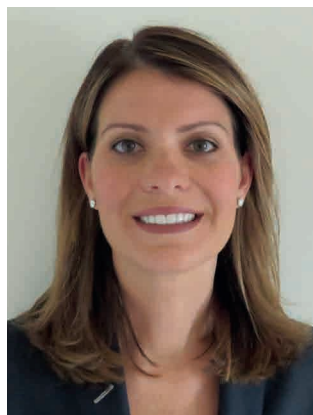

KEYNOTE INTERVIEW

Technology is transforming the usability of tax data



*Technology has a big role to play in supporting tax compliance, say **Christa Clark**, partner and national leader of RSM's investment funds tax practice, and **Lauren Demas**, principal and a leader of RSM's partnership technology services group*

Q How is the use of tax data being enhanced across the private funds industry, both to deliver better insights and to facilitate faster investment decision-making?

Christa Clark: Today's fund managers are looking for technology platforms to deliver their tax data in real time and provide powerful insights to help them make better and faster investment decisions.

In response to this need, RSM developed a proprietary platform called PartnerSight to support tax compliance functions in partnerships, including private equity, hedge and real estate

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funds, with a focus on collecting and streamlining massive amounts of disparate data.

Many of our clients also want help identifying ways to increase efficiencies within their current structures so they can quickly respond to investor demands. This is where technology solutions can prove invaluable. PartnerSight allows us to identify and tag critical components of our clients' data so we can mold it into tailored reports to address specific investor questions.

Lauren Demas: In the partnership space, we don't see many tax software systems in use, which means data must be enhanced manually. Tax teams are super users of systemized data from other departments, and they build most of their structures around specific tax requirements. When the tax department receives inquiries, the team must spend time and effort manually manipulating decentralized data in preparation for layering in tax analysis. Technology innovation is eliminating this data wrangling we've all experienced. Instead of spending hours collating data, tax departments can run reports directly from a system, such as

“Today’s fund managers are looking for technology platforms to deliver their tax data in real time”

CHRISTA CLARK



PartnerSight, saving precious time and allowing the team to focus on analytics.

Q What are firms doing to ensure their data is properly recorded, verified and distributed to the right people?

CC: Technology is enabling firms to streamline manual processes, such as pulling information directly from a source and tracking it. For instance, data verification is a big concern for RSM’s clients, and through PartnerSight we now have the ability to track changes in an audit log so that everyone can see who made what changes and when. This level of transparency helps instill trust in our system and process, while eliminating time spent on verifications.

LD: Data integrity is always a top priority for clients, which traditionally required manual intervention to ensure accuracy. We are often asked to evaluate an organization’s ERP system to ensure it’s being maximized. Our technology, PartnerSight, is flexible enough to handle data whether it’s systemized or not and provides a space and structure for tax data to be centralized. Having a centralized dataset goes a long way toward easing the administrative burden that often accompanies the tax function.

Q What demands are investors making in terms of data?

CC: Today’s investors want a very sophisticated level of detail and they want

it quickly. They are looking for more than internal rates of return; they need real-time data that can be used for effective scenario planning.

Currently, we are getting a lot of requests for tax planning and projections in anticipation of upcoming changes in tax legislation. We can support these requests with scenario planning because our technology is capable of cloning data, keeping the original data safe within the platform, and allowing us to model outcomes and create visualizations. For example, we can project what could happen if there was a change with the taxation of carried interest.

Our clients are constantly reviewing their portfolios, comparing various structures for tax leakage. They

Q How is tech helping firms meet investor demands and enhance data management?

CC: Because investor demands are sophisticated and can require a lot of attention, particularly around tax efficiency at both the portfolio level and the investor level, technology is helping to provide transparency into client data and expedite the data analysis process. Technology is also helping to provide foresight when it comes to considering the impact of potential changes to tax legislation, especially when planning an upcoming investment sale or looking at how to structure an upcoming acquisition.

Furthermore, managing the K-1 production and delivery process can be a huge undertaking depending on a variety of things, including the complexity of a structure and the number of investors. Technology is helping make these complex tasks much more manageable. Firms that use different service providers might struggle with managing the flow of data and timing of deliverables. Leveraging technology can streamline both the allocation and tiering process within the entire structure. Technology that knows the tax rules and can track the details saves hours of verifying data. The technology can also aggregate this data into meaningful outputs that help investors make informed decisions.

LD: Advancements in technology have allowed for transparency into your data that wasn't previously available with spreadsheets. Tools like Excel are great, but they have limitations, especially when your information is in separate workbooks. It's hard to see trends or model forecasts without a lot manual intervention that is often key person-dependent.

Having access to technology that's easy to use and provides transparency helps tremendously with timing challenges. For instance, if you're waiting on data from a portfolio company or property, you can leverage technology to streamline tasks, saving valuable time when you are up against filing deadlines.

also need help understanding their estimated taxes each quarter and what those taxes might look like in different scenarios. They want access to their data and insights built off that data. Leveraging technology can help with spotting trends or uncovering hidden inefficiencies in a structure, giving us the ability to look at both the long-term and short-term tax impact to an organization. The ability to customize reports and analyze data in a variety of meaningful ways provides a high-value experience.

LD: Investors are asking for more detail, often in an accelerated timeframe. In a world where your tax data is decentralized and stored in multiple Excel workbooks, responding to requests

is a heavy lift and a drain on resources. We often have the data, just not in the format we need. PartnerSight solves for this by having a centralized dataset that is structured and pliable, which can be leveraged to produce on-demand reports in any manner requested. This data can also be leveraged for things like quarterly estimates and scenario planning for deal making or proposed changes in legislation. PartnerSight allows for data to be re-used throughout the year without having to cut corners.

Q Finally, what are the limits of automation in data management, and how can firms overcome those limitations?

“In a world where your tax data is decentralized and stored in multiple Excel workbooks, responding to requests is a heavy lift”

LAUREN DEMAS

CC: Sometimes we see firms using separate solutions for different issues and they can't be used together as a holistic solution.

Converging everything into one ecosystem is not easy to achieve but through technology innovation we can get there. There is tremendous value in having a single solution for reporting, visibility and planning.

LD: When it comes to automation, I like to focus on the opportunities ahead as opposed to current limitations. By embracing the next generation of tax technology tools, such as PartnerSight, organizations can leverage the same data but in a consistent, structured, pliable format to help their teams work faster and smarter. ■