TAX TECHNOLOGY VIEWPOINT
Observations from the Tax/IT Interface

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September 15, 2015

"Tax Technology"

I have been looking for a generally accepted conceptual explanation of Tax Technology ("Tax-Tech"). Almost every day I read that TaxTech can do this, that and the other and you'd better get some more of it soon. Here are some beliefs I hold after 20+ years of system development and implementation instigated by a series of critical requirements to do something better.

TaxTech is the set of processes adopted and implemented by an enterprise to effectively minimize the call on its assets from the current and future imposition of taxes and the associated administrative costs.

1. TaxTech has beginnings with the work of subject matter experts ("SMEs"), internal and/or external, to conclude on and document the positions to be advanced for the myriad of complex and material issues faced in modern tax practice.
2. These positions must be founded on reliable factual information drawn from the enterprise. The interplay between tax positions and underlying information can, and often does, become recursive (i.e. data causing questions which require more data). Continuing processes which monitor for material changes in fact patterns should be put in place.
3. TaxTech must provide adequate contemporaneous archives and artifacts with which to defend the enterprise from challenges made by outside reviewers/evaluators. Auditors, government examiners and third party tax return preparers, are of concern, however, the ultimate challenges can come from due diligence reviews and litigation.

TaxTech elements can be placed into the following general classes:

1. Analytics
2. Archives
3. Classifications
4. Computations
5. Data Acquisition
6. Data Transformation
7. Process Controls
8. Reporting
9. Summarization

A good structure has these elements as generalized resources to be called upon by any specific programs/processes. This modular design fosters interoperability, minimizes duplication and provides for efficient upgrades.

Data Management is a core competency required for the successful implementation of TaxTech. There are two major classes of data:

1. Data that the tax function creates by computation, summarization, classification, transformation or by other methods.
2. Data that is created elsewhere within (or without) the enterprise and captured for use by the tax function.

The tax function must have an in-depth and documented understanding of all relevant data elements and sufficient control over data persistence (i.e. ability to access the data at any future point).

Data Management implies the effective use of relational database technologies.

1. The world runs on relational databases. As tax practice becomes more complex, a lot more of the world is going to be visiting the tax function and vice versa.
2. Relational databases are under the control of the enterprise's IT department(s). IT is a vital contributor to TaxTech's ultimate success and the tax function is well advised to facilitate a common language between the two disciplines.
3. Skills in logic and analysis learned from technical tax issues will translate well to database technology. Many aspects of the Code and Regs can (and often should) be mapped to relational database structures.