

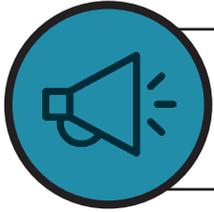
ROUNDTABLE WHITE PAPER

WEDNESDAY, DECEMBER 2ND, 2020 | 3:00-4:00PM ET

Q4 ROUNDTABLE
DECEMBER 2020



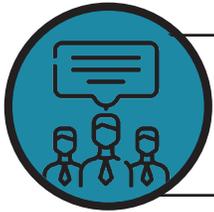
Table of Contents



Introductions and Announcements

Jason Massie and Peter Green of MASSIE R&D Tax Credits

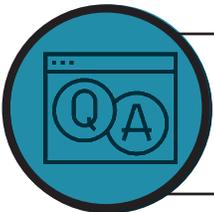
page 4



Panel Speakers

Peter De Nicola of FUJIFILM, Dan Mansfield of Caterpillar, and Kay Kousek of InterContinental Hotels Group

page 5-8



Next Webinar

page 9



Companies Who Attended

AMAZON
Anika Therapeutics Inc
Arbor Pharmaceuticals
Ball Corporation
BASF Corporation
BeyondTrust Corporation
Black Hills Energy
Blount
Bottomline Technologies
Brunswick Corporation
Buzzi Unicem USA
C Spire
Cabretta Capital
Cognizant Technology Solutions Corporation
CommScope
Confluent Medical Technologies Inc
Crane Company
Cummins Inc
Curtis Instruments Inc
Deere & Co
Deluxe Corporation
Doosan Bobcat NA
Eastman Chemical Company
EDF Renewables Inc
Edwards Lifesciences
Encompass Health Corporation
Ensono
Envision Healthcare
FTN Associates Ltd
FUJIFILM Holdings America Corporation
Genesys Telecommunications
Henkel Corporation
Infor
Ingevity
InterContinental Hotels Group (IHG)
International Vitamin Corporation
IVC
JBT Corporation
Johnson Outdoors
Kingston Technology Corporation
Konecranes
Lear Corporation
Leggett & Platt
Libbey Glass
Lippert Components Inc
Lockheed Martin Corporation
Lowe's Companies Inc
Lubrizol Corporation
Lumen Technologies
Luminex Corporation
MACOM Technology
Macy's
McCormick & Company Inc
Micron Technology Inc
Newly Weds Foods Inc
NewMarket
Old Dominion Freight Line Inc
OnSolve
Palo Alto Networks Inc
Paloaltonetworks
PBF Energy
Powell
PPD
Quadient Inc
Quidel Corporation
Red Gold
Siemens Corporation
Stanley Black Decker Inc
Starkey Hearing Technologies
Steris Corporation
SurveyMonkey
The Hartford
Tokyo Electron America Inc
Transocean
Valvoline
Victaulic
Wells Fargo
WideOrbit



MASSIE Notes



Introductions and Announcements

Jason Massie and Peter Green
MASSIE R&D Tax Credits

- Peter sings IMAGINE based on our theme for the Roundtable. IMAGINE what you can do to improve your R&D tax credit process in 2021 (see MASSIE's LinkedIn page to watch Peter's song).
- MASSIE is available to speak at your tax group or club, or TEI chapter during 2021, either virtual or in-person. Just reach out to Jillian at jholmes@massietaxcredits.com. 1-hour, 2-hour, and 4-hour sessions hosted by MASSIE available. For longer sessions we bring speakers from leading law firms and consulting firms with us to speak on a number of tax topics. We can do R&D only, or expand to transfer pricing, controversy, etc.
- MASSIE will be advising U.S. Senator Chris Coons of Delaware in Q1 2021 on changes that need to be made to 174, and improvements to section 41. Look for more announcements on how you can participate in January.



Jason Massie



Peter Green



Spotlight Speakers

Peter De Nicola of FUJIFILM
Dan Mansfield of Caterpillar
Kay Kousek of InterContinental Hotels Group

1. How has your research credit been going this year?

- Kay mentioned with IHG and hospitality, they experienced a large decrease in R&D due to Global IT shifting more resources to maintenance projects, but 2021 will be a very robust year as they try to catch up on more innovative initiatives. MASSIE does the IHG study and commented that SMEs were more available this year because many were working from home and seemed to have more time to assist. Maybe they were more efficient not having to commute into an office! Kay's credit is largely software based.
- Shifting to Dan and Peter, they oversee credits that have a software and hardware component, so a lot of their engineers were still on the job working daily as normal.
- Dan mentioned CAT was deemed an essential business, but a lot of the tax folks were working from home. He had a system upgrade happen early in the year, and a lot of SMEs were familiar with their system for the R&D credit, so he does not feel like 2020 had any impact on their process. Dan's process is very survey heavy as all new projects opened receive a survey link, so as many as 20,000 to 30,000 surveys are collected in a tax year.



