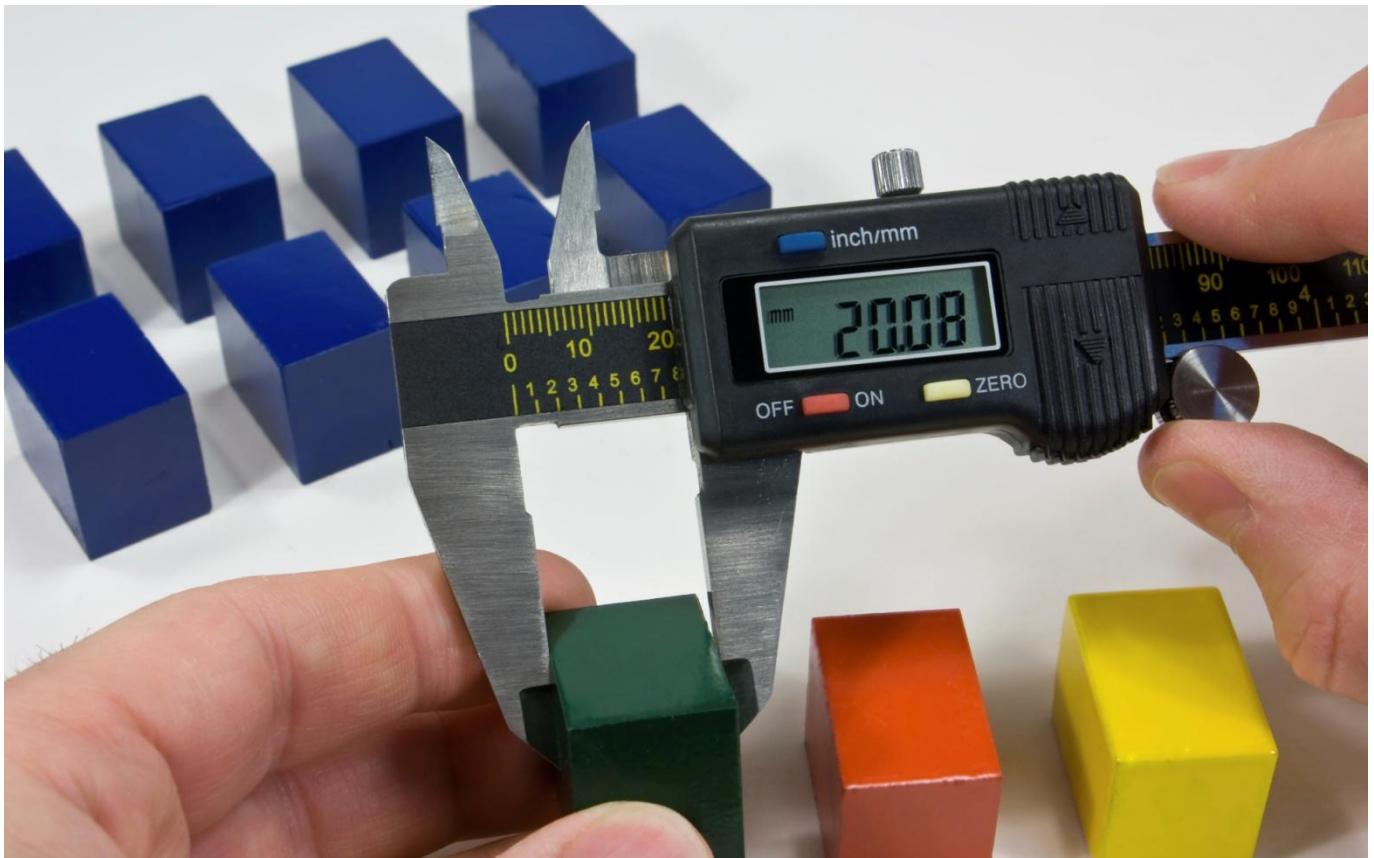




TRANSACTIONAL TAX BENCHMARKING

AN EXECUTIVE REPORT AND SUMMARY OF FINDINGS



For over 35 years, DuCharme, McMillen, and Associates, Inc. (DMA), has been working with companies to minimize the cost and administration of corporate taxation. During the summer of 2006, we started to explore new and alternative methods to provide value to our clients, one of which was benchmarking. Since the inception of our benchmarking practice, we have worked with some of the finest Fortune[®] 1000 firms in North America.

What follows is an executive summary and report of findings based upon the results of the organizations that have participated in our Transactional Tax benchmark.

