



Thomson Reuters Tax & Accounting Corporate Tax Department Pulse Study

September 29, 2014



THOMSON REUTERS

Corporate Tax Department Pulse Study Project Scope

Objective:

- Gather feedback from corporate tax departments on how they view proposed and recent tax changes with particular attention paid to those at the director level or above.

Methodology – Online Survey:

- A total of **212** corporate tax department employees, from analysts to CEO's and from a total of **204** different firms, took the online survey between August 19th and September 8th, 2014, resulting in a **2%** response rate.
 - *205 of those respondents work in the tax and accounting profession. The results of this survey are based on that set of responses.*
- **50%** of all 205 respondents stated that they come from companies with \$1 Billion or more in revenue, while **35%** stated that they come from companies with less than \$1 Billion in revenue.
- Of the 177 respondents that could be accurately placed into one of the following categories, **66%** of respondents were at the manager level or below, while **34%** were at a director level or above.

**Note: Base respondents are a statistically significant sample size*

Corporate Tax Department Pulse Study Executive Summary

- Overall, **respondents appear confident** that US corporate tax rate changes, although somewhat important to their firms' future investments, **would not cause an initial increase in federal tax exposure, nor** do they assert that the recent expiration of the R&D Tax Credit **had a negative financial impact on their firms.**
- However, a **majority** are **in favor of lowering the US corporate tax rate**, even if that assumes the closing of current loopholes.
- Respondents are also **against the idea of their firms relocating** to another geographic area with more favorable corporate tax rates and most believe that their firms are **not currently entertaining a relocation or expansion** into a new region to capitalize on favorable tax rates or incentives.
- Many respondents stated that they **did not see any great challenges** for their firms regarding the recently expired "tax extenders." However, **both directors & above and managers & below** felt that, when there was a challenge, **accurately forecasting earnings** would be the greatest.
- The **biggest risk** for concerning their firms' transfer pricing practices is the **complexity / workload** they cause.
- Of those whose **firms had 5% or less of their total cash holdings outside of the US**, **32%** stated that their company would likely **not consider repatriating their offshore income to the US unless the tax rate was between 0% and 10%.** Of those whose **firms held more than 20% of their holdings outside of the US**, just **9%** stated that repatriation of offshore holdings would likely **only take place with a tax rate of between 0% and 10%.**

Aggregate Level Responses

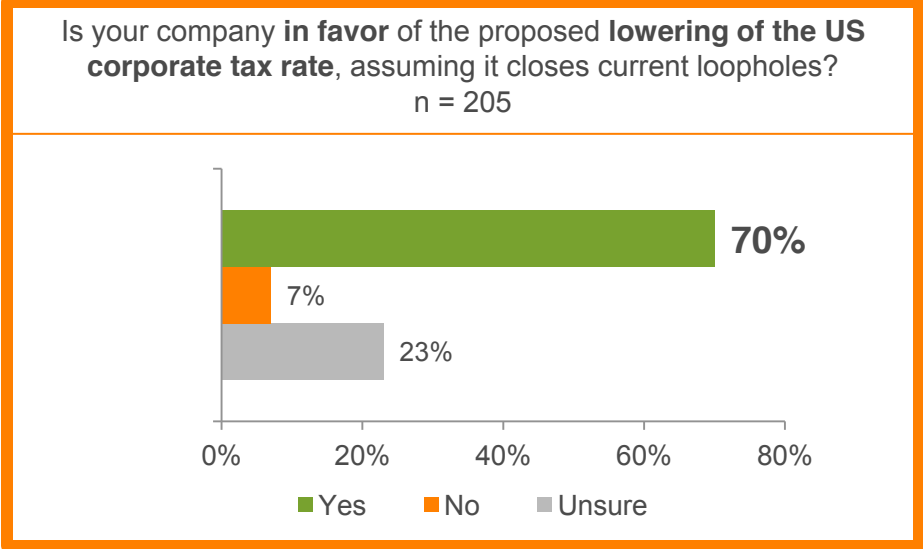
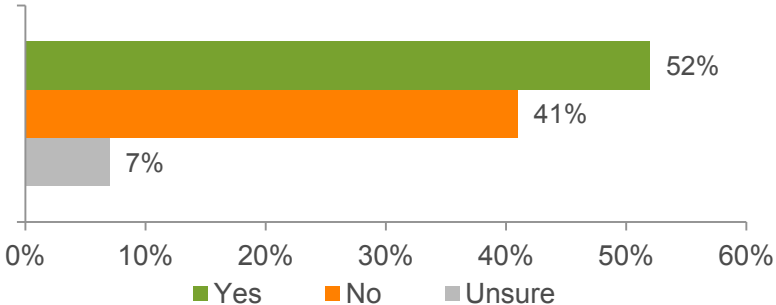


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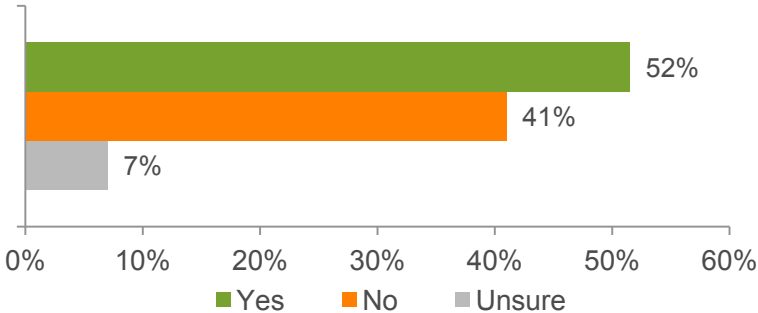
Role of Corporate Tax Rates

Respondents are divided on whether US corporate tax rates play a role in their firms' business plans and whether their firms rely on tax credits and incentives, but are generally in favor of lowering the corporate tax rate.

Does the **US corporate tax rate** play a **significant role** in your global business plans?
n = 205



Does your company **rely on tax credits and incentives** to plan future investments?
n = 204

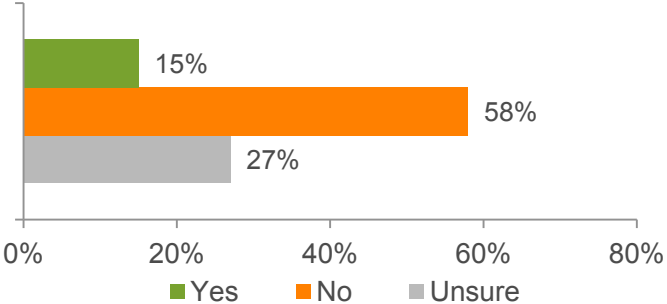


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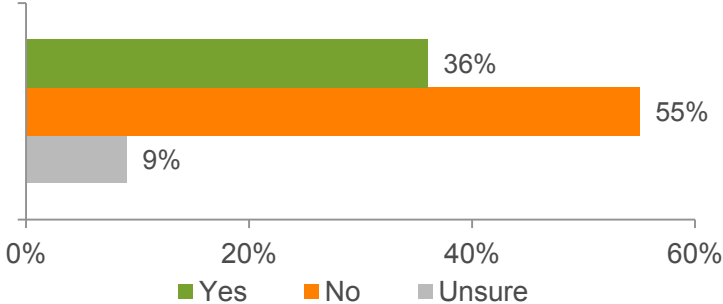
Impact of Tax Rate Changes

Respondents state that the expiration of the R&D tax credit has not generally had a negative financial impact on their firm, nor will they likely see an increase in federal tax exposure as a result of any tax changes.

