

The Future of a Tax Department

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The Human Resource Perspective

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FINDING AND RETAINING TALENT

- Pandemic Induced Labor Shortages
 - Doing more with less resources
- Inflation Induced Spending Cuts
 - Increasing importance of tax technology roles
 - Increase in business initiatives to support
- Employee Driven Market
 - Higher salaries, flexibility, better benefits
 - Conflicts between tax department needs and HR policies

LEADERSHIP IN A REMOTE ENVIRONMENT

- Challenges
 - Collaboration
 - Teamwork
 - Onboarding
 - Development
 - Technology
 - Distributed in various time zones
 - Remote tax audits
- Other Considerations
 - Outsourcing
 - Offshore Staff

INCREASED EXPECTATIONS

- Increased Specialization Within Tax
 - Gone are the days of planning, reporting, compliance and audits as the key functions
 - Technology
 - Cryptocurrency
 - E-commerce/Marketplace facilitators
 - Innovation
 - Supporting new taxes (Delivery “fees”, bag taxes, gross receipts taxes, tax on fees, etc...)
 - Expanded advisory roles

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Tax Technology and Automation:

The Future of the Modern Tax Department

- In-house corporate tax departments have become the epicenter of the growth of Tax Technology solutions
 - Automation of Federal, state, and international compliance processes
 - “Self-service” consumption of internal financial data
 - Automated project and efficiency tracking
 - Building specific solutions for high-value items
 - Transfer pricing
 - Research tax credit

Insource or Outsource Technology Development?

- Insource model
 - Hire technology-specific talent in the Tax Department and set up a tax “pod” to do development with traditional tax professionals
 - New lead role for in-house tax departments that doesn’t require substantive tax training, but instead a broad-based technology background
 - Enhanced role for in-house tax professionals (everyone is a tax technologist)
 - Use of various available “simple” tools to automate processes and calculations
 - Alteryx
 - Power Bi
 - Google Forms
 - Tableau

Insource or Outsource Technology Development?

- Outsource model
 - Leverage technology talent at third-party consultants with tax and technology expertise
 - Large tax software providers (CorpTax, Thomson Reuters)
 - Tax consulting firms (large accounting firms)
 - Boutique tax software companies (Avalara, Vertex)
 - Internal company non-tax technology resources
 - Strategically develop a full-scale tax technology roadmap or focus on specific items

Insource or Outsource Technology Development?

- Hybrid model
 - Hire technology-specific talent in the Tax Department while also leveraging outside resources based upon specific needs
 - Smaller projects handled by in-house “pod”
 - Larger projects outsourced based upon level of difficulty/budget
 - Hybrid projects involving joint efforts between in-house professional
 - Key role for in-house tax technology leader to evaluate what to keep, what to partner on, and what to fully outsource
 - Likely to be most tax efficient and budget efficient outcome

Who is the Tax Technologist?

- Tax Professional turned Tax Technologist
 - In-house tax professional trained to use programming tools and languages to build automated solutions
- Tax Technologist turned Tax Professional
 - Outside or internal hire with programming skills with some background in tax or accounting skills with a desire to develop an expertise in this area
 - A few “unicorns” exist who have both backgrounds, but training and patience is the key
- Ideally, a corporate tax department will have both types working together to solve tax and technology issues together.

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Conduct of an In-house Department vs. Outsourcing

The Future of the Modern Tax Department

Tax Department Models

- **In-house** corporate tax department that performs all tax functions and maintains the integrity of the information for the company
- In-house tax department that **co-sources or outsources** specific tax functions or projects
- **Fully outsourced** tax department (“Managed Services Model”)

Factors to Consider

- **Level of Control**
- **Talent**
 - Scalability & cost of your tax department
 - Strength & skills of personnel
- **Technology**
 - Company's commitment to computer systems & tax software
- **Information/Data Gathering**
- **Quality & Risk Management**
- **Strategic Agility**

Co-Source/Outsource

- **Tax Work Best Kept In-House**
 - Keeps Tax in touch with Company's operations
 - Performed at a lower cost than outsourcing
 - Requires company history & systems knowledge
- **Tax Work Best Outsourced**
 - In-house team lacks the skills and expertise
 - During peak-times requiring additional resources
 - Specialized or one-time projects
 - Routine, repetitive, low value



Fully Outsourced/Managed Services

- Consultants handle day to day operations
 - Option to use tax department personnel
- VP of Tax still responsible for management decisions
- Allows VP & Directors to focus on more value added projects
 - Streamlined & automated processes
 - Right mix of human capital & eliminates staffing constraints
 - Tax expertise at fingertips (complex issues, law changes, etc.)
 - Powerful data analytics

Conducts

- **In-house Tax Department**
 - Time consumed by day to day operations
 - Talent acquisition & management
 - Responsible for building/adapting technology
 - Connected to other parts of the business
- **Outsourced Projects or Tax Department**
 - Need for person who gathers information for consultants
 - Management of consultants
 - Management Decisions

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