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## What To Expect When Implementing Tax Technology



The world of tax is evolving—and you're ready to transform. As a tax leader, your goal is in sight: Improve your traditional tax planning, compliance, and data management activities by making them more efficient, allowing your staff additional time to focus on the strategic tax analysis that will make your department a stronger partner to the broader business. A critical step on the path to reaching that goal is the implementation of tax technology.

You have done the background work, evaluated the technology<sup>1</sup>, and built a winning business case<sup>2</sup> for the investment. With the green light from your leadership team, you are prepared to implement the technology that will catapult your tax department to the next level of productivity, visibility and value within your organization. Finally, the time is near to shift your staff's time and focus from pure data management to positively impacting your company's bottom line. But to make sure your implementation is a success, you must understand what to expect.

First, know that the implementation of tax technology is much more than simply flipping a switch. It takes time, resources, and true collaboration between your organization and your tax technology provider. While your provider knows their offerings best, only your team knows your current tax processes and how the new technology will work best within your organization, so be prepared to take an active role in the implementation.

Although there is not a one-size-fits-all approach to implementing tax technology, there are five phases that are typical to most implementation processes. You could compare it to building a house. While the homeowners

may not frame the house themselves, they are certainly involved in the design and build out. Similarly, successful tax technology implementation is about partnering with your technology provider to design and build a technology platform with the right mix of software and services to meet your tax department's needs.

## PHASE 1: LAYING THE FOUNDATION FOR A SUCCESSFUL IMPLEMENTATION

### Dedicate time and resources upfront

The best way to dedicate the proper time and resources is by assigning an internal project lead who knows the ins and outs of your tax department. Choose someone with an intimate knowledge of your day-to-day processes, existing technology and the tax department's relationship to the broader organization. Make sure they have enough time to dedicate to the project by removing some of their daily tasks. This person will be the first point of contact for your tax technology provider as the implementation moves ahead, so give them the authority to make executive decisions when needed to keep the implementation on track.

Having a dedicated internal project lead involved from start to finish can also have benefits once it's time to train your tax team on the new technology. Because the internal project lead has experience with your existing processes, the new technology, and the differences between the two, their knowledge will be extremely invaluable beneficial in training your tax staff once you go live. The hands-on experience during the configuration of the technology is invaluable.

### FORMING THE IMPLEMENTATION PROJECT TEAM

Your technology provider will assign a project lead to your implementation, typically a director of professional services. This person will bring in key subject matter experts on their side to design and build your technology platform as needed.

On your side, make sure to assign an internal project lead as a first point of contact for your technology provider. You may also want to dedicate an IT and Finance/Accounting point person to the implementation project as well.

Remember: While your technology provider knows their offerings best, only your team knows your internal processes, so make sure to dedicate the proper time and resources to the implementation upfront.

<sup>1</sup>Thomson Reuters Tax & Accounting. Kovar, Lauren B. 4 Steps to Evaluating Tax Technology. 2014. [tax.thomsonreuters.com/taxologist/](http://tax.thomsonreuters.com/taxologist/)

<sup>2</sup>Thomson Reuters Tax & Accounting. Kovar, Lauren B. Essentials to Building a Winning Business Case for Tax Technology. 2014. [tax.thomsonreuters.com/taxologist/](http://tax.thomsonreuters.com/taxologist/)

Secondary departments involved in the implementation, such as Finance, Accounting or IT, should also be made aware of any time commitments upfront. If necessary, dedicated resources should be appointed from these departments and utilized as needed. Chances are you have already connected with these groups when you evaluated the existing technology<sup>3</sup>, so they should have some background on the project and its benefits.

### **Communicate your goals**

The goals you laid out when creating your business case for tax technology<sup>4</sup> will lay the foundation for the implementation. Is your ultimate goal to better manage compliance or minimize risk? More accurate data or streamlining data flow? Make sure that the members of your tax department involved in the implementation understand these goals. As you begin work with your technology provider, communicate these goals and revisit them regularly to make sure the project is on track.

