Flip the Switch to Strategic Tax Management

New IRS Regulations Present an Opportunity — Will Your Organization Maximize It?

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Capital-intensive companies depend on maximizing the operational and financial performance of their assets. Tax can be a strategic lever in decisions about maximizing performance. For years, companies in capital-intensive industries, such as utilities, telecommunications, oil and gas, mining, and transportation, have struggled with tax laws that were quite ambiguous and often resulted in disputes that had to be resolved in tax courts. Last fall, the IRS issued new tangible property regulations (TD 9636) after almost a decade of iterations, providing another layer of tax complexity for CFOs and VPs of tax to address when determining the appropriate classification of assets — as repairs or capital improvements.

While the tangible property regulations require companies to comply with tax policy, they also present an opportunity to maximize current deductions and minimize cash tax liability. To save potentially millions in tax liabilities, a tax strategy should expertly manage forecasts and requirements, as well as focus on minimizing risk and increasing productivity. Part of that strategy is the efficient, effective use of enterprise systems like SAP ERP and SAP Enterprise Asset Management (SAP EAM), which play a major role in the financial processes of SAP customers. Without this strategic thinking, an organization may be leaving money on the table or overpaying taxes.

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Tax Implications at Work

The tangible property regulations touch all parts of a job, such as moving a pipeline for highway construction, including capitalization considerations for material extraction, overhead, and labor, as well as complicated tax considerations of third-party financing. Before the regulations took effect, a major concern of the tax department for this type of job was classifying the cost with changing IRS tax positions. To ensure successful audits, an organization had to analyze tax court decisions, rulings, and other tax research internally to determine whether the IRS would agree with its interpretation of what constituted a current deduction or a capitalized cost for this project. With potentially thousands of concurrent jobs underway, this was a never-ending guessing game for accounting and tax departments. Devoting time to minimize the overall tax burden was a luxury most organizations couldn't afford.

With the final tangible property regulations in place, making those decisions can now be clearer and easier. By eliminating the manual assessment of each type of project, organizations can take their tax strategy to the next level and reduce their tax burden even further. A full automation of the tax process gives CFOs visibility to make better, more strategic decisions for their company, and that is where PowerPlan's deep experience with and understanding of tax implications for asset-intensive companies proves its value.

PowerPlan was purpose built with the ability to adapt to the ongoing tax regulation changes, so companies don't have to worry about staying compliant. Instead they can focus on the data to make better business decisions.

In fact, where tangible property rules are concerned, PowerPlan's patent-pending Tax Repairs module is designed to reconcile all of their complexities (see **Figure 1** on the next page). These final regulations were years in the making, and when companies started negotiations with the IRS for specific industry resolutions, PowerPlan was there for our customers. With

FIGURE 1 ▶ Key features and functionality of PowerPlan Tax Repairs

Automation of tax calculations	PowerPlan Tax Repairs automates the calculation of tax repairs and simplifies the analysis of calculated deductions and capital add-ons.
Testing	The solution allows your company to test thousands of annual capital additions — while in construction and after they are placed into service.
Tax basis adjustments	PowerPlan Tax Repairs helps you make the most of your tax repairs deduction by automatically interfacing tax adjustments and updating the correct tax basis.
Auditability and compliance	The solution provides the platform for changes or clarifications to tax repairs regulations, allowing you to stay compliant and take advantage of opportunities.
Reporting	PowerPlan Tax Repairs provides reporting for all types of property and testing methodologies, and PowerPlan's Reporting Center acts as a central repository for all reports.
Retirement tracking	The module tracks each asset from the time it is placed all the way to retirement, including any basis adjustments applied to the asset.
Branded methodologies	PowerPlan's branded methodologies allow for calculating the repairs deductions for both linear and non-linear property — optimizing cash flow by implementing the tangible property regulations.

PowerPlan's commitment to stay up to date on regulations, we worked directly with our clients and the IRS to develop our Tax Repairs module and evolved the solution to be compliant as regulations changed.

This means that, out of the box, PowerPlan software cuts through the regulations' substantial complexities to enable compliance, while also allowing for the flexibility and granularity that maximizes an organization's overall tax strategy.

Honing Your Tax Strategy

Maximizing cash flow is at the forefront in any comprehensive tax management strategy, and a key feature of PowerPlan software is that it provides flexibility to manage tax flow scenarios throughout the entire tax year. With full automation of existing projects, CFOs and VPs of tax can take a deep look at the data to decide how certain deductions will affect tax payments, allowing them to manage cash flow for maximum profitability.

Of course, this information is important for various reasons: An organization might be operating at a net operating loss and need to minimize deductions, or it may have tax credits and need to maximize taxable income for the current year versus the next year, for example. Automated tax repair calculations with standard identifications and classifications is one of the most important tools a tax group can use to move from just compliant to strategically important to the company.

> PowerPlan solutions enable strategic thinking in addition to compliance as part of a comprehensive tax strategy.

PowerPlan tax repair automation helps mitigate risk in several ways. Automation serves to purge error-prone manual processes and spreadsheets from the tax process, resulting in greater reporting consistency. The tax module also integrates tax items from multiple jobs in one centralized location, simplifying reconciliation with the balance sheet to satisfy both auditors and financial analysts.

Real-time integration does more than mitigate risk. By taking full advantage of the information available in SAP ERP and SAP EAM systems, an organization reduces tax preparation and filing time, expedites its monthly close, reduces redundancy, and gains operational efficiency both in the field and in the back office.

Taming the Tax Burden

PowerPlan can help capital-intensive enterprises reap the full benefits of the new tangible property regulations — not only because our software is designed to address their various intricacies, but also because of our greater vision for what they represent: a pathway toward compliance that frees companies to invest in strategic tax planning.

An organization is better served when its tax team, with a window into how the balance sheet affects the tax burden, can focus on analyzing information flowing through its SAP ERP and SAP EAM systems rather than simply making sure they're doing the minimum necessary to reach compliance. PowerPlan solutions enable strategic thinking in addition to compliance as part of a comprehensive tax strategy.

For more information, visit **www.powerplan.com/product/powerplan-powertax.html**. ■