Below are several of our initial findings:

- The most efficient companies are not necessarily the most effective at reducing the company's tax risk.
- Companies who have effectively managed their risks have minimized the demands of administering routine tasks in order to allow their professional staff to focus on higher value added activities.
- Technology, when implemented correctly, significantly increases productivity, and reduces error rates.

We hope you find this executive summary of interest and value.

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BENCHMARKING DEFINED

Benchmarking (verb): the process of comparing your company to a peer group to identify areas that may need improvement and to identify your adoption of best practices.

DMA’s benchmarks probably differ from surveys or other studies you may have participated in. We have a defined and rigorous process that we guide each of our benchmark participants through with the help of our tax benchmark team. One of the differentiating steps is data validation. During data validation, we examine the response to each question and confirm not only the client’s individual answer; we also take the time to understand how their answers fit in with their overall story.

As a management tool, benchmarking can be used to:

- Identify performance gaps
- Adopt best practices
- Confirm spending levels (in the areas of staffing, outsourcing, and technology)
- Prioritize change initiatives
- Validate your intuition
- Build a business case for positive change based upon an objective source of insight

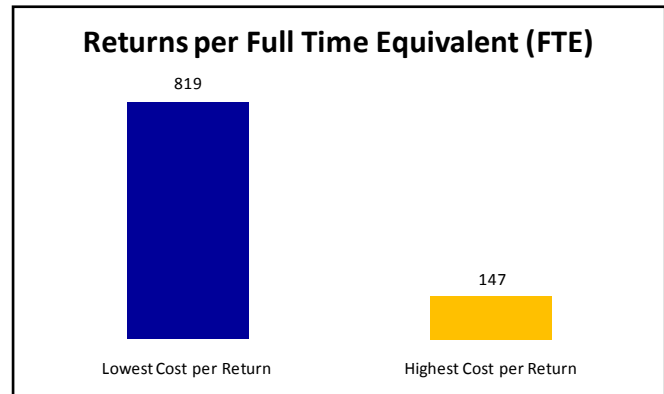
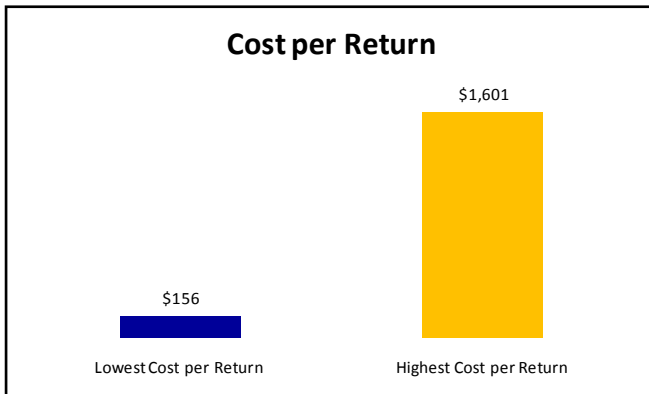
TRANSACTIONAL TAX BENCHMARK SCOPE

DMA has created a specific scope for all of our benchmarks. The defined scope of our benchmark provides clients guidance in terms of what to include (or exclude) when participating in the benchmark. All of our benchmark clients use the scope document to map their own processes into DMA’s process map. This mapping process allows DMA to provide benchmark participants with valid comparisons.

Tax Planning	Tax Research	Determination and Calculation	Data Gathering and Collections	Remittance and Repository	Audit
<ul style="list-style-type: none"> • Defining Risk Tolerance of Company • Deciding How Much Technology to Use vs. Manual • Business Process Sourcing Decision • Corporate Organization Training of Business Operations Resources • Alternative Compliance • Training/Continuing Education • Lobbying and Regulation Management • Site Selection • Tax Community and Association Involvement • Tax Exception Strategies 	<ul style="list-style-type: none"> • Tax Rules/Matrices • Identify Goods/Services Sold in Order to Do Research • Identify Jurisdiction (State and Local) Where Registered or Doing Business • Identify Goods/Services Purchased • Conduct Tax Research on Goods Sold and Purchased • Tools Used • Development of Tax Rules/Matrices • Contract Management • Tax Calendar • Training/Education 	<ul style="list-style-type: none"> • Exemption Certificate/Record Management • Rate Management • Software Management • Tax Rules/Matrix Set-up • IT/Mapping • Maintenance of Systems (Updates) • Integration with ERP • Sales vs. Use Tax • Training • Testing • Notice of Tax Collection • Fixed Asset Management • Analysis of Purchasing Process • Analysis of Selling Processes • Business Ops Determination and Calculation 	<ul style="list-style-type: none"> • Reporting • Tax History • Reconciliation of Data • Checks and Balances • Approval Processes • Check Approval • Sarbanes-Oxley • Notices of Collection • Tax Errors • Fixed Assets / Inventory 	<ul style="list-style-type: none"> • Tax Payment Management • Return Preparation • Timing of Return • Check Preparation by Non-Tax Personnel • Mailing vs. E-File • Filing • Discount Files • Records Management 	<ul style="list-style-type: none"> • Notice Response • Scheduling • Coaching Staff • Data Gathering • Sample Selection • Outsourced Defense • Invoice Review • Pre-Audit Planning • Self Audits/Managed Audits • Internal / External Audits

