VIRTUAL COFFEE TALK

From Pandemic to Recession: Are you SALT Ready?

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June 22, 2022 | 12:00 p.m. – 1:00 p.m. ET

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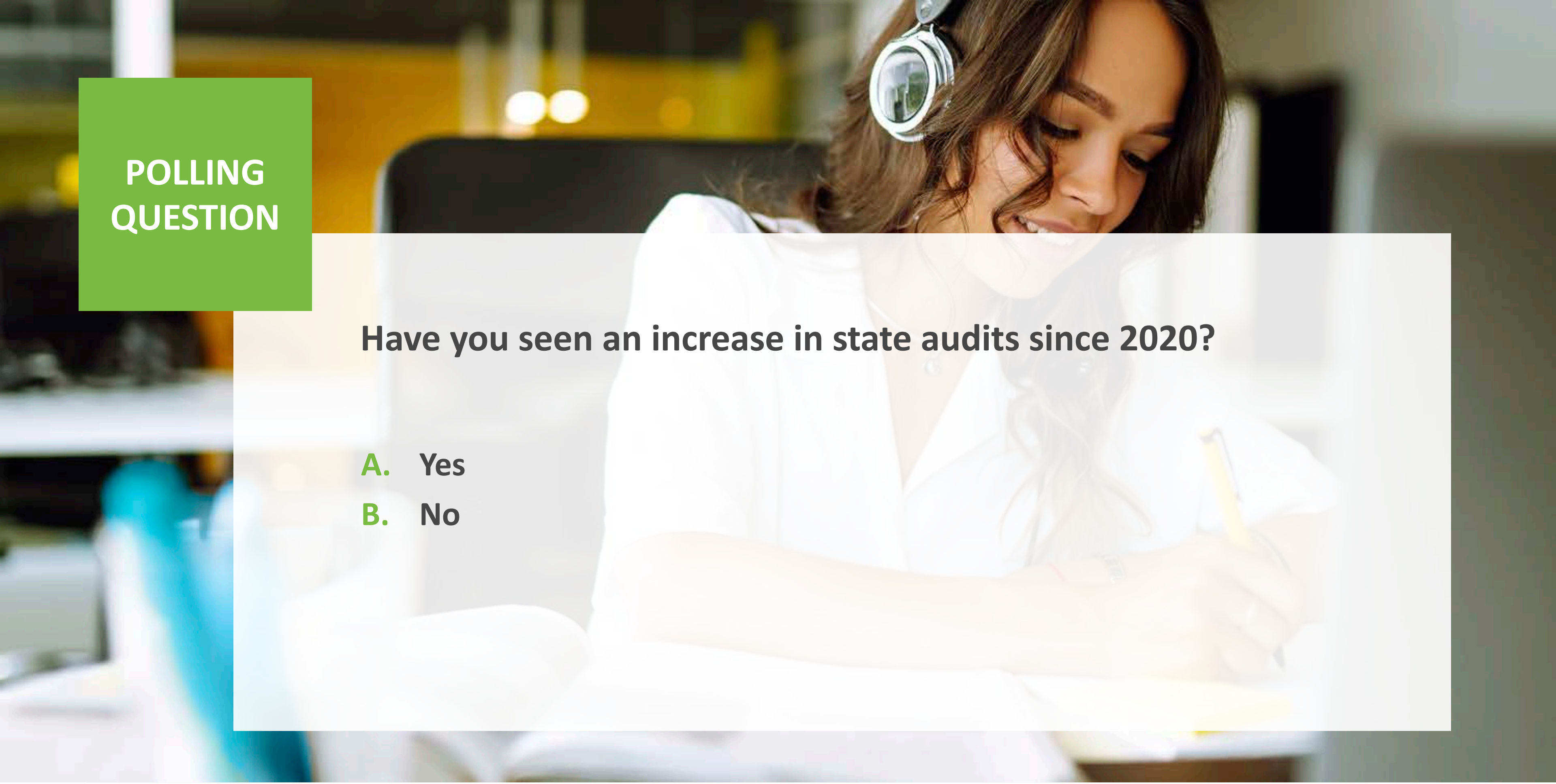
Agenda

1. Post-Pandemic State and Local Tax Trends
2. Post-Pandemic Evolution of State and Local Tax Audits
3. Best practices for preparing for the future (new taxes, recession, etc.)



POLLING QUESTION

Have you seen an increase in state audits since 2020?

