation for Economic Cooperation and Development) notes that over 80 countries have committed to “international cooperation in tax matters” by entering into multilateral tax information exchange agreements. The drum beat on transparency and cross-border cooperation is reaching a fevered pitch, as evidenced by the June 8, 2010 prepared comments by Doug Shulman, the U.S. Commissioner of Internal Revenue, in his role as Chairman of the OECD Forum on Tax Administration. He states: “We are now working on developing a protocol for joint audits with other countries...it is a process where two or more countries join together to carry out a single audit of a company with cross-border business activities.”

Driven by this “new normal” of the global economy, which is defined by fiscal deficits that require coverage by austerity and tax increases, a “new tax normal” is emerging – one for which few tax organizations are fully prepared.

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Improving tax processes, especially with regard to data management, is generally seen as one of the fundamental changes needed to increase efficiency and recoup the time needed to meet continually increasing workloads.

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Industry Research: Uncovering Trends and Best Practices

So if you’re feeling even greater pressure than usual to increase operational efficiency and free up time to handle workload increases, keep in mind two things:

- You’re not alone, and
- It’s only going to get worse.

In light of these trends Vertex Inc., a leading tax technology provider, sought to explore the potential,

the pitfalls, and the barriers of tax process improvement within the broader tax community (as well as finance and IT, which are impacted by tax data issues). To this end, Vertex commissioned a blind survey in December 2009, administered by a third-party research firm. Over 7,000 email invitations were sent to professionals working in companies with revenues over \$500 million, resulting in 344 responses (roughly 80% tax, 10% finance, 10% IT, mostly U.S.).

Not surprisingly, analysis of the results reveals that improving tax processes – especially with regard to data management – is generally seen as one of the fundamental changes needed to increase efficiency and recoup the time needed to meet continually increasing workloads. What is surprising is the breadth of agreement around the goals of data management; a common vision and goals were shared by most participants. However, the survey revealed significant divergence of opinion regarding the barriers preventing them from realizing their goals, as well as the ideas on how to best effect change. This dichotomy between clear, well-defined goals and fuzzy, scattered barriers has significant implications on the approaches and technologies required to achieve a higher plane of data management efficiency.

The following summarizes the results of this survey and attempts to draw conclusions – some of which may provide insight into your particular situation and highlight new paths to process improvement. Like the global economy in general, tax departments have never faced times like these, so there is little clarity about what lies ahead. What is clear is that adopting new and more efficient tax processes will demand rethinking how work gets done – and your peers in tax can offer fresh perspectives and valuable ideas to jump-start your efforts.

Survey Findings and Interpretations

The survey asked participants to rank their level of agreement with 80 statements across a six-point scale ranging from *strongly agree*, *agree*, and *somewhat agree*, with three corresponding categories for disagreement. For the purposes of discussion, we chose to discard the middle two responses and discuss the two tails as indicative of the ratio of agreement or disagreement. When responses differed significantly from the norm, participants were asked to provide comments explaining their reasoning; selected, representative quotes of respondents have been

included throughout this paper. The statements included in the survey explored two key themes around tax process and data management:

- The goals and features that tax professionals want
- The drivers, barriers, assumptions, and potential negative consequences of realizing those goals

Goals and Features for Tax Process Improvement

Vertex first wanted to get a better understanding of what tax professionals envisioned as the goals for tax process improvement. Tables 1 and 2 give an overview of the statements rated by participants in the survey.

Goals for Tax Process Improvement

Goals were amazingly well supported across the board, with 13 of the 15 statements garnering support by the majority of participants (see Table 1). This indicates that most industry professionals are keenly aware of what they want to accomplish.

In addition to the goals of improving time efficiency, data accuracy, and overall tax management, the more personal issue of “quality of life” was raised. 72% of participants indicated a “better quality of life for tax personnel” as a goal, clearly indicating that workloads are overwhelming and action needs to be taken to lighten them. 92% agreed that “time spent collecting the financial data required for the tax processes should be reduced.” We can infer that quality of life is an issue due to overwhelming workloads – and workloads are overwhelming, in part, due to the challenges of data management.

