



# Employment Tax M&A Services

The employment tax issues that arise in a merger or acquisition are time sensitive, complex, and potentially costly. For these reasons, federal and state employment taxes should be an integral part of any M&A plan regardless of the type of transaction. Each transaction comes with a unique set of circumstances and challenges. With years of experience, our Employment Tax Consulting team can help avoid unnecessary issues, comply with the applicable requirements, and optimize cost saving opportunities. A list of specific services is provided below for reference.

## Specific Services

Our Employment Tax M&A Services may include the following:



### State Unemployment Successor Analysis

Review the applicable rules in each state to determine (1) the optimal SUI tax rate transfer election and (2) if the purchasing entity satisfies the applicable SUI successor requirements (i.e., can the successor entity carry over pre-acquisition balances for wage base calculation purposes). These opportunities should be carefully considered for each acquisition as they have the potential to generate significant, multi-year benefits. However, these opportunities are often overlooked due to timing, personnel, or data constraints.



### Federal Successor Analysis

Review the applicable facts and circumstances to determine if the purchasing entity satisfies the IRS successor requirements (i.e., can the successor entity carry over pre-acquisition balances for wage base calculation purposes). These requirements can be complex; however, satisfying such requirements can generate significant successor benefits, especially in highly compensated industries.



### **Tax Account Compliance Forms**

Prepare and file the necessary employment tax account forms related to the acquisition, which may include the following: (1) account registration forms, (2) account update forms, (3) account closure forms, (4) SUI tax rate transfer / notification forms, (5) online account set-ups, and (6) power of attorney forms. It is very important to file such forms timely to avoid costly interest / penalty assessments and relentless tax notices.



### **Federal and State Successor Implementation**

A qualified successor will not realize any of the potential benefits unless the successorship is properly and timely implemented. This type of successor implementation can trigger several complex issues, including the following: (1) payroll / HR data migration, (2) employee notifications, (3) Form W-2 reporting, (4) Form 1099 reporting, and (5) amended tax returns. Experian Employer Services can help with such issues on an as needed basis.



### **Due Diligence Review**

Successor employers typically inherit employment tax attributes (i.e., positions, processes, liabilities, etc.) from the predecessor employer(s). Surprisingly, this can occur even in an asset purchase. For example, an employer may inadvertently assume outstanding employment tax liabilities, employee tax profiles (i.e., employee designations, tax sourcing, etc.), earning and deduction codes, and employment tax processes and procedures. All successor employers should consider a pre-acquisition due diligence review to better understand the employment tax attributes it may inherit as part of the acquisition.



### **Earning & Deduction Code Standardization Analysis**

Many highly acquisitive employers begin to operate like a semi-conglomerate over time as they continually add acquired entities. This can create significant inconsistencies and exposures, especially for those acquired entities that retain autonomy over the employment tax function. We strongly recommend that these employers standardize earning & deduction codes across all commonly owned entities. This will help ensure consistency, accuracy, and compliance for all.



### **Employment Tax Process and Procedure Harmonization Analysis**

Many highly acquisitive employers begin to operate like a semi-conglomerate over time as they continually add acquired entities. This can create significant inconsistencies and exposures, especially for those acquired entities that retain autonomy over the employment tax function. We strongly recommend that these employers harmonize the employment tax processes and procedures across all commonly owned entities. This will help ensure consistency, accuracy, and compliance for all.

## **Expected Benefits**

These services will help ensure compliance in each applicable jurisdiction, streamline and simplify the entire transaction process, alleviate undue stress on the employment tax / HR team, avoid unnecessary overpayments, and secure federal and state cost saving opportunities.