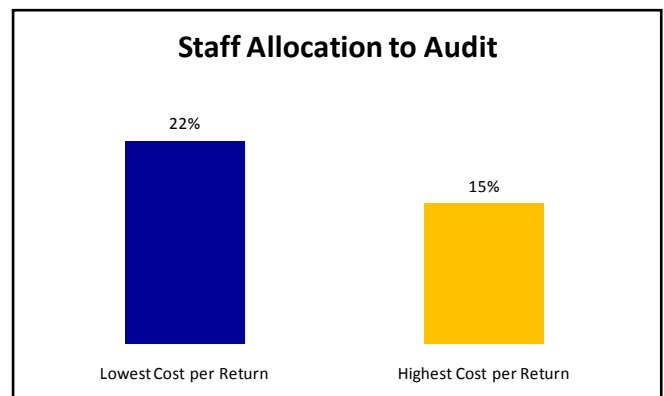
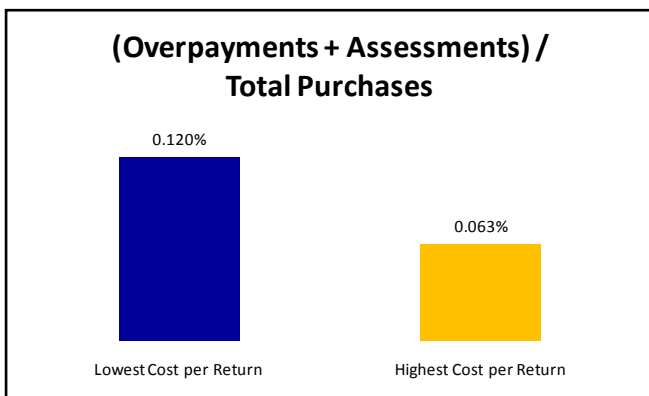
EFFICIENCY AND EFFECTIVENESS

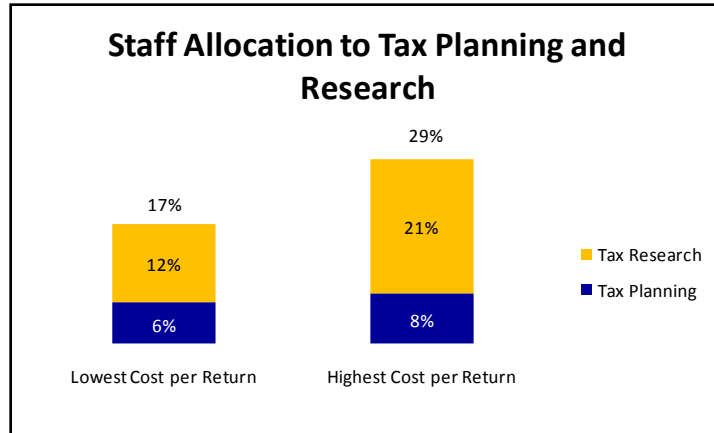
Many organizations strive to be the low cost leader; however, as with many things, a balance has to be found between efficiency and effectiveness. The same can be said for finding a balance between an efficient transactional tax organization and an effective transactional tax organization. As you will see below, being an efficient organization has its advantages.



However, being lowest in cost does come with a price. Our benchmark results show that those organizations who are focusing on administrative cost reductions are not effectively managing their tax decisions.

