

Managing the complexity of a distributed workforce

Unincorporated business tax: An opportunity

The COVID-19 pandemic has profoundly impacted employee work locations and the ensuing tax / legal considerations companies must manage. According to a recent PwC study, 55% of CFOs expect to make remote work a permanent option for employees (PwC's US Remote Work Survey, June 25, 2020).

The tax implications for distributed workforces can be significant, and so could be the savings. With the right capabilities, enterprises have the potential to avoid significant tax overpayments, but they must be able to navigate the various local tax regimes with high degrees of accuracy: New York City's 4% Unincorporated Business Tax (UBT) raised \$2.14 billion last year through taxing investment-fund managers, law firms, etc., based on the portion of sales or services performed within the city.

Due to COVID-19, many employees based in New York City have been working outside of the city for several months. This may translate to a direct reduction in taxes for those hedge funds, asset managers, law firms and other partnerships with the right data.

The increasing complexity of remote work creates an opportunity for companies to harness these many moving parts to their benefit. Without the proper tools and capabilities, the complexity and rapidly changing landscape can quickly overwhelm its HR, legal, tax, risk management, and finance teams. Non-compliance (accidental or not) and violations of the same laws and regulations can also expose your company to costly audits, penalties and potentially millions in tax liabilities.

NAVIGATING COMPLEX COUNTY AND CITY TAX REGIMES

New York City: Unincorporated Business Tax (UBT)

San Francisco: Gross Receipts Tax (GRT)

Philadelphia: Net Profits Tax and Business Income and Receipts Tax

Washington, DC: Business Franchise Tax (BFT)



How Grant Thornton can help

Our team brings a deep understanding of county, city and state tax requirements, focusing on revenue sourcing and incentive opportunities, to address any issue you may encounter. Our SALT practice encompasses a nation-wide network of SALT professionals covering 50+ offices based in every major city, providing local expertise across the country. We arm you with the resources and technology to manage your tax profile across jurisdictions, including utilizing our relationship with Topia.

The Topia advantage

Topia's Monaeo application has been successfully deployed by leading global companies of all sizes and reliably processes data for more than 275,000 distributed employees annually. Monaeo offers advanced planning, collection and reporting capabilities, delivering a "single source of truth" for the payroll, tax and finance departments. This information can be used to accurately adjust employees' specific tax withholdings and payroll instructions with confidence. The data gathered also provides robust and credible evidence to support an audit.

Companies are able to leverage Topia's powerful location engine and automatically combine multiple data sources (mobile app, laptop, VPN login or assistant access) to automatically determine employee locations with minimum interruption and with audit-proof accuracy. With this new data in hand, companies are able to avoid overpaying yearly city tax contributions, with some companies saving upwards of \$5 million annually.

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“Tax-savvy companies can potentially avoid millions in overpaid tax related to over-reporting compensation for work done outside of large city limits. A technology platform that can identify work location with a high degree of accuracy combined with advanced taxation and domain knowledge can be a powerful combination to substantiate tax reductions.”

Steven Winter, Grant Thornton Tax Partner

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