Get a Good Return …

… from your tax adviser relationship.

BY STEVE DAY

ONE NIGHT RECENTLY, I lay awake thinking about what is causing my CFO clients the most concern. Are they worried about taxes? Is a possible audit bothering them? Are they concerned if they're getting the results they hoped for from their tax adviser?

Here are a few tips that I hope will put their minds at ease and help them manage the relationship with their tax advisers.

1. The best tax planning ideas are focused on changes in your business, such as modifying the supply chain, developing new business opportunities, expanding into other states/countries and acquiring new assets or a new business. Generally, there are three strategies to save on taxes. One is to defer income, such as a like-kind exchange. Another is to accelerate deductions, such as accelerating depreciation expense. The third strategy is to generate tax credits, such as research credits. Remember, no matter how well you plan, you can't avoid paying taxes.

2. The more an adviser understands your business and risk profile, the easier it is to identify planning ideas that fit your business. Select a tax adviser you can connect with and get to know that adviser by willingly meeting (by phone or in person) multiple times during the year to discuss your business. Talk about how the business is doing, plans for the future, any issues you're facing and potential acquisitions.

3. Understand the tax expertise available on the adviser's team to make sure you're getting all of the advice you need. While there are many people who would say, "I do international tax," if you scratch beneath the surface you might find someone who has worked on only two or three projects. What really matters is finding tax professionals who devote a significant amount (or all) of their time to a specific tax specialty and/or industry niche. Find an adviser who works with a team with that depth of expertise in the following areas: federal, international and state and local taxes, and merger and acquisitions. For family-held businesses, gift and estate tax is an important area. Ask your adviser if the firm has the expertise in the tax areas you need; if that experience is lacking, ask your adviser to identify tax specialists from other firms who can join the team.

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4. Make sure that, when you implement a tax strategy, you generally understand the idea and can explain it to a third party. Does it make sense as you're explaining it? Review all the documentation that you're given to make sure it's consistent with your business operations and financial records. Make sure your strategy and planning documents are continually updated.

5. Understand the dollar threshold for an idea to be worth implementing and make sure it's worth your time and effort to properly implement it. Understand the short-term and long-term risks, and keep in mind there is a continuum of how tax rules are interpreted. The more aggressive you are, the higher the risks. Also, your adviser's interpretation of the law may be different than the government personnel who are reviewing it upon audit.

6. Increase communication with your adviser anytime you anticipate a significant change in your business, whether that means you are expanding to another state, growing, shrinking or simply changing the direction your business is going. For example, if your supply chain changes (say, expanding your business into Canada or Europe), there may be tax implications and planning opportunities. Having open communication with your adviser will lead to better outcomes.

Good advisers should always be willing to meet with their CFO clients and take the time to understand their business. It's worth an initial investment of time and money up front to have an adviser ready to work for you when it's crunch time for your business.

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