Peter De Nicola



Dan Mansfield



Kay Kousek



- Peter’s system at FUJIFILM is different from Dan’s in that he divides up the R&D credit work among his tax staff. Each person might have two or three companies and they look after the R&D reporting for those and rely heavily on an interview approach; this year relying on Zoom. They tried surveys at one point, but Peter feels like his team is representing the tax function while collecting R&D information and it works well for him and allows people in the tax department to learn more about each business. Unlike some companies that only have one or two dedicated R&D people in tax, Peter spreads out the work and it allows him to easily transition if any of his tax mates leave the department. FUJIFILM is part of Operation Warp Speed with a manufacturing contract to produce COVID vaccines.

2. Do you use the regular credit, alternative or directive?

- All three use the alternative credit. Dan elaborated more on the directive and said that they had evaluated it but found that the burden of defending the workpapers would have shifted from tax to accounting and that did not sit well with him. He thought they would have a hard time understanding what the IRS was looking for in the forms. Dan also expressed that he didn’t want CAT to take a haircut due to large outside contractor costs and the limitation on internal wages. He determined the directive was not a good fit for them. We did discuss how a lot of the Silicon Valley TEI group who got the directive in place were software based and it was very beneficial for a lot of them. Therefore, it is something every company should evaluate (contact MASSIE if you need assistance). Last comment on this topic was that if you don’t have good time tracking, you may want to consider the directive because it could greatly ease the burden of complying with section 41 and the potential IRS challenge to wage QREs.

3. When you get together to start your process, who is involved, who are the stakeholders and when do you get started?

- Kay stated that they like to begin the R&D process after the tax year closes, and the first people who are consulted are the VPs and Functional Leads over the various GIS projects. While these may have been in person in the past, this year it was all done via video calls. During these meetings they share results from last year and go over a project plan. These executives want to know the cash benefit of the credit to the company and how their people can help, but also keeping an eye on the fact that everybody is busy. After these meetings, the Clarity time tracking raw data for the year is provided to MASSIE and they have a financial specialist run through the data and organize it into Q (qualifying) and NQ (non-qualifying) projects with the help and assistance of Project Managers who shed more light on what each project was about. IHG has worked hard to also improve Clarity by creating early-identification flags that appear after a project has been created to try and ID projects sooner as Q or NQ. This is an on-going improvement that will get better each year.
- Peter at FUJIFILM says since they have a March fiscal-year they start the research credit process in June. This year they had discussions via video calls with the SMEs to explain the objectives of the study. Typically then SMEs transfer data/documentation back to tax for review and tax will take everything complied and write-up information about each project. Peter’s income tax group spreads out the work. Peter likes that each company has a name of a tax person assigned to them and people in the field can reach out to tax for anything. One recommendation that Peter has for other companies is to make the QRE process a friendly competition and share results among all of the companies.
- Peter Green then talked about how getting good feedback is important, really critical, and you need to engage with SMEs before, during and after the project. You really need to adopt an “Always Be Improving” mindset.



MASSIE Notes

4. On process improvements, how do you get feedback from people? How do you make it better from last year, and how do you train and educate SMEs for this year?

- Dan says they constantly try to get feedback from SMEs. He wants SMEs to know they are important to the process so he values their feedback about what is working and what is not working or could be improved. Tax will ask questions and listen and then reflect changes in the next year. Dan stressed that the user interface for SMEs needs to be amazing. They are always looking for ways to improve the user experience. It cannot be too complex or burdensome. Dan is always asking SMEs how to make it easier for them.
- Peter Green stated that you want to take the “tax” out of everything. Try not to talk about R&D, but more about innovation. Especially in Software area where engineers may not feel like they are doing R&D white lab coat work. We also use at MASSIE something we call User Experience Testing. We take SMEs in small groups to beta test our tools. We find that you save time by talking to 5 SMEs first before you roll something out to 100. Keeping open the communication line is important.
- At FUJIFILM, Peter’s team starts off meetings by giving SMEs an overview of the credit, a refresher of sorts. He will provide them with information from prior years and remind them how well their company did last year to foster the competitive juices.
- At IHG, MASSIE uses a handout called a placemat which is a front and back one-pager of everything the SMEs need to know about the credit and what they need to do next. Kay generally has MASSIE come in and talk with SMEs and PMOs in group sessions (this year all video training sessions) about the preliminary plans and get feedback and support. The people in attendance can then ask questions, but more importantly they can look around the room and realize that this is important. Cash is king. So, SMEs give great feedback to the team. The results are also shared with SMEs and Project Owners and now they come back to Tax to ask advice on how to increase the credit or to make sure a particular contract qualifies. SME training has been a big help.