### **Establish a timeline**

Because each company is different, there isn't a standard amount of time it takes to implement tax technology. Factors such as size, legal entity structure, and global nature factor into the time it takes to get tax technology up and running. Work closely with your technology provider to establish a timeline for implementation. Communicating blackout dates early on, such as quarterly earnings periods, will help determine a timeline that is realistic.

### **Discuss training upfront**

There's no question that the more involved your tax team is in the implementation, the less time you'll need to dedicate to training in the future. However, your team has day jobs, and dedicating a large number of staff to implementation may not be realistic. Work with your technology provider to come up with a plan for resources, training, and support upfront.

### **Product versus process training**

When it comes to training, it's important to be aware of "product training" versus "process training." Typically, product training is a prerequisite to implementation. You're technology provider will demonstrate the functionality of their offerings early on—and you will receive some general

training on these tax solutions prior to implementation. Applying that technology to your specific processes, however, comes later. This "process training" is critical. Only when your tax department is fully trained on using the new tax platform in their day-to-day processes will you see the desired increase in efficiency.

### **Decide on the best methods of regular communication**

Typically, your technology provider will initiate an introductory meeting to kick off the implementation project. This gives both parties an opportunity to get to know each other, discuss the goals, timeline, resources and preferred methods for regular communication and meetings going forward. Your provider will put together an initial workplan that will guide your regular meetings. This workplan is a living, breathing document that will evolve and change as the project progresses.

It's also important to establish regular methods of communication with key internal stakeholders within your own organization. While your leadership team won't need to be closely involved in the day-to-day implementation activities, they should be made aware of key milestones achievements, setbacks and budget adjustments. Regular check-in meetings to inform them on the status of the implementation is recommended.

## **PHASE 2: GATHERING YOUR MATERIALS**

### **Collect and provide all workpapers**

To design the ideal tax technology platform for your organization, your technology provider will request all workpapers used in your current tax processes. These documents will build the framework of your tax technology platform.

The type of workpapers to provide will vary depending on the type of technology solution being delivered, but examples include Excel, PDF or Word documents related to the previous year's processed tax returns, year-end provision, and legal entity structure. These should be provided in electronic format. No hard copies are necessary.

### **Walk through your workflow**

In addition to your electronic workpapers, your technology provider will want to understand how you use your current

<sup>3</sup>Thomson Reuters Tax & Accounting. Kovar, Lauren B. 4 Steps to Evaluating Tax Technology. 2014. [tax.thomsonreuters.com/taxologist/](http://tax.thomsonreuters.com/taxologist/)

<sup>4</sup>Thomson Reuters Tax & Accounting. Kovar, Lauren B. Essentials to Building a Winning Business Case for Tax Technology. 2014. [tax.thomsonreuters.com/taxologist/](http://tax.thomsonreuters.com/taxologist/)

processes and any existing technology. Think about how your workpapers are currently used and accessed, the order in which specific tasks occur, how you work with other departments, your compliance processes, status tracking, sign-off procedures, and other key information about how tax work flows at your organization. It's also important to note who participates in each task. Make sure to be explicit about pain points and redundancies in your current workflow. Knowing these challenges will help your technology provider design a solution that addresses them. The assessment you compiled while evaluating the tax technology<sup>5</sup> will give your technology provider all they need to know about your day-to-day tax workflow.

Once workpapers and workflow activities are gathered, a face-to-face working session with your technology provider to walk through your workflow is best. To make the most of your time, work with your provider to schedule time slots for different topics so the right individuals can be brought into the meeting at the right time. This will maximize knowledge-sharing and engagement, while making the best use of everyone's time.

