

# Managing the Complexity of a Distributed Workforce

## Unincorporated Business Tax: An Opportunity

The COVID-19 pandemic has had profound implications in terms of where employees work and the ensuing tax, legal, and immigration consideration companies must manage. According to a June 2020 PWC study, 54% of CFOs would make remote work a permanent option for their employees.

The tax implications for distributed workforces can be significant, and so could be the savings. With the right capabilities, enterprises have the potential to avoid millions in tax overpayments, but they must be able to navigate the various local tax regimes with high degrees of accuracy: New York City's 4% Unincorporated Business Tax (UBT) raised \$2.14 billion last year through taxing investment-fund managers, law firms, etc., based on the portion of sales or services performed within the city.

With COVID-19, many NYC-based employees have been working outside of the city for months. And for those hedge funds, asset managers, law firms and other partnerships with the right data, this may translate to a direct reduction in taxes due to the City of New York.

The increasing complexity of remote work creates an opportunity for companies to harness these many moving parts to their benefit. Without the proper tools and capabilities, the complexity and rapidly changing landscape can quickly overwhelm its HR, legal, tax, risk management, and finance teams. Non-compliance (accidental or not) and violations of the same laws and regulations can also expose your company to costly audits, penalties, and potentially millions in tax liabilities.

## The Topia Advantage

Topia's Compass application has been successfully deployed by leading global companies of all sizes and reliably processes data for more than 275,000 distributed employees annually. Topia Compass offers advanced planning, collection, and reporting capabilities and delivers a "single source of truth" for the payroll, tax, and finance departments. This information can be used to accurately adjust every employee's specific tax withholdings and payroll instructions with confidence. The data gathered also provides robust and credible evidence to support an audit.

**"Distributed workforces are the new normal in NYC and adjacent states — cumulatively, hundreds of millions in tax revenue are at stake, and we see an opportunity for tax-savvy hedge funds, law firms and UBT-prone businesses to reduce their tax footprint by a substantial 2-3% on average"**

**Tim Noonan**  
Hodgson Russ LLP

## Company challenges pre-Topia

The pandemic has meant new ways of working. For many organizations, this means that most employees are now working from home, and their home may be across city or state borders. This presents significant challenges for the various HR, tax, and finance teams who need to resort to painful manual data collection to try and determine the nature of the work and location for each employee, with low levels of accuracy and reliability. This is also time-consuming for the employees and executives who are now faced with additional distractions operating in an already less-than-optimal environment.

## Post partnership with Topia

Companies are able to leverage Topia's powerful location engine and automatically combine multiple data sources (mobile app, laptop, VPN login, or assistant access) and automatically determine its employee's whereabouts with minimum interruption and with audit-proof accuracy. With this new data in hand, companies are able to avoid overpaying yearly city tax contributions - with some companies saving upwards of \$5 million annually.

The new reality of distributed workforces presents new challenges and opportunities for companies. Topia's Compass application delivers advanced location data and reporting capabilities that are a robust foundation for companies to manage this new world of complexity - with millions at stake

## Navigating Complex County & City Tax Regimes

### NYC

Unincorporated Business Tax (UBT)

### San Francisco

Gross Receipts Tax (GRT)

### Philadelphia

Net Profits Tax & Business Income and Receipts Tax

### Washington, DC

Business Franchise Tax (BFT)

## Connect with us

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