

“The problem is business tax reform, not ‘corporate’ tax reform.”

MARK W. EVERSON
*alliantgroup Vice Chairman
and Former IRS
Commissioner*

“Small and mid-sized businesses are suffering in this economy. Tax incentives are a way for companies in many industries to recapture needed funds and regain their competitive edge. Our mission is to provide specialist support to our CPA partner firms to help add value to their clients.”

DHAVAL JADAV
alliantgroup CEO

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STRATEGIC, TAX & LEGISLATIVE THINK TANK

NOVEMBER 3 & 4, 2011 | CHICAGO, IL

Bringing together Washington insiders, IRS executive leadership, one of the industry's premier consultants, and CPA partners from some of the top 100 and leading middle-market firms across the country, alliantgroup hosted its fourth Think Tank in Chicago. The mission of this series of events is to bring value to our CPA partner firms through dialogue with the Service, insight from the Hill, and by providing practical strategies to grow their practices.

The two-day program featured alliantgroup Vice Chairman and former IRS Commissioner Mark Everson; alliantgroup Senior Advisor and former Congressman and Chairman of the IRS Oversight Committee Jim Ramstad; former Congressman Rick Lazio; alliantgroup National Managing Director and former Senior Counsel and Tax Advisor to the U.S. Senate Finance Committee Dean Zerbe, and alliantgroup CEO and co-founder Dhaval Jadav. Attendees were joined by senior IRS executives from the Large Business and International (LB&I) group; and Jeff Pawlow of the Growth Partnership, a consultancy for leading accounting firms.



VIEW FROM THE HILL

Former IRS Commissioner Mark Everson; former Congressmen Jim Ramstad and Rick Lazio who served together as members of the House Ways and Means Committee; and former Senate Tax Counsel Dean Zerbe, led a roundtable discussion on the latest tax policy news from Washington, DC. With the 2012 presidential primaries nearing and the Congressional Deficit Reduction super committee convening, tax reform is at the forefront of debates and in media circles.

IS TAX REFORM NEAR?

With the abundance of complex issues on the table, our experts believe there are slim chances that Congress will get something substantial done with regard to tax reform and a move toward the resolution of our debt crisis prior to 2013. For example, entitlements are the biggest portion of the budget, but there will be enormous pressure on both parties to come up with revenues and savings in areas that are less politically risky than entitlements. In addition, the Republican base remains steadfast on no tax increases. With unemployment at an all-time high, and continued volatility in the market, business tax reform will be an issue beyond the 2012 election cycle. We can also expect more executive orders related to the budget to come from the White House prior to the election.

STATE AND LOCAL BUDGET CHALLENGES

States and localities are also facing serious budget issues as most recently highlighted by Rhode Island's pension benefits turmoil. In addition, the Medicaid program, which has generally been shared 50/50 by the states and federal government, will continue to seek more support at the state level.

NATIONAL SALES TAX

On the issue of a national sales tax replacing federal income taxes, Mark Everson commented that progressivity (income tax) has served our country well and that regressivity (consumption tax) would bring its own set of problems with compliance and fairness. Durability of the tax code is essential to the flow of business, right down to the impact of tax filings and the ability for CPAs to fluidly adapt to changing regulations.

BOTTOM LINE

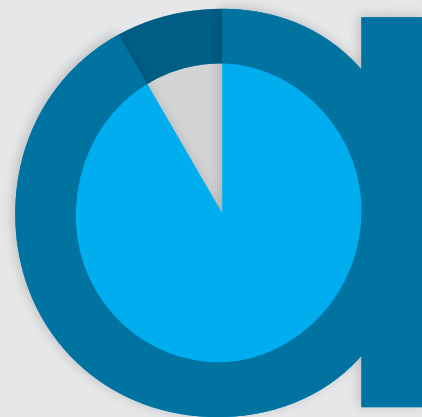
For tax reform to be successful, our experts believe a presidential candidate must make it a signature issue in their campaign platform. Incremental changes to the tax code are likely better for the country than a fundamental overhaul. Retaining certain incentives including those targeted for small and medium-sized businesses, such as the R&D tax credit, will support business competitiveness in our country.