On the topic of giving the finance department access to the tax department’s central data warehouse, there was not only low overall agreement, but also 12% of participants who actually voiced disagreement with the idea of giving them access at all. The following comment best reflects the thinking of this group: “I interpreted ‘finance’ as the accounting group and I would not want to empower them to try to do tax accounting and reporting.” Despite the fact that this was the least supported goal, the idea of giving finance access is not without proponents; approximately 60% of participants expressed that they stand in the middle on the issue, and 27% supported it. The following quote best captures the thinking of these proponents: “Unless those in the finance group can see the results of their input of the tax values and confirm

that the values they populated or provided the data with which to populate the values are correct 1) we cannot rely on the values populated and 2) we cannot get buy-in to obtain future data.”

Goals for Tax Process Improvement	Agreement Ratio
The time spent collecting the financial data required for the tax processes should be reduced.	92%
The time spent completing the tax returns should be reduced.	87%
Error rates in downstream tax processes should be reduced.	82%
The integrity of the data should be improved.	76%
The time available to review the tax data should have increased.	74%
The company should be better able to manage tax risks.	73%
The quality of life for tax personnel should have improved.	72%
The trust in the data processed by others should have improved.	70%
Tax should have increased visibility to top side adjustments.	69%
The time to complete an audit should be reduced.	68%
The factors impacting the efficiency and effectiveness of the tax department would be better understood.	67%
The data collection and validation work done by the Finance group should be better utilized.	66%
The time required to prepare and file our financial statements should be reduced.	64%
The company’s ETR should be lowered.	44%
Finance needs online access to the tax data warehouse.	27%

Table 1

Desired Features of Tax Process Improvement

With regard to features tax professionals wanted to see in a data management solution, participants were in almost unanimous agreement (see Table 2). For example, regarding tax data sensitization, nearly everyone agreed that it should occur at the time of data capture and be sensitized below the account level.

This level of functionality implies that any data management solution must have deep integration with the ERP general ledger systems, as well as a structured way to filter and make use of the massive data these enterprise applications contain so that it can enable efficient tax sensitization processing.

Regarding whether the ideal solution should be comprehensive and support all tax types, not only did 44% of say yes, but many on both sides of the issue felt it necessary to use capitals to express their opinions on the matter. “ABSOLUTELY a solution should be global both physically AND across tax types!!!” stated one participant. “We want to consolidate reporting into one extensive package so we are all on the same page, speaking the same language, using the same data.”

But having a single solution was not the top priority, as noted by several respondents; this perspective was best summarized in the following statement: “Once again, having a solution that supports all tax types would be very nice but it IS NOT a must. The Income Tax solution is the MUST-HAVE. My effective tax rate is not impacted by property tax or sales & use tax. Although all three areas are my responsibility and a solution supporting all three would make my ‘life’ easier, the only one I really need is an Income Tax solution. That is why my response was not ‘agree’ or ‘strongly agree’.”

Amongst those who did not express interest in a comprehensive data management solution, it’s worth noting that this was primarily due to concerns about lack of feasibility or the potential for inappropriate mixing of tax types – not because of lack of desire for a single solution. For example, one participant stated, “Each tax type has its own unique basis for calculation. One needs to be careful that the distinctions between tax types do not become blurred when selecting data for a particular tax type.”

Desired Features of Tax Process Improvement	Agreement Ratio
Data in the tax data warehouse should be automatically validated back to the source GL.	88%
A tax data warehouse needs to easily export data to our provision and compliance applications.	88%
A tax data warehouse needs to easily import data from our source financial systems.	84%
There must be immediate access to all of the necessary data and documentation to support an audit.	82%
Data validation should automatically occur at key stages of the process.	78%
Tax related documents must be easily attached to data and retrieved via search.	73%
Tax sensitization needs to occur at time of data capture from the source financial systems.	70%
Data should be continuously prepared for tax use and the data should be touched only once.	61%
A comprehensive solution should be pre-integrated with common data across all the tax applications.	61%
All but a few of the book-to-tax adjustments should be automated.	61%
There should be a single database housing all of the tax data and related information.	60%
Data should be tax sensitized below the account level, by journals or transactions.	58%
A solution should support all tax types (e.g. income, sales, property, etc.).	44%

Table 2

The Challenges of Tax Process Change

Vertex then probed participants for deeper insight into what’s driving the need for change in their tax processes, as well as what they are concerned about as they move ahead to address process deficiencies around tax data management specifically. Tables 3 and 4 give an overview of the statements rated by participants in the survey.

