

Case Study: Pharmaceutical company

Meeting broad sales and use tax needs through outsourcing

Background

A multinational pharmaceutical company was in a period of rapid growth, mostly through acquisition. The strategic need to identify and close deals quickly to meet its growth goals left little time for detailed due diligence on sales and use taxes. What's more, many of the companies being acquired were actually larger than the acquiring company and had considerable multi-state operations. All of this created significant post-transaction requirements, as company staff had to identify and address any potential prior-period sales and use tax exposure and ongoing compliance issues and work to integrate the acquired entities into the company's overall sales and use tax process. This included an evaluation of data sets; integration and retention of legacy data; and dealing with the results of organizational restructuring, which often led to the closure of sales tax accounts among other compliance requirements. Further complicating matters, the taxability of the company's products varied state by state based on specific products and customers. With each acquisition, adding new product categories and customers made accurate categorization increasingly difficult. The result? The company found itself falling behind on filings and receiving a steady stream of notices from taxing jurisdictions all over the country. In addition, the company was in the midst of an enterprise resource planning (ERP) system implementation. While the company knew the ERP system provided opportunities to automate many sales and use tax functions, it did not have the time, resources or experience to take advantage of that opportunity.

Goals

The company sought to keep current on its sales and use tax compliance issues, relieve demand on its already overburdened accounting staff to allow them to focus on supporting its growth goals, and capitalize on opportunities to automate its sales and use tax function.

Our role

The company chose to outsource its sales and use tax operations to McGladrey. We assisted with:

- Managing sales and use tax compliance in all required jurisdictions
- Providing sales and use tax integration support, including evaluation, quantification and resolution of prior-period exposure, integration analysis, and day-to-day compliance matters
- Optimizing sales and use tax technology solutions to improve the efficiency and effectiveness of its sales and use tax operations
- Managing all sales and use tax audits and notices
- Addressing sales and use tax issues that arise in the normal course of business

The results

McGladrey worked with the company to understand the full range of issues it faced in 46 states by leveraging the efforts of our national team of sales and use tax professionals. The company now has a resource that not only offers proven capabilities with respect to the company's full range of issues, but also has the elasticity and

scalability to ramp up as necessary to address the volume and complexity of its sales and use tax needs during acquisitions. Today, the company is able to:

- Keep current with its sales and use tax filings, thus reducing unnecessary penalty and interest expenses
- More accurately address exemptions and other opportunities to avoid overpayments
- Timely address outstanding sales and use tax issues among its acquired companies and efficiently integrate and retain legacy data
- Build effective tax technology capabilities tailored to the company that automate many sales and use tax functions, improving both accuracy and efficiency and positioning the company to better manage its sales and use tax challenges going forward
- Pursue an aggressive business growth strategy, confident in its sales and use tax management

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