A. Yes

B. No

Post-Pandemic SALT Trends

Old and New Taxes, Old and New Challenges

- DATs
- ITFA
- P.L. 86-272
- Cost of Performance
- Alternative Apportionment
- Transfer Pricing

Aggressive positions on services (SAAS, info/data processing), software, digital property

Locals – Gone Wild

- Gross receipts/business license tax expansion
- Apportionment
- Sourcing

Post-Pandemic SALT Trends *(cont'd)*

Wayfair Challenges

- Impact in M&A and immediate increased nexus footprint
- Compliance nightmare
- Importance of real time remediation

POLLING QUESTION

Will enacted income tax cuts:

A. Lead to future budget shortfalls
B. Stimulate economic growth
C. Do not know

Post-Pandemic Evolution of State and Local Tax Audits

Increased Audit Activity

- Arizona, Louisiana, Michigan, New Jersey, New York, Pennsylvania, Texas
- Third-party auditors

Lack of experienced auditors

- High turnover
- Protracted audits, lack of industry experience, increased litigation

Unreasonable Documentation Requests

- Prove negative nexus
- Requests for reconciliation of entire GL
- Requests to reconcile state apportionment schedules to sales revenue
- Increased burden on the taxpayer to comply or risk another waiver
- Waivers lead to more time, more resources and potential interest & penalties

POLLING QUESTION

For which tax do you think states are taking the most aggressive positions?

A. Income Tax
B. Gross Receipts Tax
C. Sales Tax
D. Property Tax
E. Other

Best Practices for Preparing for the Future

Audit Management and Defense

- Planning ahead matters: contemporaneous documentation to support a tax position
- Keep track of documentation provided to auditors
- Balance compliance with taxpayer rights: failure to produce documentation could preclude reliance at a later point
- Using technology to your benefit
- Involve audit in the M&A process
- Issue identification and consistency
- Confidentiality
- Establishing remote rapport
- Preparing for a remote conference/hearing
- Settlements

Best Practices for Preparing for the Future *(cont'd)*

Bankruptcy & Restructuring SALT Readiness

- Cancellation of debt income
- Gain recognition
- Tax attributes
- Derivative tax liability
- Not all debts are gone
- Other considerations

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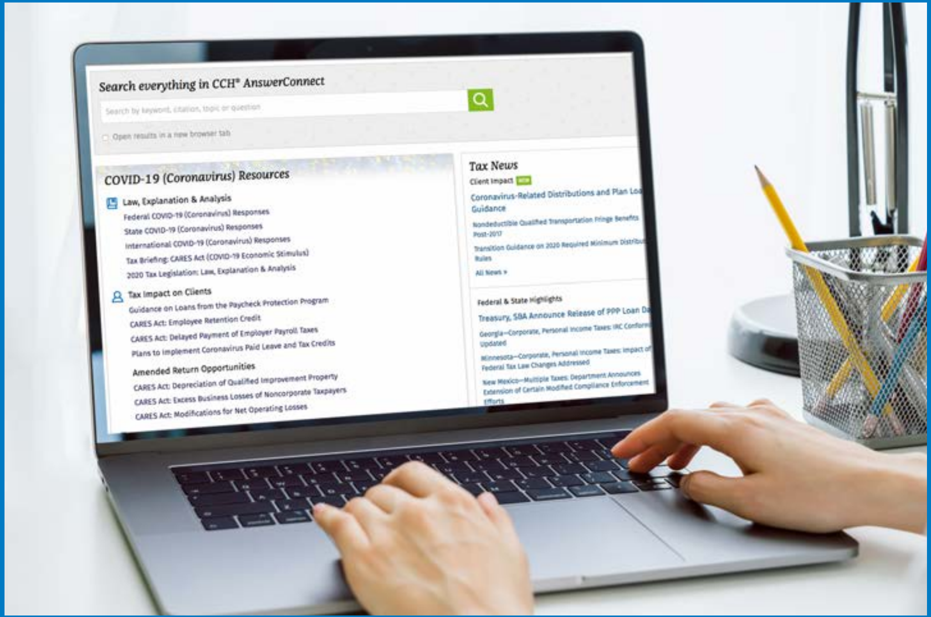

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POLLING QUESTION

Would you like a more in-depth demo or further details on the resources and tools available in CCH® AnswerConnect?

A. Yes

B. No

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Thank you for attending

Virtual Coffee Talk — From Pandemic to Recession: Are you SALT Ready?

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Kevin M. Jacobs

Kevin M. Jacobs is a Managing Director with Alvarez & Marsal Taxand in Washington D.C. and the National Tax Office Practice Leader. He brings more than 15 years of experience in tax matters in both the public and the private sectors.

Prior to joining A&M, Mr. Jacobs was a Senior Technician Reviewer (TCJA) with the IRS Office of Associate Chief Counsel (Corporate) for more than six years, where he advised on tax issues such as corporate re-organizations and corporation-shareholder issues, earning and profits, recovery and allocation of stock basis, liquidations, redemptions, bankruptcies, spin-offs and consolidated returns.

Mr. Jacobs was the principal Associate Chief Counsel (Corporate) attorney on several regulatory projects including the proposed section 382(h) regulations on built-in gains and losses, the global intangible low-taxed income regulations, and debt-equity regulations. He provided substantial contributions to numerous other guidance projects, such as the limitation on interest deductions regulations, and assisted in overseeing the Corporate Division's response to TCJA, including the coordination with Treasury's Offices of Tax Legislative Counsel and International Tax Counsel. Previously, Mr. Jacobs spent more than nine years at law and certified public accounting firms (Ropes & Gray LLP, Latham & Watkins LLP, Dewey Ballantine LLP and Arthur Andersen LLP).