Drivers for Tax Process Change

To better understand the key drivers for tax process change, the survey questions probed two primary dimensions:

- Why is process improvement required?
- What would it take to be approved?

As represented in Figures A and B below, the survey results indicate that on one hand, process improvements

would be principally driven by workload, complexity, and planning opportunities – not risk avoidance. On the other hand, investments would most likely be approved if they reduced risk. If we equate inaccuracies to risk, how do we reconcile these two views coming from the same group of participants? The following representative statements by participants provide some insight into the logic behind their conflicting opinions:

- “The company’s risk is not the only thing considered. Efficiency & accuracy would be highly regarded when making this decision.”
- “What is driving us to improve our process is management’s direction that we do more with less. Our existing processes can handle increasing business complexity just fine – our primary challenge is to innovate and improve our process by reducing the personnel time they require, while managing the resulting tax risks.”

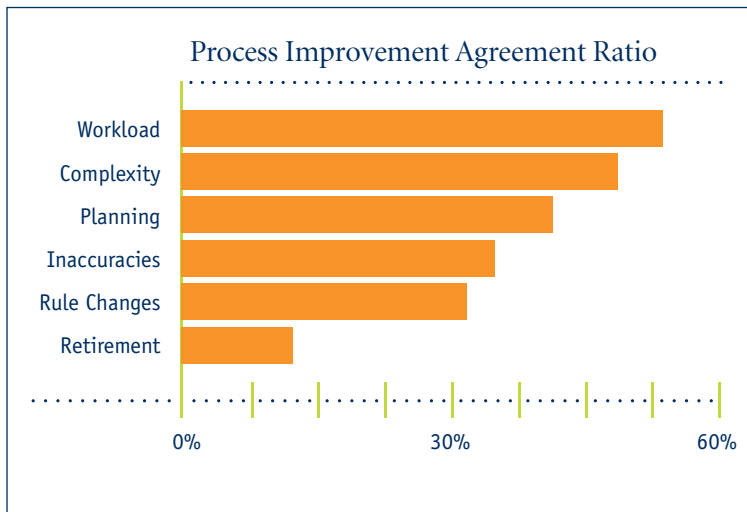


Figure A: The Expected Drivers of Tax Process Improvements

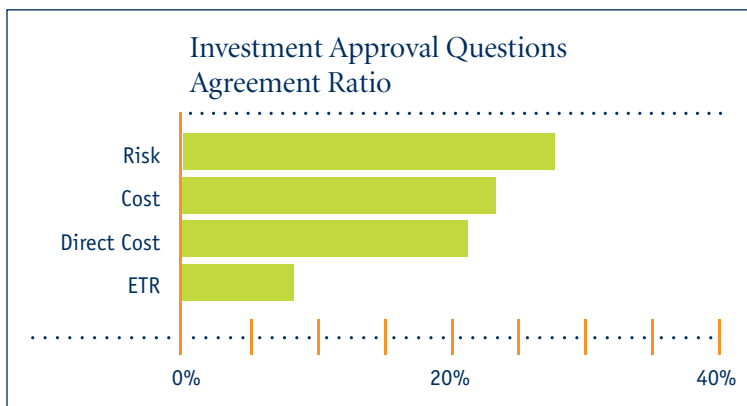


Figure B: Expected Approval of Tax Process Improvements

Drivers of Tax Process Change	Agreement Ratio
The increasing workload of the tax department is causing us to improve our process.	56%
Increasing business complexity is causing us to improve our process.	47%
The need for increased tax planning is causing us to improve our process.	38%
The investment would only be approved if the company's risk can be reduced.	36%
The increasing exposure to inaccurate tax provisions and returns is causing us to improve our process.	33%
Continuing changes in tax rules are causing us to improve our process.	30%
The investment would only be approved if the company's costs can be reduced.	28%
The investment would only be approved if the company's direct costs can be reduced.	27%
The investment would only be approved if the company's ETR can be reduced.	16%
The upcoming retirement of experienced tax staff is causing us to improve our process.	9%

Table 3

As these statements suggest, tax professionals are not looking at it from an “either-or” mindset (i.e., either reduce risk or improve processes). While they view initiatives focused on risk reduction as the most likely to be funded, they recognize the path may be strewn with other benefits related to process improvements, and these must be taken into consideration as well.