“The traditional notion of research and development brings patents and lab coats to mind, but R&D is actually defined much more expansively to the benefit of small and medium-sized businesses. alliantgroup’s experts are unparalleled in working with CPAs to help their clients obtain R&D credits and other kinds of tax benefits.”

DEAN ZERBE

alliantgroup National Managing Director and Former Senior Counsel to the Senate Finance Committee

TAX FACT



Big business is getting
80-90%
of the U.S. R&D credit
dollars

“While tax filings are becoming increasingly complex, the IRS acknowledges that they will continue to shift their focus to the middle market. This combination of complexity and focused scrutiny makes it imperative for taxpayers to understand their role and protect their rights during the examination process.”

JEREMY FINGERET, J.D.
*alliantgroup Managing Director
Tax Controversy Services*

TAX FACT

70% of IRS
business tax filings are
pass-through entities



IRS ROUNDTABLE

At the request of Mark Everson, alliantgroup Vice Chairman and former IRS Commissioner, executives with the Internal Revenue Service's LB&I Division joined the event to engage in productive dialogue with alliantgroup's key CPA firm partners. The LB&I Division serves corporations, S corporations, and partnerships with assets greater than \$10 million. These entities typically have large numbers of employees, deal with complicated issues involving tax law and accounting principles, and conduct their operations in an expanding global environment.

NEW EMPHASIS ON MIDDLE MARKET

The IRS intends to focus more on the mid-market space for revenue generation, however the reality remains that budget cuts and fewer personnel are continuing to make the IRS function of compliance administration and examinations challenging. Perhaps more than ever, when determining whether or not to pursue an examination, risk analysis and return on investment will come into play.

LB&I GOALS

The LB&I Division's goals include improving issue resolution and examination cycle time (6-12 months for mid-market business audits). The IRS officials stressed communication, consistency, transparency, and accountability on both sides. When involved in an audit, IRS leadership stated that both parties should set well-defined expectations. From the IRS: "Timely, clear, and consistent communication between the IRS team and taxpayer during the process can directly influence the scope of the examination and the depth of the analysis under audit." One particular challenge noted: many middle-market businesses may be unfamiliar with their role and responsibilities and may be unprepared for the examination process. The IRS acknowledged the need to provide this education.

Due to budget constraints and to improve the examination process, the IRS is working to develop tools and technology, including secure email and web-based applications with real-time updates – ultimately minimizing the need for face-to-face meetings.

IRS ATTENDEES

DAVID HORTON

Director, LB&I, IRS

JAMES ROOSEY

*Director of Field Operations West, LB&I
RFPH, IRS*

CAROL POINDEXTER *Field*

*Specialist, DFO West, International
Business Compliance, LB&I, IRS*

HOWARD MARTIN

*Field Specialist, DFO East, International
Business Compliance, LB&I, IRS*

JAMES LANNING

RFPH Area Counsel, LB&I, IRS



ISSUE RESOLUTION

The LB&I Division is organized by industries as well as by geographic regions. When faced with issues that need resolution, it's important to distinguish whether it's a line issue or policy issue and go to that specific source to communicate and resolve. For example, most line issues should be taken up with officials where the business/client is located (by geography). Policy issues should be directed to the appropriate industry specialist (regardless of geography). An IRS organizational chart and contact list may be viewed [here](#).

GLOBAL MARKETPLACE

As business and our economy becomes more and more global, an emerging area of focus within the International group relates to transfer pricing issues, including among small and mid-sized businesses. In fact, international issues are the highest risk-compliance areas among the taxpayer base. IRS officials acknowledged the cost constraints related to small and mid-sized businesses conducting transfer pricing studies, but also warned against assessment of penalties for companies who do not have the proper study documentation.