### PHASE 3: DESIGNING THE BLUEPRINT

Your technology provider will take the information gathered in Phase 2 to begin designing your technology platform. As they say in the construction world, "it's best to measure twice and cut once." Needless to say, your continued involvement is critical in this phase, as the blueprint that is developed will guide how your technology platform is built.

#### Design strategy sessions

Your technology provider will look to schedule a series of design strategy meetings with key subject matter experts at your organization, particularly for the more challenging tax areas. There can be anywhere from 5-100 different topics depending on the complexity of your organization.

During these meetings, your technology provider will engage in detailed discussions with the proper stakeholders within your organization to dig deeper into data sources, data gathering, and automated versus manual processes. They will bring in their subject matter experts, work through old processes, make comparisons and provide new options in an effort to fine tune the blueprint prior to building the platform. Your internal project lead should invite the proper attendees to these meetings based on the topic areas.

#### Refining the blueprint

Working alongside your technology provider, be prepared to provide input and regular feedback as they design the blueprint for your technology platform. Expect a lot of back and forth, as well as discussions around the pros and cons of different approaches and methodologies. Your provider will work closely with your project lead to make sure everyone is comfortable with the design as they work through each piece of the platform.

#### Approving the blueprint

When you feel the blueprint is ready to take to your senior leadership team for approval, you'll want to make sure the project manager from the technology provider is present as well. As final changes are made, it's important that all stakeholders approve not only the design of the platform, but the final cost associated with it.

### PHASE 4: BUILDING THE PLATFORM

Once all stakeholders have approved the blueprint, it's time for the technology provider to start building your platform. The basic framework is made up of non-numerical data. From there, your technology provider will layer in the content for tax returns, provisions, and other components, depending on the complexity of your platform.

For example, a provision build-out starts with configuring the platform using your company's legal entity structure, book/tax adjustments, tax credits, and any company specific detail for items like net operating loss and valuations allowances. Basically, the configuration takes the technology provider's blank slate software and mimics the terminology used throughout your company's historical work papers.

As the build progresses, you'll be given a view into the activities to make sure each component of the platform is accurate.

#### Gap analysis and parallel testing

During the build, you'll work with your technology provider to conduct gap analysis and parallel testing to make comparisons between the old and new system. This is not an exercise in recreation. It's making sure the platform provides the same outcomes as before but with an increase in productivity.

<sup>5</sup> Thomson Reuters Tax & Accounting. Kovar, Lauren B. Essentials to Building a Winning Business Case for Tax Technology. 2014. [tax.thomsonreuters.com/taxologist/](http://tax.thomsonreuters.com/taxologist/)

You'll work with your provider to see how the same set of data looks across the new and old system. The goal is for the calculations and outcomes to be consistent across both, but with the new system giving you a boost in accuracy and efficiency. For example, if you're implementing provision technology, your provider would load beginning balances and tie them out on a pre-tax basis, tax effected for federal purposes, tax effected for state purposes, and tax effected for foreign purposes in both USD and local currencies. After that is signed off on, a full period's activity would be loaded into the system and a full provision for a given period would be tied out. This is often referred to as a prior period re-creation or a parallel test.

The technology provider will look for gaps or errors in the calculations and make adjustments to the new platform as necessary. It's important to note that some discrepancies may be due to different calculation methodologies. In these instances, you may need to explain the new methodology to your leadership team or auditors and ask for approval prior to going live with the new platform. For example, say you were calculating a blended state tax rate in your previous provision process and you transition to using statutory rates and apportionment percentages for each entity in each state they operate in during the implementation of the new provision software. That transition would create a difference in the state tax rate calculations, and you'd want to create a reconciliation to explain the differences between the two approaches and move forward with the most appropriate method.

### **Hands-on training**

Depending on the resources you have available, you may want to involve additional tax staff in the building and testing activities. Having exposure to the new systems as they are being built will not only familiarize your team with the new platform, but will also help them understand how much time they'll need to dedicate to it in their day-to-day work going forward.