Will your company see an **initial increase in federal tax exposure** as a result of any corporate **tax rate changes**?
n = 203



Has the **expiration of the R&D Tax Credit** had a **negative financial impact** on your company?
n = 204

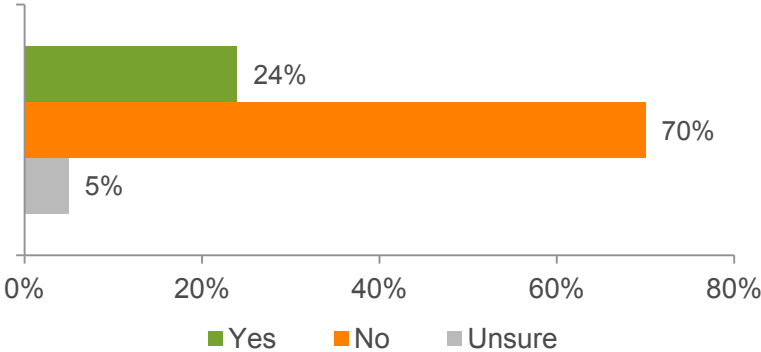


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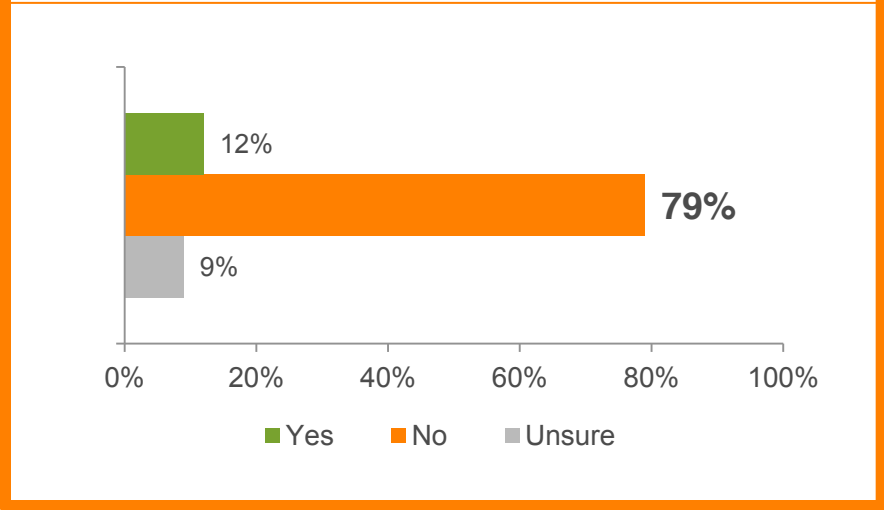
Strategies Based on Diverse International Tax Rates

Respondents assert that not only is their firm not currently entertaining a move to another location to take advantage of favorable tax rates / incentives, but that they should not consider doing so either.

Is your company **currently entertaining a relocation and/or expansion** in a new region to capitalize on for favorable tax rate/incentives?
n = 205zzz



Do you think that your company **should consider moving its headquarters** to a region with lower corporate taxes, such as Switzerland or Ireland?
n = 203z



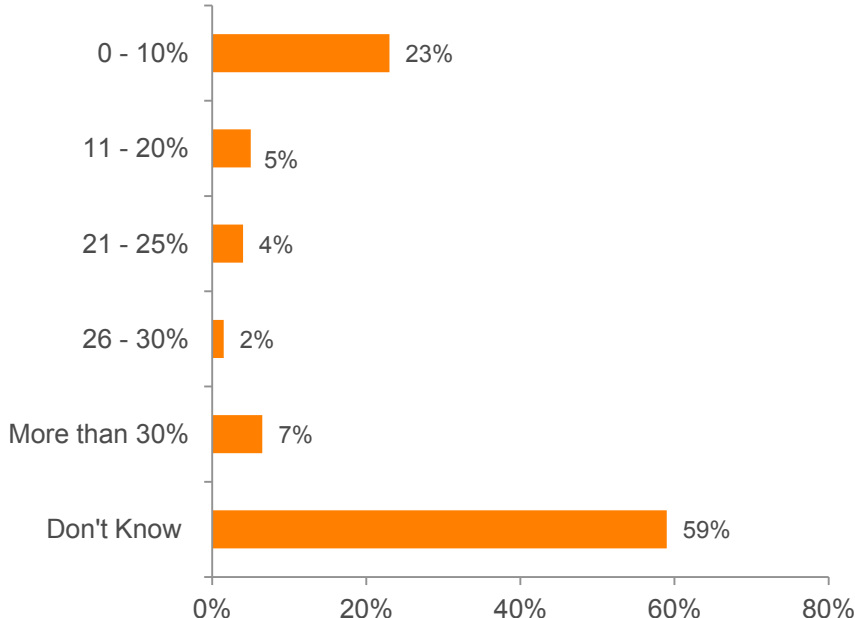
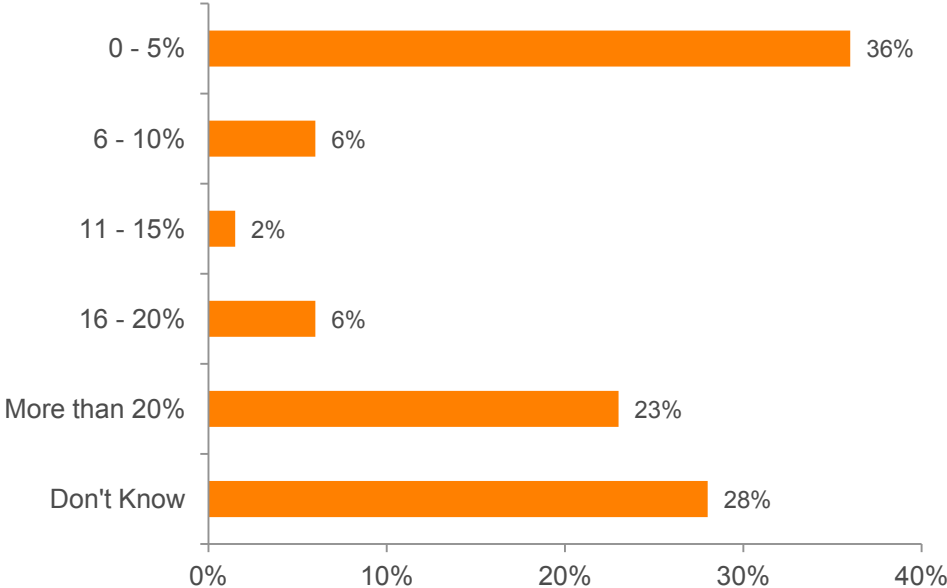
Corporate Tax Department Pulse Study

Customer Overseas Holdings and Effects of Tax Rate Changes

Most respondents do not know how much of their firms' holdings are held offshore, and are uncertain as to what threshold the corporate tax rate in the US would have to be to entice their firms' to repatriate their current offshore holdings.

What portion of your company's total cash holdings is currently held **outside** the US?
n = 204

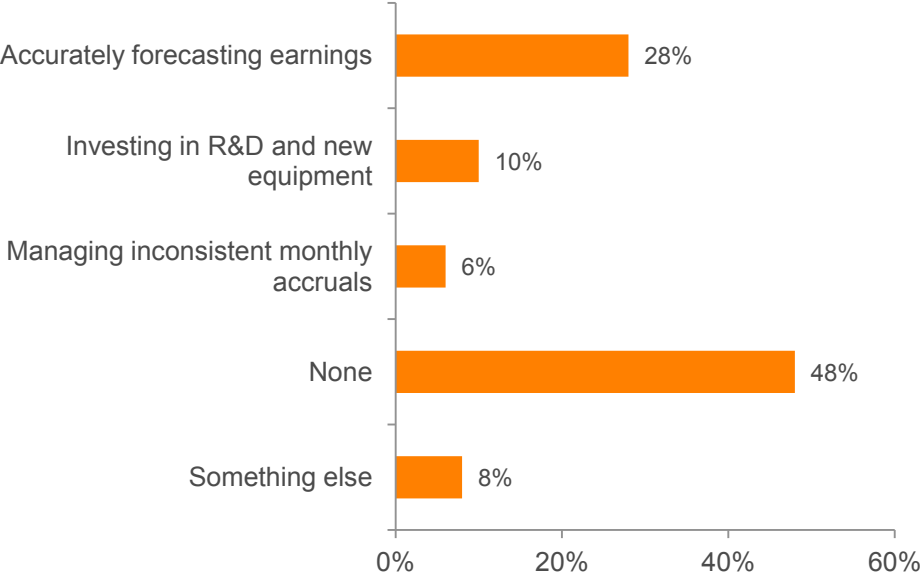
At which threshold would your company be most likely to **repatriate offshore income** into the US?
n = 201



