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As the economy continues to accelerate, many organizations plan to grow by entering into new markets in the years ahead, reveals the first ever BDO USA, LLP Tax Outlook Survey. Fifty percent of respondents – 100 tax directors at $1billion-plus public companies – say their organizations are planning to enter new geographic areas in the U.S. during the next three years, and 63 percent of respondents say their organizations are planning to enter or expand to international markets during the

According to Matthew Becker, partner in the Tax practice at BDO USA, LLP, "When seeking expansion opportunities, integrating tax planning in the early stages of that process can have a positive impact on both the organization and the jurisdiction in which it will operate. We're seeing financial executives and tax directors focused on this early-stage planning to ensure they're able to effectively navigate today's increasingly complex tax environment and optimize growth opportunities for their businesses."

Incorporating state and local tax planning into corporate growth strategies is especially useful in helping organizations make smart domestic expansion plays. For those respondents that say their organizations will likely expand to new U.S. geographic areas over the next three years, 45 percent say income or franchise tax credits and exemptions would have the greatest impact on their decision to enter new markets, followed by property tax abatements and exemptions (32 percent).

Tax Directors Focus on Generating Efficiencies In Response To Rising Compliance Costs

In conjunction with optimizing tax strategies for growth, organizations continue to focus on generating increased efficiencies in the face of an evolving tax landscape. A majority of respondents (75 percent) say the cost of compliance within the tax and financial regulatory environment has increased over the past three years. Another 45 percent say uncertainty about foreign, federal and state tax legislation is the primary tax issue they face at this time. To manage these challenges, organizations are squarely focused on developing better and more efficient processes to streamline compliance programs and manage costs.

For organizations with operations outside of the U.S., the proposed regulations from the Organization of Economic Cooperation and Development (OECD) on base erosion, profit shifting, transfer pricing and increased disclosures emerged as a

directors and financial officers are focused on how to create efficiencies that not only reduce the cost of compliance, but also take advantage of strategic tax opportunities to better manage their overall tax liability," says Paul Heiselmann, national managing partner of the Tax practice at BDO USA, LLP.

Additional Findings of the 2015 BDO Tax Outlook Study of Tax Directors:

R&D Credits May Lead to Cash Flow Opportunities

In addition to physical expansion to new markets, many organizations are focused on innovation. Sixty-six percent of respondents say they are taking advantage of the federal R&D credit and 56 percent are claiming state & local R&D credits. For those organizations not claiming federal R&D credits, concern about being audited as a result of claiming the credit is identified by only 6 percent of respondents, while 59 percent say the reason for not claiming it is based on the assumption that they did not qualify.

"The biggest hurdle with the R&D credit is creating awareness around the activities that do qualify. There is a vast list of activities and job titles that often are eligible. While it's certainly on a case-by-case basis, companies that may be able to claim these credits should consider exploring their opportunity, as they can provide significant cash savings to help organizations continue to pursue innovation," says Chris Bard, practice leader for Specialized Tax Services Research and Development at BDO USA, LLP.

Directors Fine Tune Transfer Pricing Practices

An overwhelming number of respondents (90 percent) are familiar with transfer pricing mechanisms. Of those familiar with them, 82 percent say their organization's

financial impact from the IRS examination, in terms of adjusted taxes owed, including penalties and fees.

"Transfer pricing activities have faced increased scrutiny by tax authorities around the world and within the United States. As such, many companies are seeking more guidance on how to best manage their transfer pricing life cycle," says Bob Pedersen, tax partner at BDO USA, LLP. "It is important that companies develop a clearly defined process to manage and mitigate their transfer pricing risks."

ASC 740 Challenges Indicate Opportunity for Proactive Planning

Thirty-five percent of tax directors say avoiding material misstatements of income taxes is most challenging to their organizations, followed by meeting deadlines for interim and annual income tax reporting (29 percent), staying up-to-date on accounting standards changes and proposals (22 percent) and recruiting and maintaining professionals responsible for financial reporting of income tax (14 percent).

Reporting of income tax positions is complex and often requires even more attention during periods of growth. Organizations can better mitigate their exposure to ASC 740 reporting errors through a proactive approach to managing the process.

"Being proactive about financial reporting of income taxes is especially important during an expansion or a merger or acquisition. Transitional periods for organizations can create scenarios where companies are somewhat more susceptible to incorrectly reporting their tax position on their SEC filings," says Yosef Barbut, tax partner at BDO USA, LLP. "However, if companies continue to include tax planning as part of their due diligence, then they are well positioned to mitigate exposure to

Sponsors.