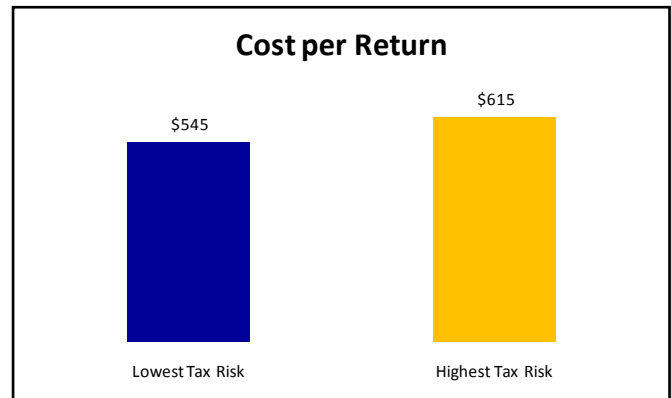
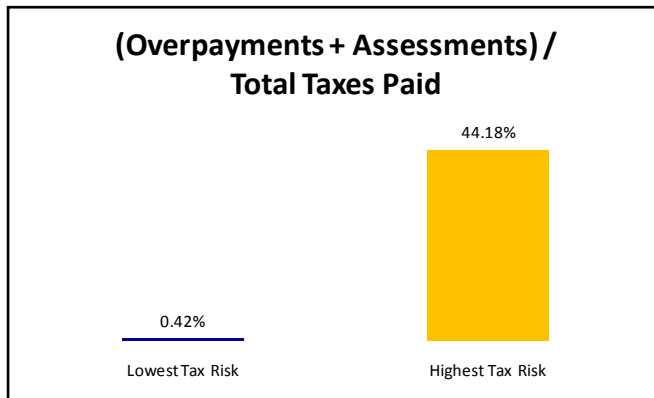
By reducing the time they are spending in Tax Planning, Tax Research, and Determination and Calculation, these organizations experience higher levels of overpayments and underpayments. They are also finding that more of their staff time is being spent supporting audits.



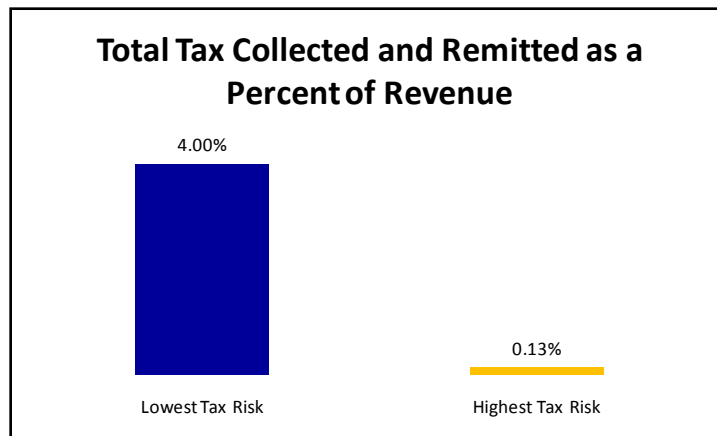


RISK MANAGEMENT

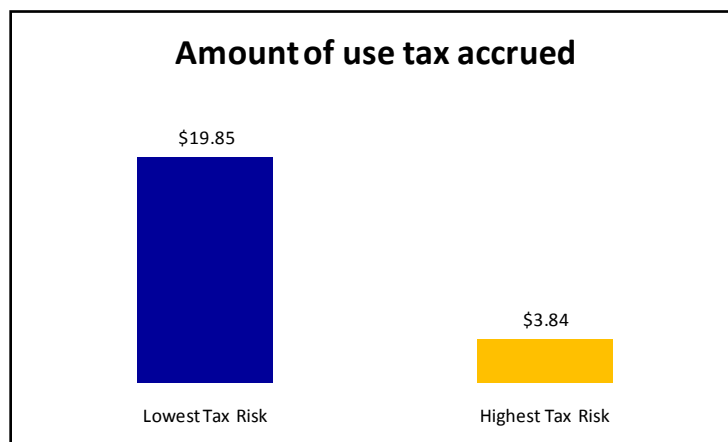
Many organizations talk about focusing on managing tax risk because it has an impact on their overall cost structure. Interestingly, those organizations that have managed to reduce their tax risk do not have a significant cost advantage over those organizations that carry a higher tax risk.