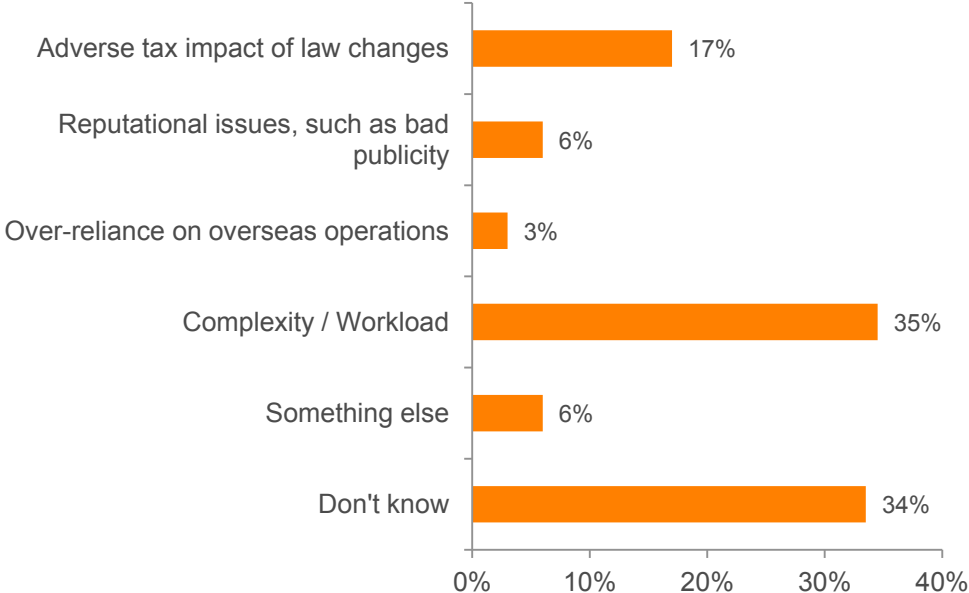
Corporate Tax Department Pulse Study Customer Challenges and Risks

Most state that there are not currently any great challenges regarding the recently expired “tax extenders,” but that when it comes to their firms’ transfer pricing practices, the biggest risk is the complexity / workload those practices cause.

Which of the following has presented the **greatest challenge** to your company, with regard to the recently **expired “tax extenders”**?
n = 205



What do you see as the **biggest risk** to your company concerning its **transfer pricing practices**?
n = 203



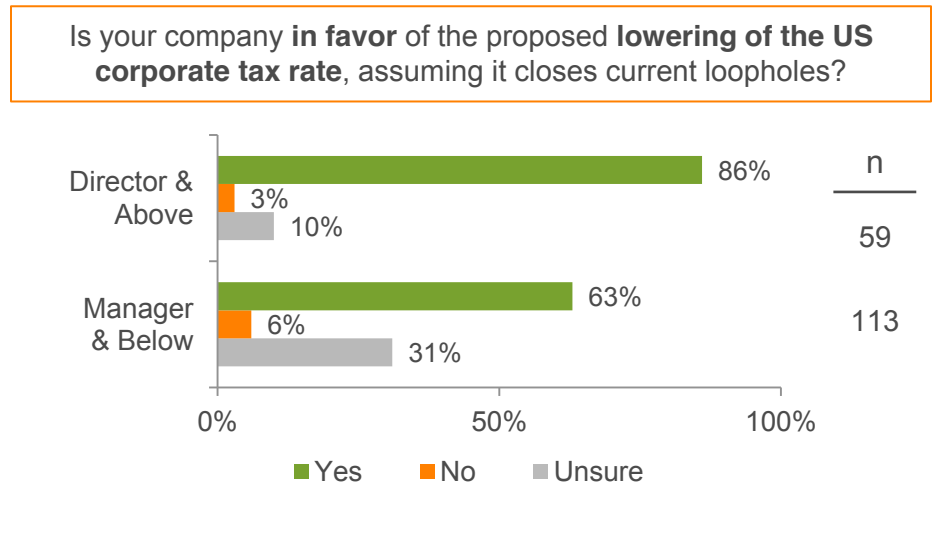
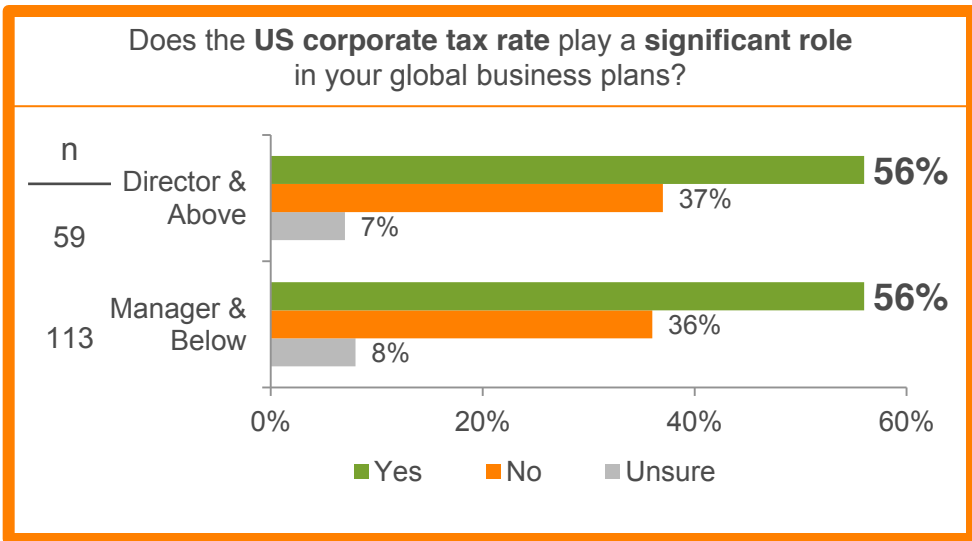
Title Segment Responses



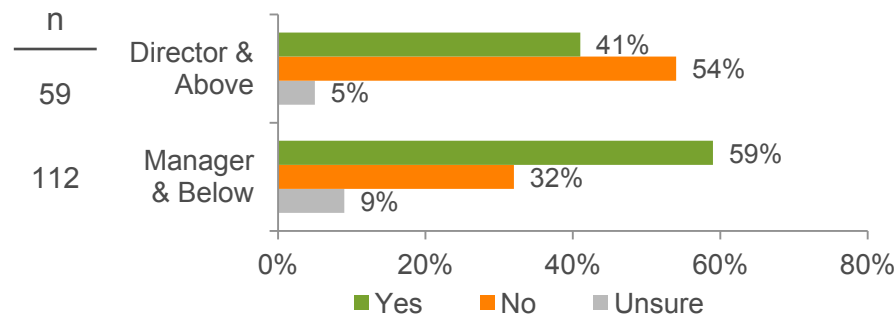
Corporate Tax Department Pulse Study

Role of Corporate Tax Rates

Though slight majority of directors & above state that their company relies on tax credits, and both segments have a majority in favor of lowering the US corporate tax rates, only slightly more than half in each segment state that those rates play a significant role in their company's global business plans.



Does your company **rely on tax credits and incentives** to plan future investments?