5. Tell us how tax gets invited to SME meetings?

- We discovered at IHG that when talking to our PMO group about changes to Clarity, the time reporting system, that they took an interest in the credit due to the ROI that it brings to the IT projects. As we explained to them the overall company benefits, they opened up more and were willing to consider changes as to how Clarity works. We also learned that GIS has weekly design and planning meetings and so we asked to have a seat at the table during those meetings. This has worked out very well because we learn what they are doing and they also ask us questions about what activities qualify or how to draft a contract, etc. We have a very good relationship between tax and the technical folks.



6. Let us talk more about documentation, what do you do?

- Dan stated that at CAT, projects that are opened in the system generate a survey. You have to take the tax code out of the survey. Therefore, the survey is a four part test technical questionnaire, but Dan embeds drop down lists so SMEs don't start with a blank slate. SMEs can attach documents too to satisfy questions. They can embed documents right in the tool. Plus, Dan provides sample answers which is something that MASSIE recommends as well. So, there is a balance between the length of the responses and making sure they are filled out. But Dan and team will review those to make sure responses are good.
- Peter Green says that sample answers are great. It is something we do on projects as well. You do not want SMEs to get stalled. They need some guidelines. That is where we do videos, guidebooks and give them lots of ways to learn about what types of documentation we need. Drop down boxes are great for those. We do something like that called Document Mapping.

7. What advice would you give to people on the call as to where to start or what is the key to success?

- At CAT, this has been a very long term, it did not happen overnight. The key was really persistence and commitment with management. We outlined what we wanted to do and made an initial investment. Then each year we have looked to make it a little better. With feedback, information and documentation required from so many SMEs, we had to determine a work-around from the normal, manual process. While CAT has been a labor of love, it has also been difficult but we have grown better over time. Our improvements have been small increments and our process has really come together over time. Dan would tell people to stick with the plan.
- Peter believes communication is the key. It has to be two ways. You can't just gather the data and not ask SMEs for feedback. You also have to communicate to them the value they have brought to the organization. We do that and it does spur a friendly competition because we show each company their share of what was generated.

8. Turning to controversy, maybe talk about how your federal and state audits have been going?

- At FUJIFILM, Peter was audited by several states and audits are much more thorough than they have been in the past. It used to be that states piggybacked off of federal. But now states are digging in. They are making it painful. Some auditors are saying that if credits under \$100k then it is not worth claiming it. So, it has been an education process because we have not had this level of state audits. States are looking at types of projects, job titles, nexus, all of those issues. They are looking at payroll too. Certain states are doing coordinated exams with sales and use tax along with R&D. Also looking at the types of projects. Very deep dive and documentation as well. They are also reading claims which is surprising because sometimes auditors ask for things but do not read them. So far SMEs have not been interviewed.
- Dan says you cannot win with IRS. Tried to develop a system to get enough documentation and now CAT has it. There are millions of documents that support a project. Dan also agrees that states are pushing audits as well. Texas has been super aggressive in regards to audits, but in some states, like CA and IL, they are just trying to negotiate 90/10 or some other settlement to do away with the audit completely.



MASSIE Notes

9. What type of software would you like to see to automate the process better?

- Peter believes personal interviews do work well, but if software could help with documentation then that would be great. Have everything all in one place. Kay agrees that goal is to have robotics pull documentation. Help to drill down into capital papers and identify certain key words back to documentation. Have a great link between the two. Dan believes next level for CAT is to make sure system is helping SMEs help tax. So figure out how to make this better like training videos. Maximize the benefit.
- Peter Green says is all about user experience and making it easier. We appreciate the three of you coming on to talk a bit more about your systems and processes.



Next Webinar



R&D Tax Credit Best Practice Roundtable

Wednesday, February 24th at 3pm ET

Complimentary | 1 CPE Credit

Sign up today, visit: massietaxcredits.com/roundtable/the-r-d-tax-credit-roundtable



FEDERAL TAX WEBINARS FOR TAX ORGANIZATIONS

MASSIE PROVIDES CPE ACCREDITED WEBINARS

MASSIE R&D Tax Credits would love to partner with your tax organization to deliver fresh and relevant tax content to your members in a fun and lively CPE accredited webinar. MASSIE has teamed up with Morgan Lewis and Duff & Phelps to offer a variety of content options. MASSIE works with your team to plan the appropriate webinar length and content for your audience in either a 1-hour, 2-hour, or 4-hour format.



JASON MASSIE
Founder and President
MASSIE R&D Tax Credits



PETER GREEN
CEO
MASSIE R&D Tax Credits



ALEX SADLER
Partner
Morgan Lewis



DOUG NORTON
Partner
Morgan Lewis



PATRICK MCCLOGHAN
Managing Director, Transfer Pricing
Duff & Phelps



DAVID BALL
Managing Director
Duff & Phelps

FOR MORE INFORMATION CONTACT

PETER GREEN, CEO
678.807.7228
pgreen@massietaxcredits.com





678.807.7228

info@massietaxcredits.com

massietaxcredits.com