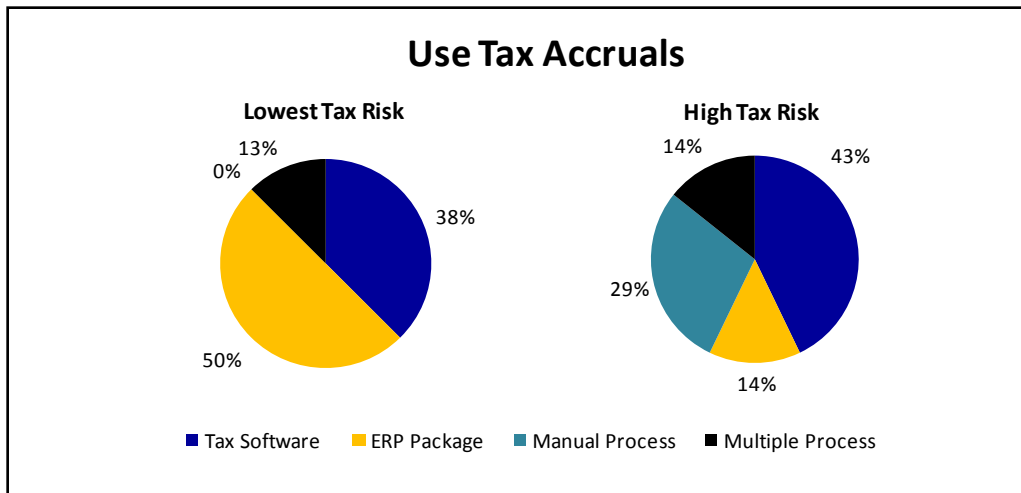
The companies who have minimized their risk are also those that have a higher sales tax liability. They are implementing systems to properly collect sales tax at the point of sale. They are also maintaining the tax rule tables to ensure proper use taxes are accrued.



Additionally, companies are minimizing their risk by making the decision to accrue their own use tax. By accruing their own taxes, these organizations are doing more to follow the purchases and determine the correct tax based on their use.



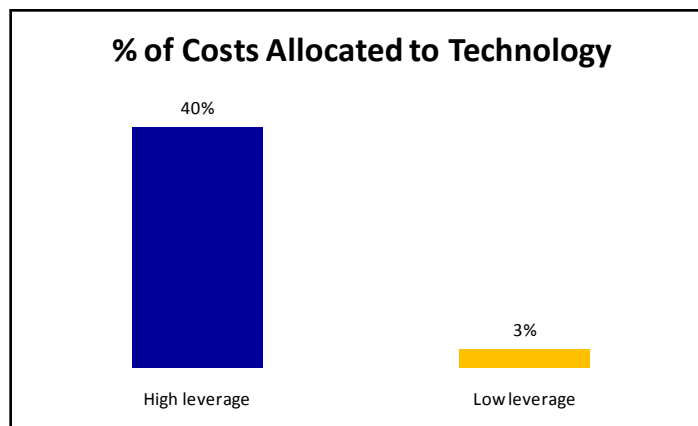
They have also implemented an automated tax solution for accruing this tax. This automated solution provides the luxury of not having to rely on any manual calculations for tax accruals. As you will see in the chart that follows, those organizations with the lowest tax risk do not have any manual tax accrual activities.



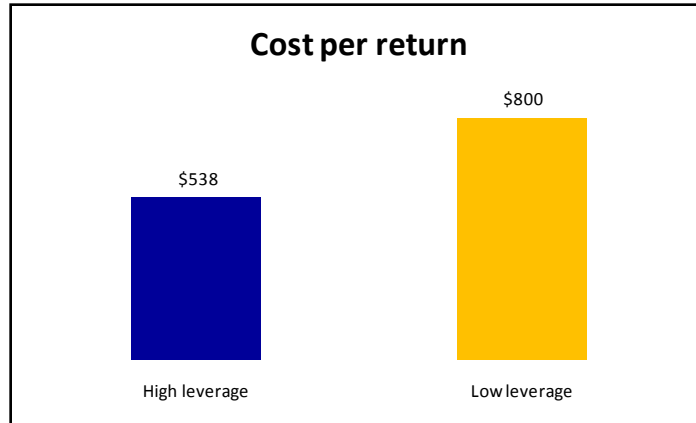
TECHNOLOGY – THE IMPACT

Technology is an area where transactional tax organizations have the opportunity to gain the most benefit from additional investment. As stated in the beginning of this summary, technology, when implemented correctly, significantly increases departmental productivity and reduces error rates.

Many tax departments struggle with how much money should be invested in technology. The firms that have highly leveraged technology are investing 40% of their total costs in technology.

