

Case Study: Manage Income Tax Exposure and Compliance

Professional Services



Candor. Insight. Results.

The business challenge

Growing multi-state law firms required specialized attention to understand state nexus, multi-state income allocation and partnership income tax requirements. Other CPA firms previously working with these law firms were often unfamiliar with law firm industry tax rules across multiple tax jurisdictions. Accordingly, the law firm partners became weary of potential tax exposure.

The Baker Tilly solution

Baker Tilly's Professional Services team:

- > Completed tax compliance reviews to identify tax risks and opportunities to minimize taxes.
- > Led management discussions to review business practices that impact taxable income at federal, state and local levels.
- > Reviewed regulatory developments regarding state physical and economic nexus statutes to advise the law firms on filing requirements and tax exposure.
- > Identified substantial federal and state tax risks and opportunities.

Business results

Baker Tilly specialists:

- > Amended tax returns to obtain federal tax credits that reduced law firm partners tax liabilities.
- > Worked with local legal counsel in a non-resident state where nexus had been created to minimize the years of exposure for the law firm and the resulting penalties and interest.
- > Prepared appropriate tax returns and helped the partners avoid penalties and the potential double taxation of more than \$1 million of state income.
- > Worked with local legal counsel to amend the partnership agreement in order to manage state tax exposure for non-resident partners, and helped obtain credits on the partner's resident tax returns for taxes paid to other states prior to the expiration of the statute of limitations.
- > The law firm partners and management gained the "peace of mind" that their tax exposure had been significantly reduced.

Baker Tilly specialists provide a full range of tax, accounting, assurance, and advisory services to professional services firms. We specialize in helping firms focus on key procedures and operating practices to improve your operations and financial results. Connect with Baker Tilly at 800 362 7301 or bakertilly.com.

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