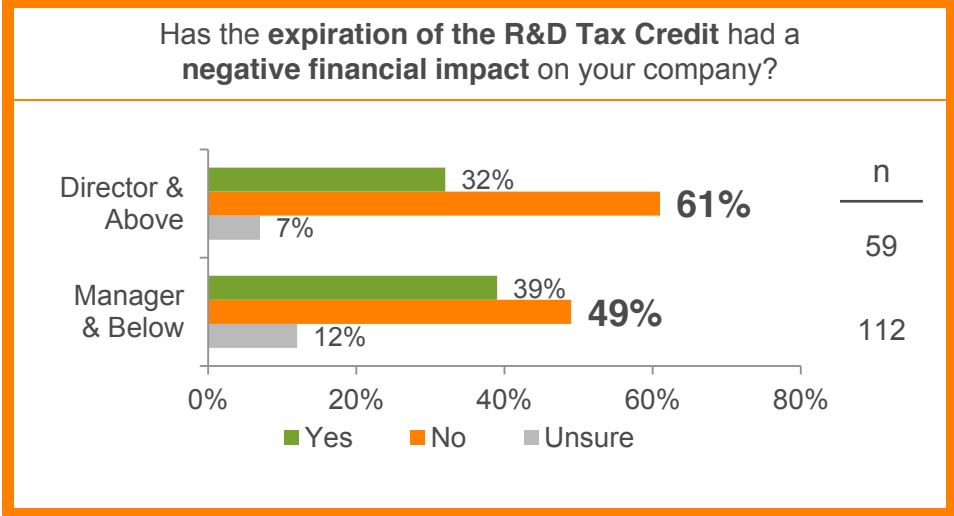
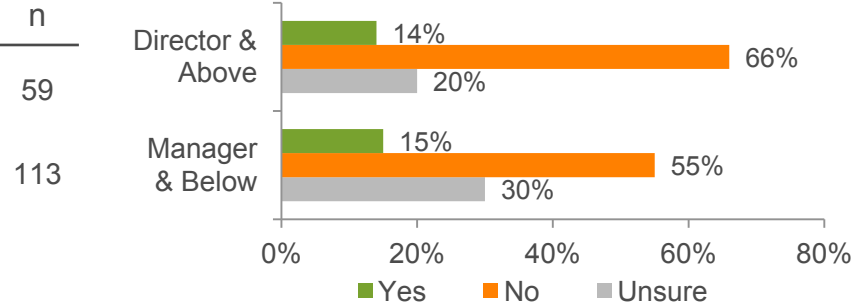


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Impact of Tax Rate Changes

Neither respondent segment state that their companies will see an initial increase in federal tax exposure as a result of tax rate changes, nor has the expiration of the R&D Tax Credit had a negative financial impact on their companies generally.

Will your company see an **initial increase in federal tax exposure** as a result of any corporate **tax rate changes**?



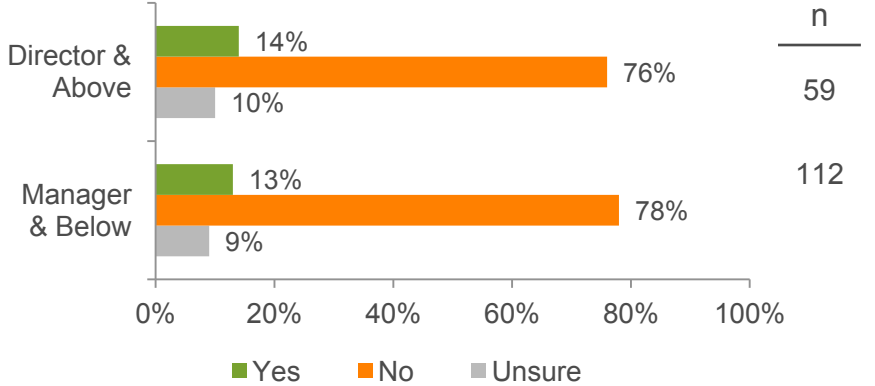
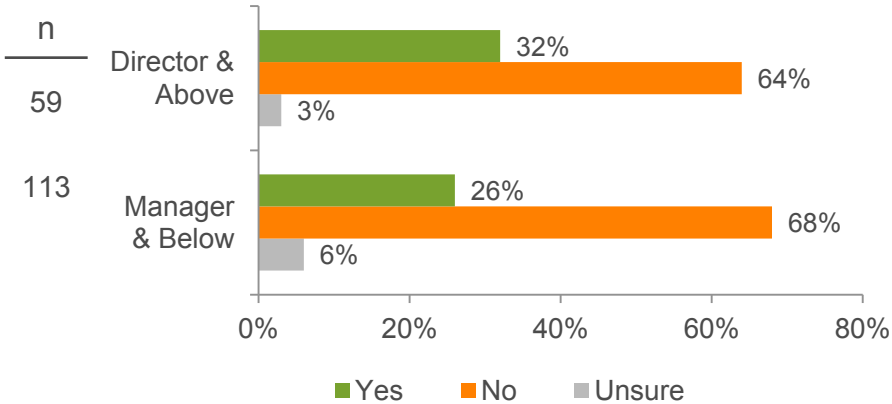
Corporate Tax Department Pulse Study

Strategies Based on Diverse International Tax Rates

Both segments assert that their companies are not entertaining a relocation or expansion to a region with more favorable tax rates and neither segment believe that their companies should consider a move to a more favorable location based on corporate tax rates.

Is your company **currently entertaining a relocation and/or expansion** in a new region to capitalize on for favorable tax rate/incentives?

Do you think that your company **should consider moving its headquarters** to a region with lower corporate taxes, such as Switzerland or Ireland?