Barriers to Tax Process Change

Regarding barriers to changing tax processes, it’s worth noting that all participants expressed that their department has faced – and may continue to face – what they consider to be unique situations regarding systems, legacy processes, and internal politics. To navigate this “minefield” successfully, their tax departments have, out of necessity, relied upon an ad-hoc set of processes and discrete technologies assembled over the course of several, if not dozens, of years. The diversity of barriers seen in the survey (see Table 4) is a natural outgrowth of the ad-hoc manner in which tax processes and supporting technologies have grown over time.

Participants noted a wide range of barriers to change, ranging from complexity and lack of cross-department support to lack of time; no single barrier achieved over 50% agreement. The key take-away from this is that there is no one barrier or set of barriers that, if breached, would lead to rapid progress or success. There is no “silver bullet” solution. This speaks to the diversity of issues facing tax today, as well as the need for flexibility. This diversity also calls out the fact that the tax department cannot improve tax processes on its own. Even if they had the technical skills, tax professionals don’t have the time. Improving tax processes will require the support and buy-in from other departments – IT and finance specifically – so that the entire organization can move to a higher realm of process efficiency.

For most tax organizations, getting that support is not going to be easy, which highlights the need for a concerted effort by the industry to develop tools to prove the need – and make the business case – for tax transformation in a convincing and well formulated manner. This is the only way that tax professionals can participate effectively in the corporate investment prioritization process and secure the resources needed to enable change.

Barriers to Tax Process Change	Agreement Ratio
The changes required outside the tax department may not occur.	49%
The solution would be seen as just a tax initiative and therefore not get the support it needs.	45%
The data required is too distributed to easily collect it.	40%
The IT department may not allow the technology if it doesn’t fit their strategy.	38%
Finance may not agree to implement the changes necessary to tax sensitize the financial data.	35%
Tax personnel do not have the time to help implement a new solution.	33%
Non-responsiveness by accountants and controllers is a significant problem in collecting and validating data.	32%
The validation requirements for our data may be overwhelming.	31%
The tax department will never get approval for the budget that would be required.	29%
There is minimal appetite for investing in tax related process improvement.	26%
Our accounting clerks could not be trained to enter the necessary tax information when the transaction occurs.	22%
The tax laws are constantly changing making it very difficult to automate the process.	20%
Our business is too complex to automate the process.	15%
Our book to tax adjustments cannot be automated to any significant level.	10%

Table 4

Assumptions About Tax Process Change

Survey results around assumptions revealed the mindset of the participants in the survey. Table 5 gives an overview of the statements as rated by participants in the survey. Results from the survey indicate that most participants believe:

- There's room for improvement.
- The Chief Tax Officer needs to champion the initiative.
- Taking a process view of tax is correct.
- Technology will be a primary enabler for improvement.

Nearly half the participants (47%) agree that technology will be a primary enabler of improving their tax process. Those in agreement were more highly skewed towards larger firms, revealing that the larger the company a participant worked for, the more likely they are to focus on a technology-based solution. Participants expressing disagreement voiced concerns around the priority of technology investment in addition to the feasibility, reflecting comments such as "our systems processes would have to be completely rebuilt, and it would be very difficult to build an historic opening position."

So in summary, it appears that the industry is ready for the Chief Tax Officer to champion a process-focused technology initiative to improve tax processes and realize the goals outlined above. This confluence of opinion is especially prevalent within companies having revenues over \$10 billion.

Assumptions About Tax Process Change	Agreement Ratio
There is an opportunity for improvement in our tax processes through automation.	67%
The Chief Tax Officer would be the champion of this initiative.	54%
Tax should be managed as a process just like the financial close process.	51%
Technology will be a primary enabler of improving our process.	47%
The tax department is primarily measured on the accuracy of the tax provision and tax return.	40%
Total headcount in the tax department would not be reduced with an optimized process.	38%
The tax department is considered a best practices organization.	32%
A technology solution to improve our process is a nice-to-have, not a must-have.	28%
Tax is viewed strategically as evident by recent investments in process improvements.	27%
The tax department is currently supplied with tax sensitized data from Finance.	19%
Automating the current process would not improve the accuracy of the data.	16%
All of our income tax requirements, including tax research, should be met by one vendor.	14%
The cost of a solution would not come from the tax department budget.	13%
All of the tax calculations would continue to be created and managed in Excel.	12%

Table 5

Potential Negative Consequences of Tax Process Change

The survey also gave participants an opportunity to express concerns about the potential negative impacts of more process change. Table 6 gives an overview of the statements as rated by participants in the survey.