Mr. Jacobs earned a bachelor's degree in accounting, a master's degree in accounting (with a concentration in taxation), a J.D. (magna cum laude) from the University of Florida and an LL.M. in taxation from New York University. He is admitted to practice before multiple courts, including the Supreme Court of the United States, the U.S. Tax Court and the U.S. Court of Federal Claims. He is admitted to the District of Columbia and Florida Bars and is a licensed Certified Public Accountant (CPA) in Florida and Colorado. Mr. Jacobs is a member of several organizations including the American Bar Association, the American Institute of Certified Public Accountants, the International Fiscal Association, and the New York State Bar Association. He is also a frequent speaker on numerous corporate transaction tax matters.

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Brian Pedersen

- Brian D. Pedersen is a Managing Director with Alvarez & Marsal Taxand, LLC in Houston. He leads the firm's State Income Tax Competency team and is also a member of the core bankruptcy and troubled companies team. Mr. Pedersen brings more than 30 years of experience in advising on multi-state income tax, sales and use tax, and property tax matters.
- In addition to serving as an expert witness in numerous tax disputes, Mr. Pedersen has consulted extensively in mergers, acquisitions, divestitures and re-organizations. He has worked with clients across various industries including retail, energy, telecommunications and high-tech.
- Prior to joining A&M, Mr. Pedersen was a tax partner at KPMG, LLP, where he served as the National Partner in charge of income and franchise tax. He was also a member of the company's retail and telecommunications teams.
- Before KPMG, Mr. Pedersen was a partner at Arthur Andersen, LLP, where he led its State and Local Tax practice for the Pacific Northwest region.
- Mr. Pedersen earned a bachelor's degree in political science and an MBA from the University of Montana. He frequently speaks on state and local tax matters throughout the country, and is an adjunct faculty member at the San Jose State University Lucas Graduate School of Business. Previously, he was as an adjunct faculty member at the Portland State University School of Business Administration. Mr. Pedersen is a Certified Public Accountant (CPA).

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Gina Pizzo

- Gina Pizzo is a Managing Director with Alvarez & Marsal Taxand, LLC in Houston. She specializes in sales and use tax matters including reverse audits, managed audits, audit management and controversy, ASC 450 calculations, nexus studies, system implementation projects, sampling methodologies and tax planning.
- With more than 16 years of sales and use tax experience, Ms. Pizzo has advised companies representing a variety of industries such as, multinational integrated exploration and production companies, electric and gas utilities, refining and marketing, well service companies, pipeline and transportation, and diverse manufacturing operations. She is a key member of the Restructuring Tax Service ("RTS") team, which aligns with A&M's core restructuring business to assist distressed companies with complex tax matters. She also works closely with A&M's Global Tax Transaction ("GTT") practice to assist with sales and use tax matters in conjunction with M&A transactions.
- Ms. Pizzo specializes in the energy industry and more specifically, those jurisdictions with oil and gas plays in Arkansas, Kansas, Louisiana, North Dakota, Oklahoma, Pennsylvania, Texas and Wyoming. She has worked with clients across other various industries including paper manufacturing, contractors, retail, cannabis, telecommunications and entertainment.
- Prior to joining A&M, Ms. Pizzo was a Senior Consultant with the Sales and Use Tax consulting practice of Ryan & Company.
- Ms. Pizzo earned a bachelor's degree in marketing and a master's degree in finance from Louisiana State University. She is a certified member of the Institute for Professionals in Taxation ("IPT") and the Chair of the A&M Women's Leadership Connection. Ms. Pizzo is a frequent speaker at various tax and energy related organizations, such as TEI, ETA, IPT and STARTUP.

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Maria Todorova

- Maria serves as nationwide state and local tax counsel to many in the Fortune 100 and other industry-leading companies in the communications, energy, retail, technology and hospitality industries, helping clients to successfully navigate state and local tax matters across the United States, including income, franchise, excise, sales and use, communications, energy, and property tax.
- She guides her clients through complex multi-state state and local tax audits and litigation, optimizing their state tax burdens through business restructurings, negotiating favorable settlements with state and local tax jurisdictions, and advocating beneficial state tax policy positions. .
- Maria currently serves as an adjunct professor at Emory University School of Law teaching state and local taxation. She stays active in the SALT community and frequently speaks on state and local tax topics in various forums including the Broadband Tax Institute, the Wireless Tax Group, the State Tax Roundtable for Utilities and Power, Telestrategies, the Tax Executives Institute's national and regional tax conferences, the Council on State Taxation's national and regional state tax conferences and New York University's Institute on State and Local Taxation.

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