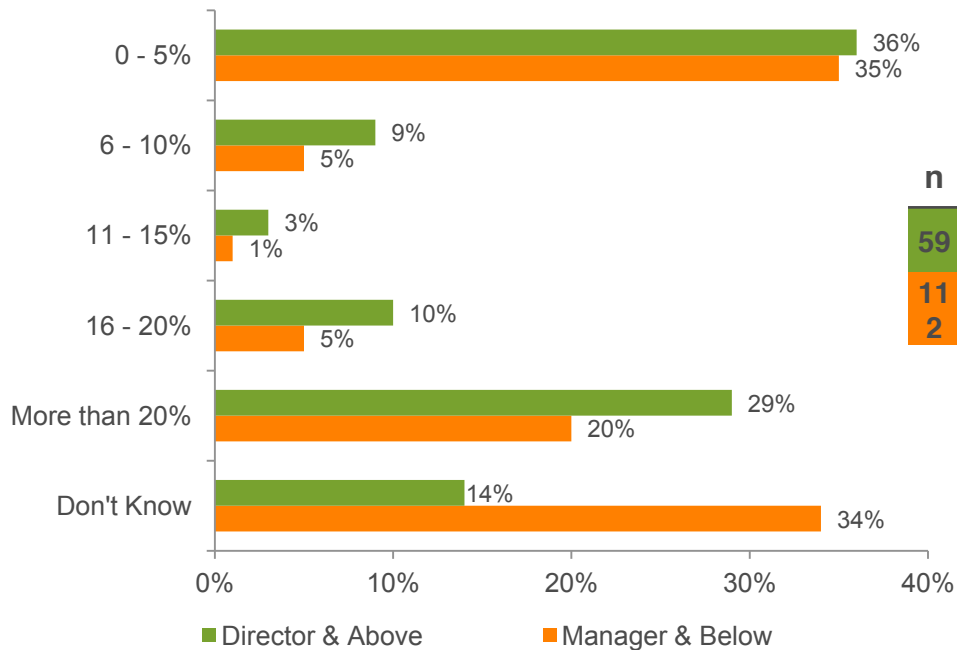


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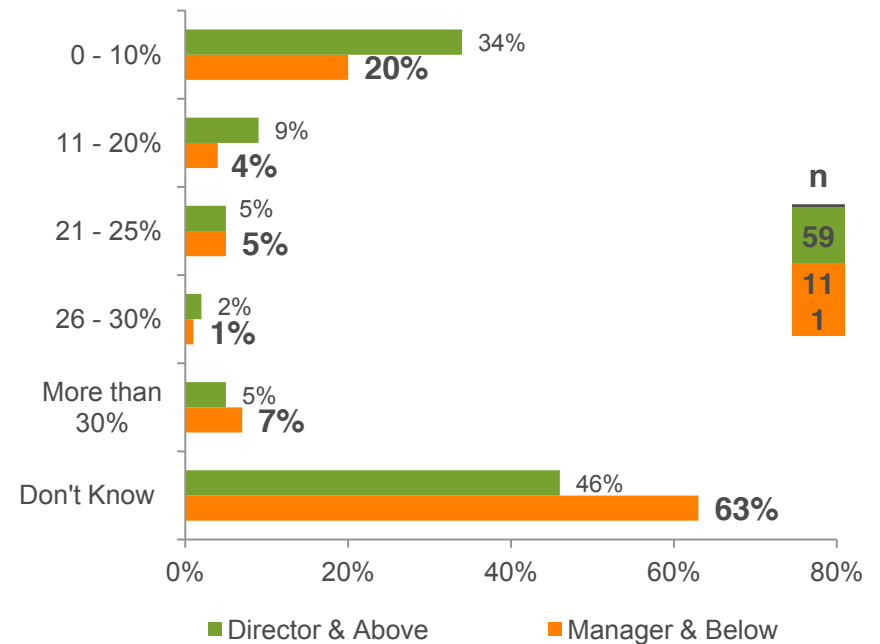
Customer Overseas Holdings and Effects of Tax Rate Changes

Both segments were split on the amount of holdings their companies currently have outside of the US, but for both segments that did appear to know the threshold at which their company would likely repatriate offshore income, they stated that it would only be when the rates were extremely low.

What portion of your company's total cash holdings is currently held outside the US?



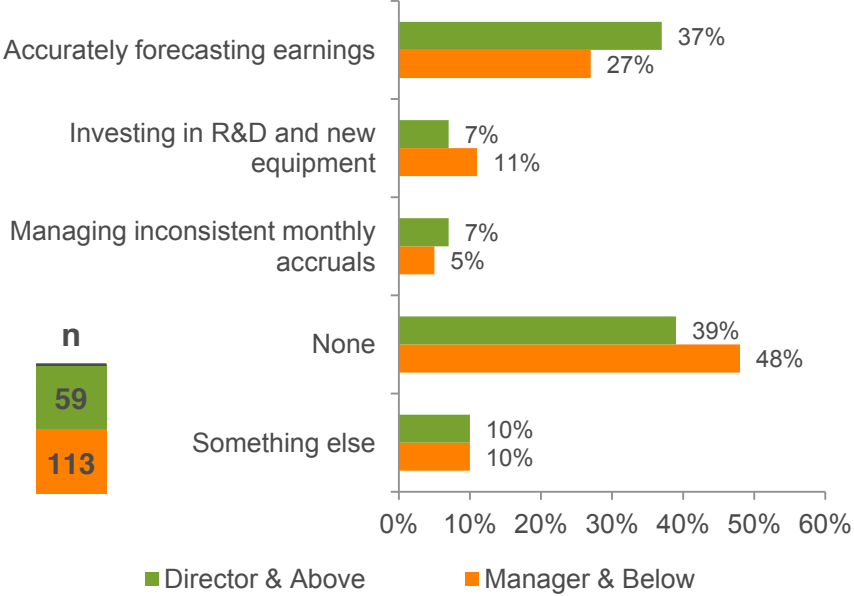
At which threshold would your company be most likely to repatriate offshore income into the US?



Corporate Tax Department Pulse Study Customer Challenges and Risks

Of those stating that there would be challenges, accurately forecasting earnings rated as the most challenging. Complexity / workload was cited as the biggest risk to both segments' concerning their firms' transfer pricing practices.

Which of the following has presented the **greatest challenge** to your company, with regard to the recently expired "tax extenders"?



Revenue Level Responses

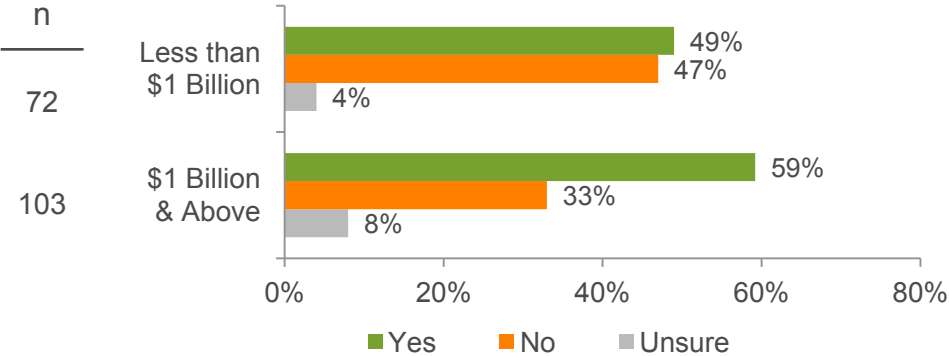


Corporate Tax Department Pulse Study

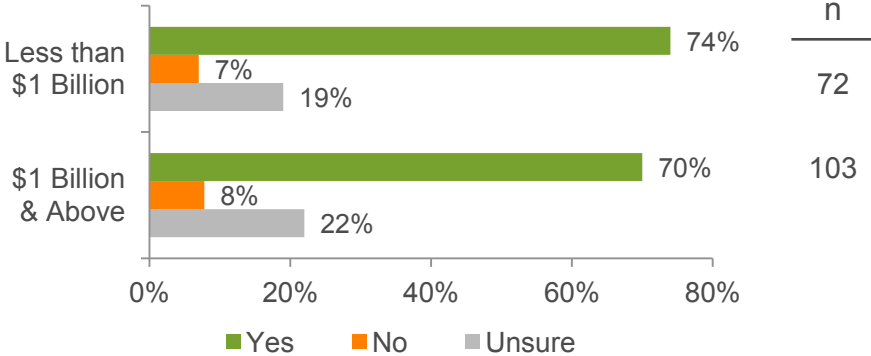
Role of Corporate Tax Rates

Lower-revenue firms state that they are less reliant on tax credits and incentives, but both segments state that their firms are in favor of lowering the US corporate tax rate. Segments are also divided on how significant a role the tax rate plays in their firms.

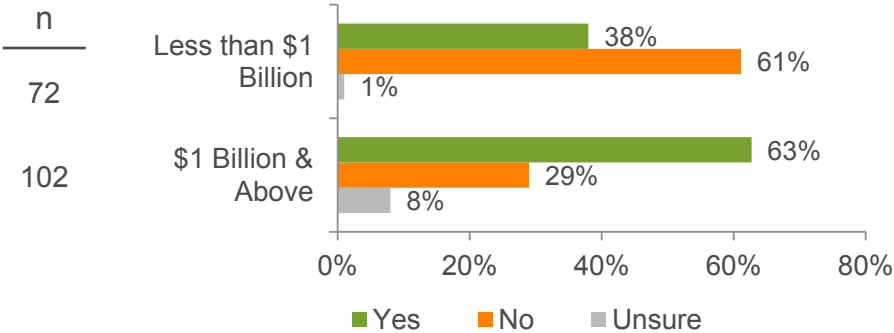
Does the **US corporate tax rate** play a **significant role** in your global business plans?



Is your company **in favor** of the proposed **lowering of the US corporate tax rate**, assuming it closes current loopholes?



Does your company **rely on tax credits and incentives** to plan future investments?



