

Planning for What's Next: Be Prepared to Seize Opportunities

The reality for many is that it may take years to get to the phase when a business is meeting or even exceeding market growth. During this stage, a company has fully recovered from the business challenges of the pandemic-recession and is experiencing significant growth. It's a time when many businesses will be executing the long-term plans they've crafted throughout their recovery journey. But companies should consider the tax effects of acting on these plans.

Key Tax Strategies

- Use tax transformation to maintain a broad view of your total tax liability.
- Leverage automated solutions for manual and error-prone areas, including state and local sales and use taxation, value added tax, etc. as your business executes on tax transformation plans.
- Consider the tax benefits of outsourcing non-essential functions to third parties to lower your company's total tax liability.
- Review federal Work Opportunity Credit criteria for eligible new hires.

Consider eligibility for paid family and medical leave. Under the new law, an eligible employer is allowed the paid family and medical leave credit, which is an amount equal to a percentage of wages paid (up to 25%) to qualifying employees during any period in which those employees are on family and medical leave due to a critical illness or the birth (or adoption or foster care) of a child.

- The applicable percentage is 12.5%, increased (but not above 25%) by 0.25 percentage points for each percentage point by which the rate of payment exceeds 50%.
- Consider alternative legal entity structures to minimize total tax liability and enterprise risk.
- Regularly monitor and assess potential regulatory and legislative changes at the federal, state and local levels, as well as in other countries, if applicable.
- Continually iterate and adjust tax strategies to align with overall business strategies.
- Evaluate global supply chain and cross-border transactions to minimize global tax liability.

Most importantly, companies need to continue to plan for what's next. While the immediate threat of the pandemic has abated in this stage, new threats are inevitable. But alongside those threats come new opportunities for those businesses poised to seize them.