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As the data digitization of tax now moves into its third phase, we are seeing clear gaps emerge related to the massive assets counted under the header of Tax Credits & Incentives (C&I.) So many organizations fail to appropriately prioritize C&I that an estimated $200B fails to monetize in the US annually with at least twice that amount failing to monetize globally.

The question is why. Why would such a considerable sum of financial impact be essentially left to die on the vine? I believe the answer is revealed through an understanding of this third wave of tax data digitization.

The Third Wave

The first wave is cellular and more or less could be considered the Microsoft Excel-ification of tax. The second wave is making the jump to dedicated technologies like those offered by Thomson Reuters or Bloomberg. The third wave is unification – getting the many dedicated technologies to all "stack" or communicate automatically leading to fully integrated systems accessible and usable by multiple departments.

This is an overt generalization of the process and in reality, different companies are at different levels just as various professionals function at various levels of effectiveness and efficiency on different technological platforms. It isn't all so neat as the above is what I'm trying to say. However, the general overview is correct.

As a result of this integration and digitization, assets and functions which are fully digitized are exponentially more efficient and effective than those which are not. This leads us back to C&I.

Why C&I Matters

C&I started to emerge in prevalence during the 1970's and 80's as the growing reality of globalization began to raise new questions for local, state, and federal governments vying for the activity created by good business. Today, more than $1.4 trillion per annum in statutory and negotiated C&I is made available in the US alone. For comparison's sake, the total value of all PPP loans is sitting at about $600B – a little more than a third the size of the US C&I market. Take this excerpt from a 2020 South Carolina report on C&I in the state:

" [One SC program] approvals included up to nearly $6.2 billion in potentially reimbursable eligible costs with $223 million actually claimed."

C&I can, and should, be a major driver of not only liability abatement but future strategic investment...

And yet...

strategic planning/budgeting process.

All too often, C&I has no home.

Alternatively, in those rare instances when C&I is correctly mapped from technological and strategic perspectives, incredible value is unlocked. Amazon, Tesla, ViacomCBS, Tyson, Cargill, WalMart – the biggest companies are often the ones doing the best job with C&I.

Once digitized and integrated into the tax and greater financial tech stack, many aspects of C&I management are dramatically improved. Compliance moves from the messy process of manually incorporating Excel spreadsheets, Outlook reminders, and physical documents into the contemporary world of a single solution. Likewise, audit response can be made much less painful through a version control specific central repository living on the Cloud. And perhaps most importantly, the strategic value of C&I is unlocked through real time senior leadership visibility into rolled up portfolio value. These are the outcomes of bringing C&I into the third wave of data digitization.

I would urge you to recontextualize your understanding of C&I under these dual lenses of data digitization as well as strategic integration. Consider prioritizing C&I not as a tax or a technological issue, but rather, as a bottom line cross-departmental company initiative. Many organizations have significant opportunity available to them in C&I rendering its prioritization akin to suddenly expanding annual CapEx budget by what amounts to an additional 25%. That's why it is no coincidence that companies which effectively prioritize C&I become leaders in their industry: quite simply, they have access to more financial firepower than their competitors.

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Laurence Sotsky is the CEO of Incentify, an enterprise technology firm dedicated to

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