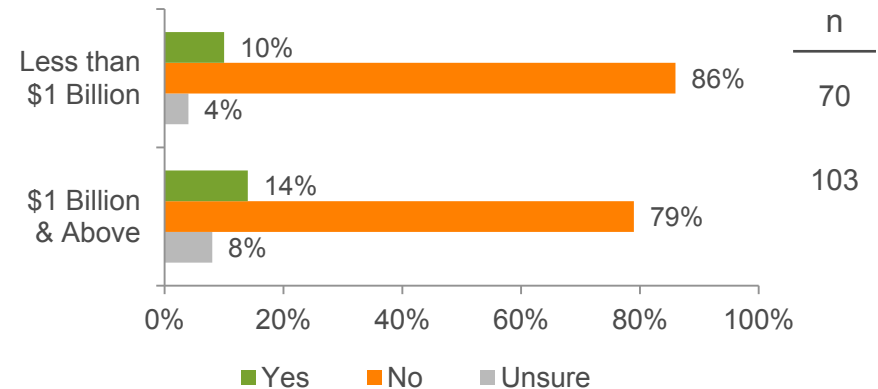
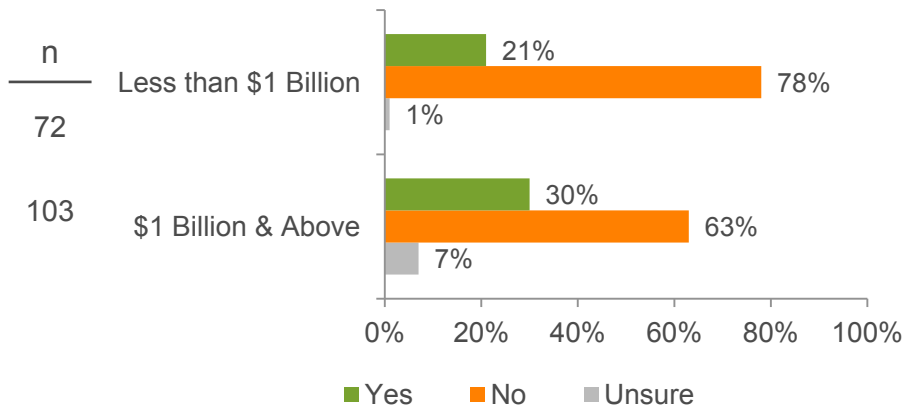
Corporate Tax Department Pulse Study

Strategies Based on Diverse International Tax Rates

Neither segment expresses a desire to relocate their firms' headquarters to a location with a more favorable tax rate and neither generally states that their firms are even considering such a move.

Is your company **currently entertaining a relocation and/or expansion** in a new region to capitalize on for favorable tax rate/incentives?

Do you think that your company **should consider moving its headquarters** to a region with lower corporate taxes, such as Switzerland or Ireland?

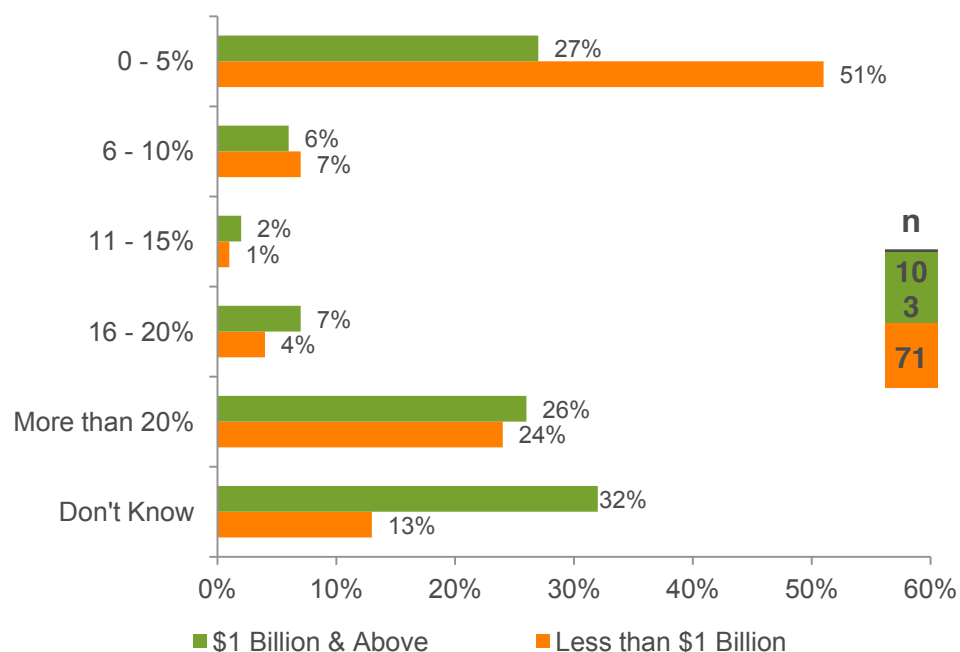


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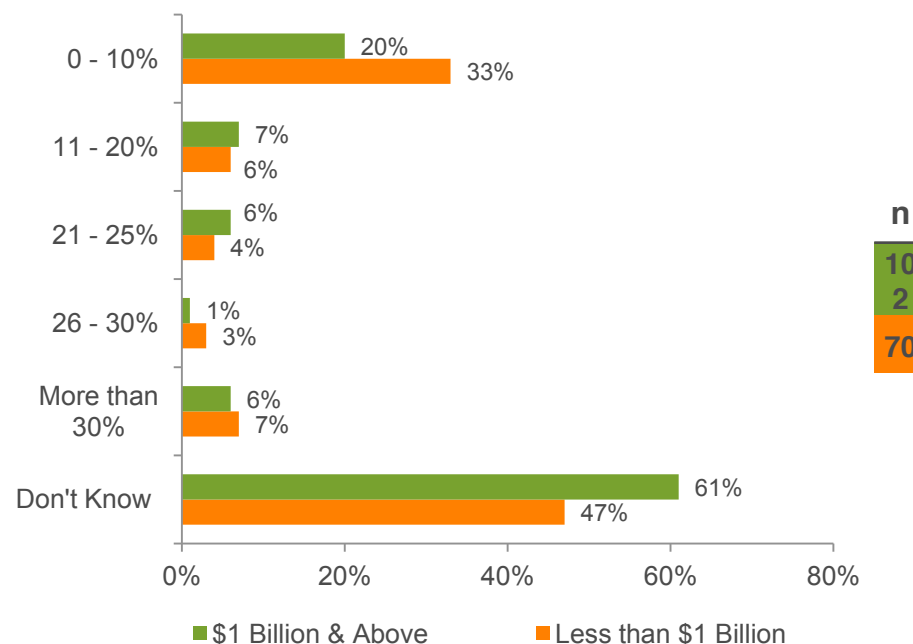
Customer Overseas Holdings and Effects of Tax Rate Changes

Majority of respondents from lower-revenue firms state that they hold 5% or less of their total cash holdings overseas, though roughly a quarter of each segment state that over 20% are held overseas. Majority of both segments are uncertain of what threshold would need to be met in order to repatriate those offshore holdings to the US.

What portion of your company's total cash holdings is currently held outside the US?



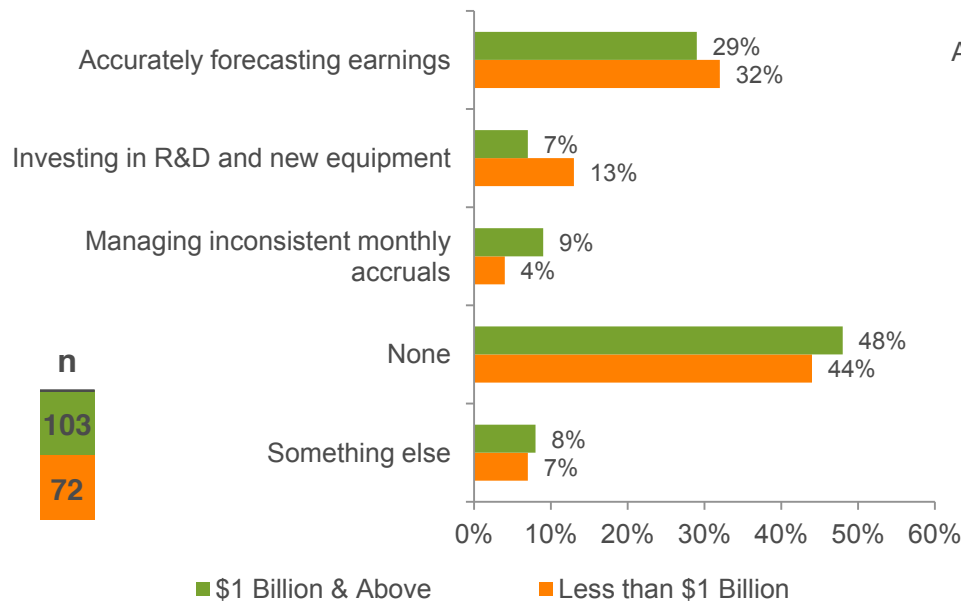
At which threshold would your company be most likely to repatriate offshore income into the US?