TAX FACTS

47% of Americans
don't pay any taxes



- More than 16,000 U.S. businesses are taking advantage of R&D tax credits



2/3 of American taxpayers **don't** itemize on their tax returns



STRATEGIC GROWTH FOR YOUR CPA FIRM

Industry consultant, Jeff Pawlow (The Growth Partnership) works with many of the top 100 accounting firms across the country. During the Think Tank event he provided a CPE course designed to transform the practitioner into thinking like an entrepreneur in order to take the firm to the next level. The CPA is the most trusted advisor to a business owner and CEO, and what a CPA firm can offer to businesses is niche expertise and a focus on the client's strategic business needs to provide an exceptional experience. Jeff noted, from a *Wall Street Journal* study, that 68% of clients leave a professional services firm because of individual treatment.

DISCIPLINED APPROACH TO MAINTAINING CLIENT LOYALTY

- Add value by being proactive
- Be responsive
- Regularly and proactively bring new ideas to the client
- Communicate expectations
- Conduct regular client satisfaction surveys and listen

Client loyalty translates into sustainable profitability and growth for a CPA firm.



“alliantgroup is a major force in securing R&D credits for manufacturing and many other businesses across the country. I know, firsthand, that alliantgroup has helped more than 100 companies in my home state of Minnesota get their R&D credits. alliantgroup is doing what it takes to create jobs and help businesses remain competitive in the global marketplace.”

JIM RAMSTAD
alliantgroup Senior Advisor and former U.S. Congressman

“alliantgroup continues to play a constructive role, working with CPAs to benefit businesses. I’m convinced that alliantgroup’s efforts can help small and mid-market businesses thrive and have a voice in DC.”

MARK W. EVERSON
alliantgroup Vice Chairman and former IRS Commissioner

ALLIANTGROUP ATTENDEES

DHAVAL JADAV
CEO

MARK W. EVERSON
VICE CHAIRMAN

JIM RAMSTAD
SENIOR ADVISOR

RICK LAZIO
FORMER U.S. CONGRESSMAN

DEAN ZERBE
NATIONAL MANAGING DIRECTOR

SONNY GROVER, CPA
EVP/SENIOR MANAGING DIRECTOR

LYNN HEDLUND
NATIONAL MANAGING DIRECTOR

JEREMY FINGERET
MANAGING DIRECTOR - TAX
CONTROVERSY SERVICES

MICHAEL SIEGEL, CPA
MANAGING DIRECTOR

RICK MEYER, CPA
DIRECTOR

BRIAN AUMUELLER
DIRECTOR

CAROLINE LAKE
ASSOCIATE DIRECTOR

AMILA SALIHASIC
ASSOCIATE DIRECTOR

WHAT OUR CPA PARTNERS ARE SAYING

“These guys are doing things right. I’m extremely confident in alliantgroup’s work product, responsiveness, and service. It’s a first-class operation.”

Brian Semple, CPA, Partner
Semple, Marchal & Cooper, LLP (Phoenix, AZ)

“alliantgroup has shown that they understand how to navigate the R&D tax credit, and I feel confident bringing them to the table for added value to my clients.”

Brian Malthouse, CPA, President
VonLehman (Cincinnati, OH)

“alliantgroup’s relationship with the IRS is great for facilitating dialogue between CPAs and the Service. This event provided a valuable source of insight about some of the changes we can expect from the IRS and the potential impact on my clients.”

Steve Day, CPA, Partner
JH Cohn LLP (Los Angeles, CA)

“alliantgroup, with the mixture of legislative talent, IRS experience and technical abilities, keeps you informed and comfortable turning over client relations to them.”

Kevin Fuqua, CPA, CVA, Partner
Mountjoy Chilton Medley (Louisville, KY)

“alliantgroup’s legislative insiders bring an added layer of value to the equation. Insights from Washington tax policy experts like Dean Zerbe and Mark Everson are extremely useful when it comes to tax planning for clients.”

Ken Overholt, CPA, Principal
DiGiovine Hnilo Jordan + Johnson Ltd. (Naperville, IL)