Overall, the level of concern about implementing tax process change was relatively muted, as only the concern about the IT dependency issue reached the 50% agreement threshold (and this was largely amongst respondents from smaller firms). Other concerns ranged from headcount reductions after implementations, lack of control over (and visibility into) data collection and process flows between systems, and over-reliance on technology. But they had relatively low agreement ratios, indicating that under the right conditions, especially among the larger firms, investment in process improvement around data management is an idea whose time has come.

Potential Negative Consequences of Tax Process Change	Agreement Ratio
Additional technology may increase the tax department's dependence on IT support.	50%
The company may become too reliant on the technology without thinking through how best to handle the data.	39%
Our ability to identify data inconsistencies not detected by the system may be reduced.	29%
Capturing the required tax information may increase the time to enter a transaction into our financial system.	27%
The number of tax compliance staff may be reduced.	26%
The tax department may not trust the data in the tax data warehouse.	24%
The knowledge of how data flows from the GL to a specific line on the tax return may be lost.	24%
External auditors may be able to probe deeper into underlying data, thereby exposing the company to more tax burdens.	23%
Visibility into the automatic tax calculations may be lost.	22%
The outsourcing of tax department processes may increase.	20%

Table 6

Use of Spreadsheets

Spreadsheet-related questions were interspersed throughout the survey (see below). Overall, responses indicate that spreadsheets remain the tool of choice for many tax professionals. 58% agreed that spreadsheets are primarily used to create tax adjustments and are vital to the tax department. As noted by one participant, spreadsheets are "a key tool that I do not foresee being eliminated in the near future."

But 12% agreed and 27% disagreed with the statement regarding "having all tax calculations continue to be created and managed in Excel." This may be driven by concerns about errors: 14% believe they are an issue, and 25% do not. Due to these concerns, it's not surprising that 19% of participants indicated that they are willing to give up spreadsheets and 25% indicated they are not.

All-in-all, there was general agreement (65%) that custom spreadsheets must be integrated into any tax data management solution, rather than replaced. As noted by one respondent, "Our business is too complex to move away from Microsoft Excel® at this time. The cost and time associated with creating a 'customized' package that would suit our needs would far outweigh the benefit of any such package at this time."

These survey results raise interesting questions around the use of spreadsheets – in particular, is it possible to preserve the calculation and reporting capabilities they offer (as well as the years of work spent creating custom spreadsheets), while moving to a different method of data collection and storage? Vertex believes that to be accepted by the industry, the tax systems of the future will need to deliver comprehensive, easy-to-use features that support the use of, rather than the replacement of, Excel.

Assumptions About Spreadsheet Use	Agreement Ratio
Our custom spreadsheets should be integrated with the tax data warehouse.	65%
Excel is primarily used to create our tax adjustments.	58%
Errors in the tax department's Excel spreadsheets are not an issue.	25%
The tax department may not be willing to give up their customized Excel spreadsheets.	25%
All of the tax calculations would continue to be created and managed in Excel.	12%

Conclusions & Next Steps

Increasing Efficiency by Investing in Effective Tax Data Management

Given the breadth of issues and conflicting assumptions that tax professionals indicated about tax process management, no obvious and clearly agreed-upon “silver bullet” emerged from this study. But because data management can consume upwards of 50% of the tax department’s total time – and tax departments see the effects of hyper-regulation heading their way – one thing is clear: increasing the efficiency of tax data management is the most logical way to free up time and resources needed to handle expected increases in workloads.

Increasing Staff is Unlikely

At a high level, there are generally three levers for enabling tax departments to get more work done: people, process and technology. Tax has historically focused on people first, and for good reason: the tax positioning and planning knowledge imparted by a seasoned tax professional can be invaluable, if properly applied. Unfortunately, much of this “potential” goes unused because these highly trained professionals have to spend much of their time checking and doublechecking data or searching for key information needed to complete an analysis. And given the economic realities of the “new normal,” securing budget to increase headcount is unlikely. So tax departments need to find ways to get more meaningful work out of their existing resources.