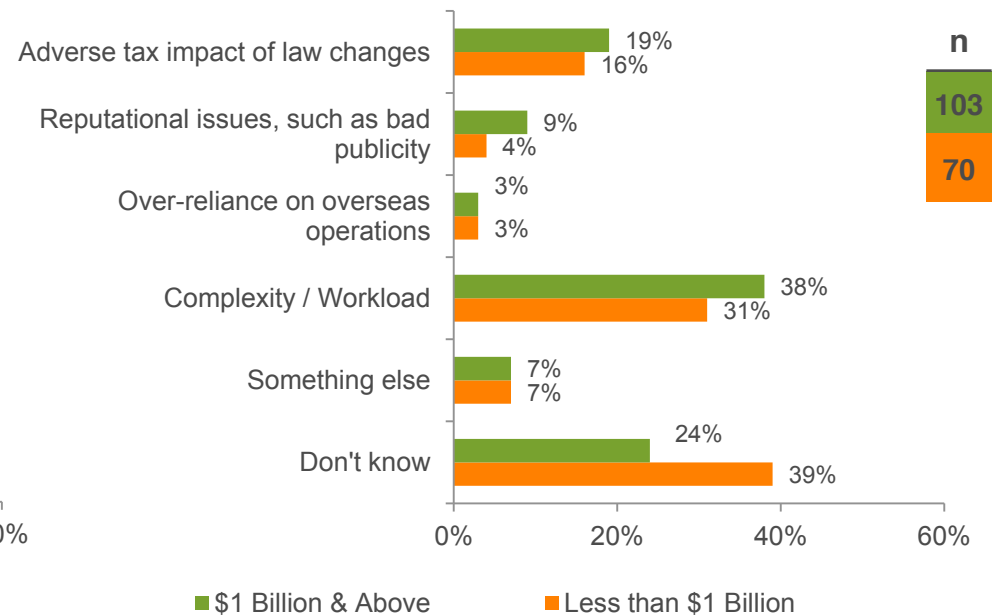
Corporate Tax Department Pulse Study Customer Challenges and Risks

Neither segment believes that there are any great challenges regarding the recently expired “tax extenders,” though they both affirm that the biggest risk to their firms with regard to their transfer pricing practices is the complexity / workload.

Which of the following has presented the **greatest challenge** to your company, with regard to the recently expired “tax extenders”?



What do you see as the **biggest risk** to your company concerning its transfer pricing practices?



APPENDIX

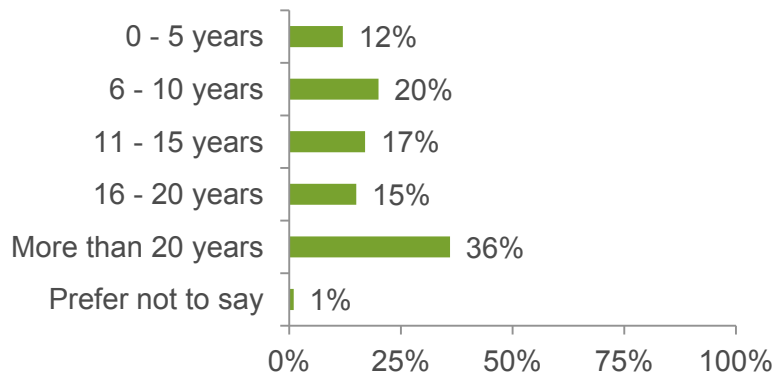
Firmographics



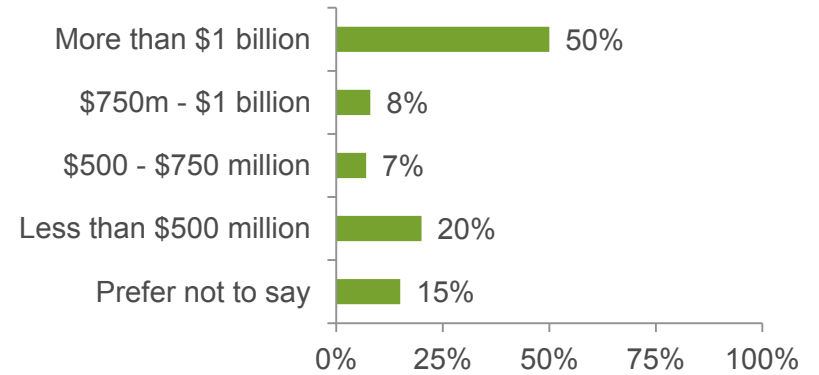
Corporate Tax Department Pulse Study

Aggregate Level Respondent Profile

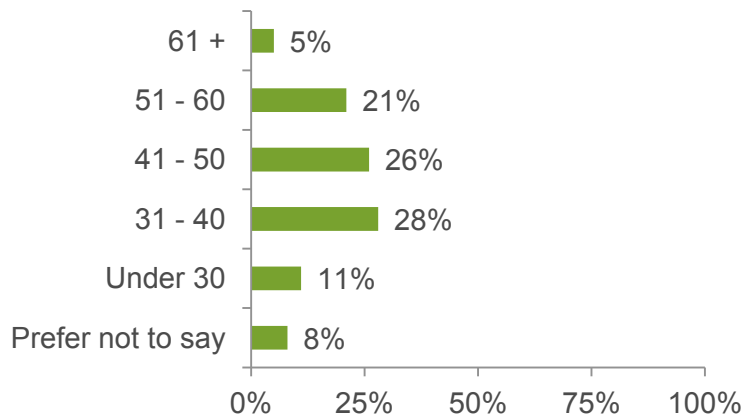
Number of years in the tax & accounting profession:
n = 205