Remember: The tax team must be trained not only on using the tool, but also on any related process changes. When everyone understands the new process flow, you'll see a boost in efficiency.

### **PHASE 5: MOVE-IN READY**

The time to make the move to your new tax technology platform is finally here.

### **Delivery of the platform**

In most cases, your technology provider will visit you onsite to walk you through your completed platform. Some deliveries can be done virtually as well. Make sure all staff who will be using the technology platform are included in this demonstration. Process change management is a large part of the success of any new software implementation. It is crucial that all administrators, data providers, and anyone who will be using the software or who will need to adhere to the new process not only attend the demonstration, but also be formally trained and work closely with the technology provider for the next period or two post-implementation.

During the delivery demonstration, your technology provider will use side-by-side comparisons to show your staff the differences between old processes and new ones. They'll show them where to go and what to do to accomplish their day-to-day tasks going forward. Encourage your staff to ask questions and take notes. The new platform will likely change how most of them work from day-to-day, so it's the goal of your technology provider to make certain everyone is comfortable with how it will operate.

Depending on the complexity of your platform and the make-up of your tax department, the delivery demonstration may be divided up based on who will be working with each component of the platform. For example, there may be separate walk-throughs for those who work on tax returns and those who work on provision. Your technology provider will tailor the delivery to your department's specific needs.

### **Go-live assistance and beyond**

By now, your technology provider has worked so closely with your team that it feels like they are actually a part of it! But the time for their day-to-day involvement will soon come to a close. While they'll still be readily available during the first period or two post-implementation, make sure to discuss the best methods of communications for inquiries from your general staff going forward.

If you have major organizational changes (i.e. an acquisition) or want to add additional offerings to your technology platform down the road, know that the same contacts you have been working with during the implementation will be always be available to jump back in and assist you as needed.

## Refining your operational tax process

Once the provider has walked you through the new platform, answered your staff's questions, and shared the ways in which they can be contacted going forward, it's time for your team to dive in and get acquainted with the new processes on their own. This brings about another question: Your tax processes have been transformed, but what about your operational processes?

With the new technology, you may need to revisit the operation of your tax department. Will roles change? Will new responsibilities replace old ones? What will your team do with the time they've freed up? These questions are something you'll need to dedicate time to answering.

Often, a typical tax accountant will see their role change drastically once tax technology is implemented. Prior to the implementation, the majority of their time was spent loading and manipulating data, but with the technology in place, they can direct their focus to reviewing the data at a high level and consulting on rate-impacting items. As you see these types of changes occur throughout your tax department, you'll begin to shift your entire team's focus to more value-added activities like analyzing your tax expenditures around the world, running tax planning scenarios, creating stronger documentation for transfer pricing that allows you to eliminate double taxation, expanding the scope of your R&D tax credit documentation and survey campaign to take advantage of additional tax credits, and working to lower the effective tax rate for your organization. This new, strategic focus is certain to catch the eye of your CFO and leadership team.

As the tax landscape and your organization continues to evolve, make sure to carve out regular time to look holistically at your tax department's operational processes and technology—and make adjustments as necessary. Consider reviewing your tax strategy and technology offerings on a quarterly or annual basis and update them as needed. What you'll begin to discover is that your tax department is evolving into a strategic partner to the broader organization—and that's exciting.

## THE EVOLUTION OF TAX CONTINUES

With your tax technology in place, you've learned a great deal about maximizing your tax department's effectiveness. But, as tax leaders know, external factors like regulatory complexity and globalization are always in motion. Rest

assured that you've laid a foundation for your tax department that will face these factors head on. From here on out, it's about being agile and seizing new opportunities to continually improve your tax strategy and technology.

In a world of change, your technology provider is a constant, ready to support you as you advance your tax strategy. As a trusted partner, your technology provider will continue to assist you in maximizing your technology as the world of tax continues to evolve—solidifying your tax department's role as a value center in the years ahead.

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