Workflow Solutions Can Mask Foundational Issues

This leaves process and technology as the only viable levers for increasing how much work can be handled by today’s tax departments. With respect to process, tax services vendors and even some software vendors (including Vertex) offer process review services whereby existing processes are benchmarked against industry norms. These vendors can make specific recommendations for improvements, or at a minimum, develop a business case for pursuing a process improvement initiative. In addition, tax departments can now leverage new systems capable of “programming” workflow. These workflow tools can organize, notify, and track the progress of key processes over time; help

tax departments enforce best practices; and facilitate continuous process improvement. But as indicated by the survey results, tax departments face many barriers to improvement. If these barriers and any underlying process problems aren’t addressed first, using a workflow tool alone is equivalent to wallpapering over a window. It may look “solid,” but because there’s been no structural change to what’s behind it, it’s still fragile and ineffective.

Turning to Technology

So in the end, technology is the last lever for effecting significant change. As noted in the survey, for most firms, a one-size-fits-all technology approach is unlikely to yield the desired results. Rather, the results suggest that the market needs an extremely flexible, dynamic tax data management solution that can be adapted to meet the unique needs of a wide variety of firms. This single solution would support data collection, validation, storage, and preparation for use, including automated workflow, business intelligence, reporting and analytics, and document management.

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What Can You Do Today?

Software vendors are currently developing tax solutions that not only improve tax data management, but also streamline and automate the entire tax process lifecycle. These solutions will evolve over time. So in the meantime, what can you do to make progress on improving tax processes?

First, talk with peers in upper management, especially IT and finance, about why you need budget to streamline and automate the tax data management lifecycle. To facilitate discussions, develop a solid business case first. Vertex recommends that you:

- Segment the business case across the key shared processes around data collection, validation, storage/retrieval, and preparation for use rather than focus on typical tax processes (i.e., provision, compliance, planning, and audit management). Focusing on shared processes will provide the common ground needed between IT, finance, and tax and give you the biggest bang for the buck, especially if you develop baseline measurements and associated cost information for each data management process.
- Start with an inventory of data sources, uses, and activities, including time spent on collection and a full analysis of key spreadsheets used to support the process – because you can't improve what you don't measure.
- List all of the data required by your department, the origination and destination sources, those responsible for producing the data, and data types – and then estimate the time required to collect it.

Based on this information, you can apply standard costing approaches to quantify the cost of obtaining data, both within tax and other departments. For a comprehensive view, take time to estimate costs for other processes around data validation and the time and effort associated with storing and subsequently retrieving the needed data. Data usually needs to be transformed and loaded into a provision or compliance system, which also takes time, so include this final step in your analysis as well.

Armed with this type of hard, factual information about costs, your business case stands a much greater chance of getting funded. When other executives see hard numbers related to costs, they can better understand the extent of your department's business challenges and the need for investment in efficiency drivers. This is not to say that ancillary benefits, as indicated by the diverse goals noted by participants in the survey, should not be part of the business case as well. But the fact is, executives often respond to issues around high costs and inefficiencies more quickly and decisively.

And second, carefully consider any new technology investments that may need to be ripped out and replaced in the future. For example, as you develop an IT strategy for tax data management, make a commitment to stop deploying custom, patchwork, and point solutions. Instead, get by with what you have today and develop a plan for implementing new and more strategic solutions as they emerge. Then, when the time is right, choose an integrated, enterprise-level solution to collect, integrate, standardize, validate and prepare for use all tax data in real time.

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For more detailed information about the survey and results, please contact David Deputy, Director of Tax Data Management at Vertex at david.deputy@vertexinc.com.

About the Author

David Deputy is Director of Tax Data Management at Vertex Inc. In that role, David focuses on alignment of tax solutions with ERP vendor financial solutions, development of analytics and performance management capabilities, and integration of tax solutions into broader corporate performance management frameworks. David brings more than 20 years experience in ERP, business intelligence, and tax software solutions. Prior to joining Vertex, he served as Senior Product Manager at Liquid Engines focusing on international tax planning solutions. Prior to that, he served in both technical and management roles at Oracle, including financial general ledger applications development and alliance consulting at Oracle US, and as Director of OLAP Solutions for Oracle Japan.

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