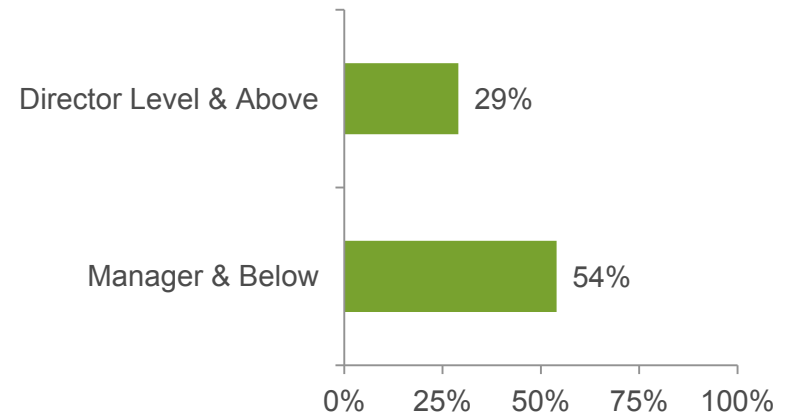
Company Revenue:
n = 205



Respondent Age Category:
n = 205



Title Segments:
n = 177

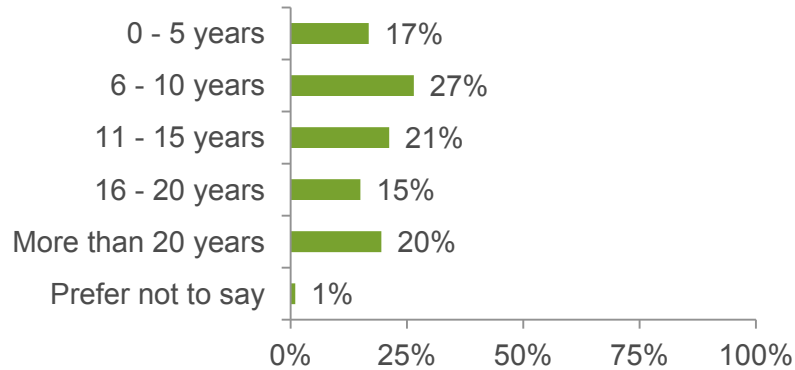


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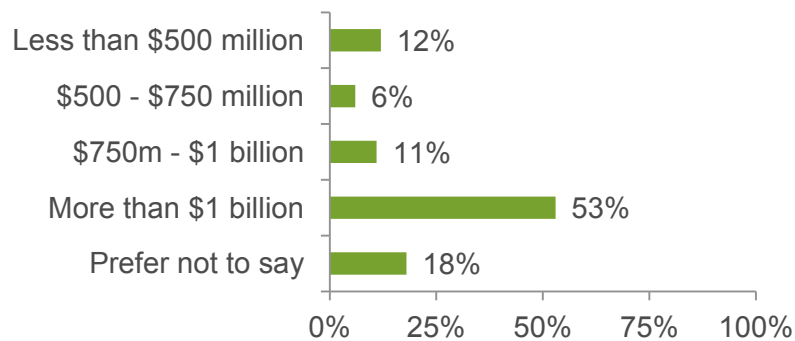
Title Level Respondent Profile

Manager & Below:

Number of years in the tax & accounting profession:
n = 113

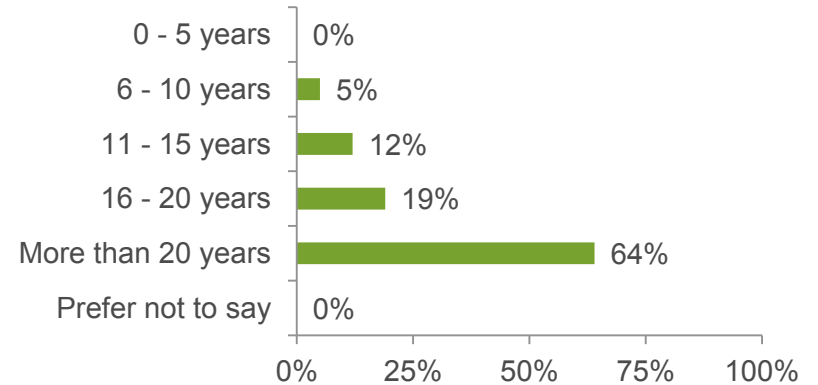


Company Revenue:
n = 113

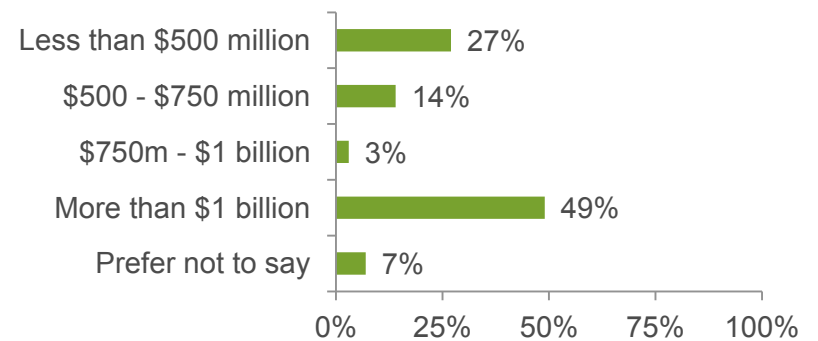


Director & Above

Number of years in the tax & accounting profession:
n = 59



Company Revenue:
n = 59

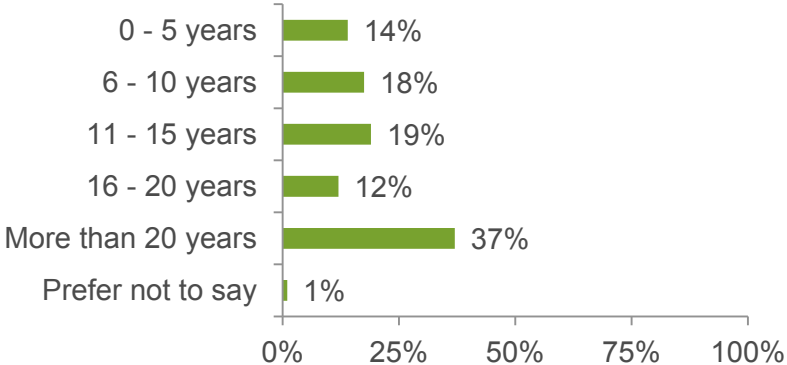


Corporate Tax Department Pulse Study

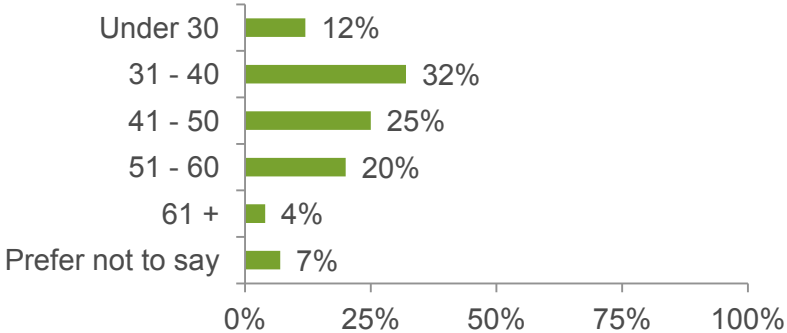
Revenue Level Respondent Profile

\$1 Billion & Above:

Number of years in the tax & accounting profession:
n = 103

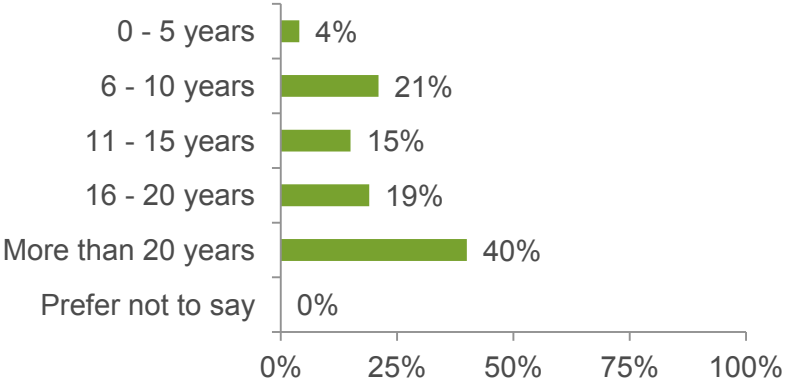


Age Category:
n = 103

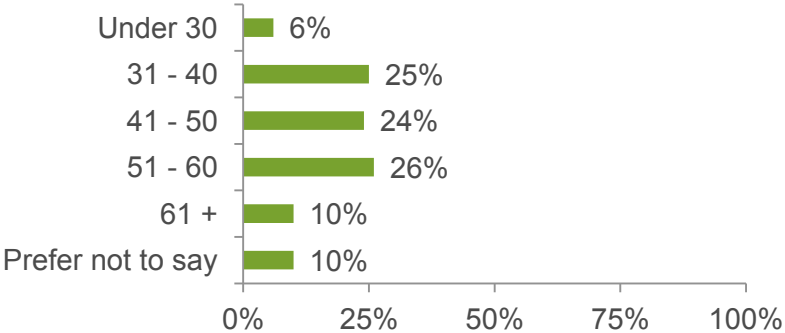


Less than \$1 Billion

Number of years in the tax & accounting profession:
n = 72



Age Category:
n = 72



Thomson Reuters Tax & Accounting **CORPORATE TAX DEPARTMENT PULSE STUDY**

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