

## Optimizing Operations: Uncover Tax Relief Opportunities

During “the Trough” period of economic recovery, the initial tumult of the pandemic and economic fallout has passed, but significant challenges remain. Although companies that have managed to survive up to this point will have overcome immediate safety and cashflow problems, they still face an uncertain future. No one can predict how long the downturn will last, whether the world will revert into crisis mode or whether the path towards long-term recovery has begun.

Despite the uncertainty, savvy companies can position themselves to outperform their competitors by capitalizing on market shifts and strengthening their core business models. To do so, liquidity will continue to be at a premium, but many companies at this stage should be able to spend a bit in order to reap considerable returns. The tax function is poised to help them do just that.

After taking advantage of tax solutions that are within reach, it’s time to consider low-risk strategies that will plant the seed for future growth.

Consider which tax strategies can help you find a competitive edge, including:

- Uncovering missed opportunities for savings: Look for potential projects that, though they may require an upfront investment of time and capital, have the potential to reveal significant savings opportunities.
  - R&D tax credit studies: The money companies spend on technology and innovation can offset payroll and income taxes via R&D tax credits. The credits benefit a broad range of companies across industries, yet many businesses are leaving money on the table.
  - Property tax assessments appeals: In the wake of the COVID-19 pandemic, some jurisdictions are reevaluating their property tax processes, for example, via disaster relief and conducting assessments at an earlier date. However, assessed property values tend to lag true market value in an economic recession. Property tax appeals can generate cash savings by challenging assessed values and reducing property tax liabilities.
  - Cost segregation studies: Cost segregation studies can help owners of commercial or residential buildings increase cash flow by accelerating federal tax depreciation of construction-related assets. The extension of bonus depreciation for assets with a useful life of 20 years or less, including qualified improvement property as corrected by the CARES Act, will substantially enhance the benefit of these studies. Depending on the type of building and cost, the increased cash-flow and time-value benefits are often significant.
  - State and local credits and incentives projects: By taking advantage of existing programs, as well as those implemented as a result of COVID-19, companies can qualify for state tax credits and business incentives. These programs help companies maintain payroll, manage business costs, such as utilities, and facilitate capital investment.

- Opportunity zone program: This federal program is structured to encourage investors to shift capital from existing assets to distressed, low-income areas, and in doing so, deferring and even reducing taxes. While investment in opportunity zones has slowed recently, COVID-19 and additional guidance has created renewed interest in using this program to assist with underserved communities and to provide tax relief for investors.
- Advising on business decisions: In this phase, it's likely that your C-suite is beginning to think about what's next. Tax professionals should aim to provide strategic insights into the tax implications of these critical business decisions, including supply chain shifts, transactions, restructuring and more.
- Maintaining compliance: If your business secured any federal funding in the early stages of the pandemic, those funds likely came with certain tax and financial reporting compliance measures attached. Work with the finance and accounting department to ensure that these benefits don't result in unexpected penalties and costs. You should also aim to secure forgiveness for any forgivable loans.
- Continuing to grow liquidity: Cash is still key to navigating an uncertain road ahead. Continue to leverage liquidity-generating tactics, such as:
  - Evaluating existing accounting methods and changing to optimal methods for accelerating deductions and deferring income recognition, thereby reducing taxable income and increasing cash flow.
  - Reviewing transfer pricing strategies to identify opportunities to optimize cash flow.
  - Pursuing a tax deduction through charitable donations.
  - Maximizing state NOLs through elections, structural changes, intercompany transactions and triggering unrealized gains.

Businesses that effectively use tax strategies to focus on seizing the strategic opportunities they do have will be able to make the most of tough conditions and emerge as market leaders.