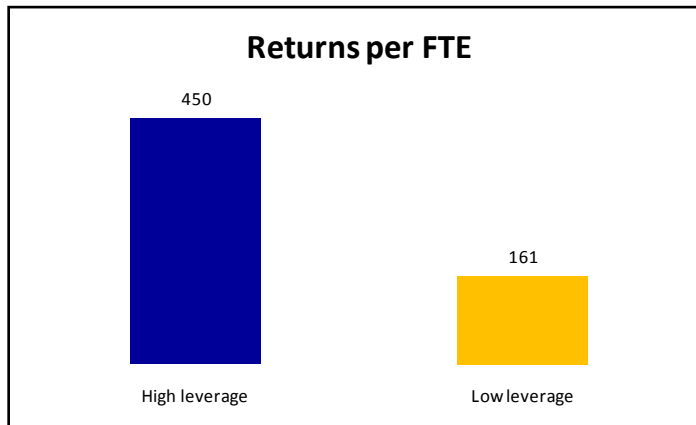


For those organizations that have a high leverage of technology, their cost per return is 33% lower than those organizations that have not leveraged technology to its fullest extent.

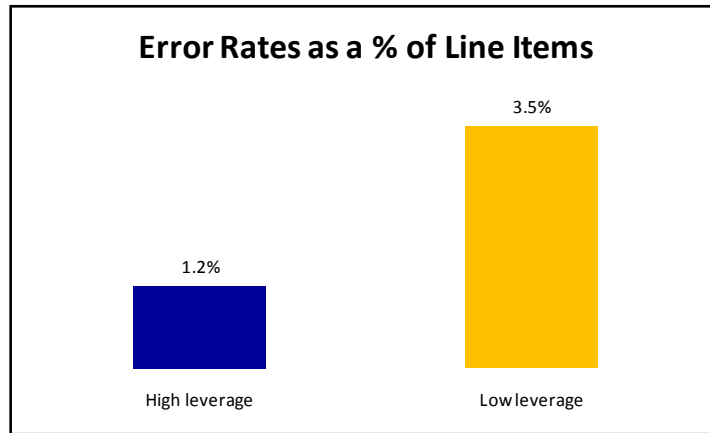


Not only has this investment in technology allowed these firms to reduce their overall cost per return, it has also increased overall FTE productivity, as well as dramatically reduced error rates. This increase in productivity is attributed to the automation of the following processes:

- Determination and Calculation
- Data Gathering and Collections
- Remittance and Repository



Automation also reduced the manual tax decision making process, therefore reducing the number of errors that are made.



That being said, automation is not the Holy Grail of transactional tax, or any tax for that matter. Too many firms automate a process and then have a tendency to disregard any required system maintenance. Failing to maintain the tax technology solutions does not keep the firm current with changes in regulations, tax rates, and changes within their own business that may have an impact on their tax organization and tax amount.

LOOKING AHEAD

Transactional Tax leaders are managing an environment that is in a constant state of motion. The complexity is often being driven by a higher number of required returns, legislation changes, and jurisdictional changes.

Our benchmark studies indicate that even with all this complexity, there is an opportunity to manage costs and increase efficiency.

As our report indicates, today's leaders are balancing efficiency and effectiveness, minimizing risk, and leveraging technology.

Tomorrow, that might not be enough; there is always room for improvement.

Many of the top performing firms will continue to focus on the use of automation. These firms are implementing a single global tax engine that can calculate sales, use, value added, and other transactional taxes. The move to an "enterprise-class" tax automaton solution will reduce complexity, errors, and provide control and consistency across the Transactional Tax department.

Additionally, many organizations will start to explore ways to limit audit costs and scope while increasing efficiency. Two of the ways that organizations are achieving these results is with the use of alternative audit methodologies and implementing proactive planning during the audit process.

Examples of alternative audit methodologies include:

- Managed compliance agreements
- Managed audits
- Negotiated settlements

The benefits of being proactive include:

- Reducing the audit scope (including credit transactions)
- Reduction of initial assessments

The tax organizations that are able to efficiently manage their tax departments, while increasing their overall effectiveness, will be the leaders of top performing Transactional Tax departments.

ABOUT DMA'S BENCHMARKING PRACTICE

DMA's Tax Process Benchmarking is a service used to identify and quantify improvement opportunities within tax departments at large, complex organizations. The findings of a benchmark provide the factual and objective basis for creating a business case to drive the change necessary to prevent unnecessary spending on tax-related processes. The benchmarks provide insight and recommendations into the deployment of people, processes, technology, and the adoption of best practices.

DMA offers Tax Process Benchmarks in the following areas:

- Property Tax
- Transactional Tax
- State & Local Income and Franchise Tax