



Tax departments in most organizations are not typically focused on payroll or employment tax issues. In fact, payroll is more likely to report to the human resources or finance department. However, if a problem arises—such as an IRS assessment or state employment tax audit—it becomes an issue for the tax department. By that time, it may be too late.

KPMG LLP's Employment Tax practice can help companies identify payroll and unemployment tax issues early on, and then help resolve them before they escalate into significant tax problems. This includes assistance in identifying, quantifying, and recovering payroll tax overpayments, complying with employment tax requirements during restructuring or related M&A transactions, assisting with tax disputes, and securing the abatement of penalties for payroll-related assessments.

Our Core Services

KPMG's professionals provide day-to-day assistance to companies on a variety of payroll and payroll tax-related issues. Some primary areas of concern for companies which we provide guidance on and assistance with are: the taxation of specific wage payments, successorship applicability, employee mobility issues and independent contractor concerns. In addition to these issue-based services, KPMG can assist with many distinct employment tax concerns, some of which are detailed here.

Federal and State Employment Tax Refund Services

KPMG can help employers identify and secure refunds associated with the overpayment of FICA, FUTA, and state unemployment insurance taxes that may have resulted from a past merger, acquisition, or reorganization transaction. In regard to the imposition of employment tax penalties and assessments, KPMG professionals can assist companies by working with taxing authorities to help secure abatements or waivers.

Employment Tax Transactional Compliance

In the event an employer engages in a transaction that includes a change of federal identification number or a movement of employees between legal entities, the company must comply with both federal and state reporting guidelines with respect to withholding and unemployment taxes. While many companies use third-party vendors for their payroll or unemployment processing services, most of these third parties do not comprehensively process compliance paperwork. KPMG's Employment Tax professionals can provide:

- State and local payroll tax document completion assistance
- Liaison services between a company and its third-party payroll provider
- Guidance with respect to quarterly and year-end payroll reporting requirements
- Assistance with federal and state payroll tax successorship

When Payroll Issues Become Tax Issues

Federal and state taxing authorities are placing increased scrutiny on specific employment tax areas, including:

- State income tax withholding with respect to employees who provide services in multiple states or jurisdictions
- Compliance with recently enacted state unemployment tax restructuring legislation (SUTA dumping provisions)
- Misclassification of workers as independent contractors
- Effective and efficient amendment of past employment tax returns due to retroactive changes to items of income, timing of compensation, etc.

Payroll Process Reviews

KPMG professionals can review a company's payroll tax processes and procedures to determine if best practices are being used, if the company is properly complying with federal and state employment tax requirements, and if areas of savings opportunity or potential exposure or risk exist. At the conclusion of our review, we can present specific findings (including potential risks and exposures), identify potential savings opportunities, and recommend process improvements.

Tax Controversy Services

Our national network of Tax Controversy professionals can provide in-depth assistance to companies in the event of a federal or state employment tax audit. Such audits often involve worker classification (i.e., independent contractor) disputes, state income tax withholding issues, and state unemployment tax controversies.

Thought Leadership

KPMG is committed to providing thought leadership to our clients—thought leadership that comes from daily, hands-on experience in helping clients address their employment tax issues.

Payroll Insights, a monthly publication from the Employment Tax practice, covers current legislative, regulatory, and case-law developments that may affect federal, state, and local employment taxes and impact tax departments. To subscribe, please send an email including your name, company and email address to us-taxsaltpayroll@kpmg.com. Past editions of *Payroll Insights* can be found on www.kpmgtaxwatch.com.

In addition, the Employment Tax practice regularly holds client roundtables, designed to educate and stimulate conversation, on a variety of payroll issues including worker classification and multistate withholding.

Our People

Our professionals are aligned with KPMG's Tax Dispute Resolution (TDR) Services network, a multidisciplinary team that assists taxpayers with identifying, managing, and mitigating potential tax risks and exposures. Our goal is to help clients prevent disputes before they arise and to successfully resolve those matters that ultimately are subject to challenge by the taxing authorities.

TDR professionals have years of experience and extensive knowledge in numerous industries. Many have joined KPMG from positions with state and federal revenue authorities. Others have come to us from law firms where they focused on tax dispute resolution.

In addition, we can also enlist the services of the KPMG International member firms and our U.S. Dispute Advisory Services practice on your behalf.



Contact

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