

Multi-State Tax Solutions

THE STATE TAX APPORTIONMENT MANAGEMENT SOLUTION

- Eliminates spreadsheets and manual sales factor calculations
- Leverages Broadridge's proprietary shareholder database to determine assets by region
- Provides substantiating details for tax audits
- Accommodates multiple sales factor calculation scenarios based on the inclusion status of non-transparent accounts
- Reduces risk of improperly filed returns
- Allows the user to create local municipality sales factor reports based on ZIP Codes, such as New York City and NY MTA
- Manage effectively with fewer resources and less time

STATE TAX APPORTIONMENT MANAGEMENT

Broadridge's State Tax Apportionment Management software is an innovative, first of its kind solution that collects, organizes, tabulates and reports on shareholder assets held in all 50 states and US territories. The solution's powerful suite of tools calculates revenue and sales factors by state and product to help accurately assess tax obligations at both the state and local municipality levels.

STATE TAXES AND THE INVESTMENT INDUSTRY

As State governments seek additional revenue to match their expenditures, they are increasing their focus on out-of-state businesses providing services or products to customers in the state. This aggressive strategy uses 'nexus' to determine the threshold activity an out-of-state business can conduct before requiring tax payments. Managing nexus in each state is not an easy task and not filing a state tax return once nexus is met will result in unnecessary penalties, interest, and publicity. Statute of limitations on tax filings do not exist and tax penalties can accrue for an indefinite amount of time. Subsequently, previous returns to other states might no longer be amendable resulting in double taxation on a portion of revenue. But the pursuit of tax revenue is not limited to states. Local municipalities are also pursuing the collection of local taxes.

For Mutual Fund companies and ETF issuers this means increased scrutiny in regards to apportioning and paying taxes owed in states where they have investors. An accurate way to apportion income across all 50 states has never been more vital.

INDUSTRY CHALLENGES

Today's investment industry use of omnibus accounting is challenging for companies in determining the revenue actually received within any state. This challenge makes it difficult to accurately determine taxes due to a state if it is determined that they have nexus within that state. Typically, a company will simply allocate its revenue across states using census data. Not only can this be inaccurate, but also outside the acceptable guidelines of many state tax laws.

TAX APPOINTMENT FIGURE



APPORTIONMENT SALES FACTORS

Because each state has a unique tax law, it is difficult and timeconsuming to determine the income that is taxable in each state. At a minimum within each state's tax code, the calculation of a sales factor is required. The sales factor is straightforward in its calculation and for many states may be the sole factor in calculating taxes (tax equations may also include a property or payroll factor). For a few states, the removal of non-transparent (e.g., omnibus) assets from both the numerator and denominator are allowed. However this approach may increase the percentage of assets allocated to a state and result in a higher tax liability.

MEETING THE INDUSTRY CHALLENGE

With an expansive proprietary database of shareholder data coupled with innovative analytical tools at its disposal, the State Tax Apportionment Management solution leverages unprecedented transparency into individual shareholder positions to determine assets held in each state and US territory.

The Broadridge proprietary shareholder data applies Individual monthly shareholder positions to sum asset holdings associated with each state. A flexible rules engine applies data filters, so income is properly apportioned to an individual state.

PUT THE POWER OF DATA AND TECHNOLOGY TO WORK FOR YOU

The State Tax Apportionment module combines robust state tax models (including separate rules for Regulated Investment Companies and other financial products) with innovative data services, analytics and reporting technology to turn information into a multi-state tax assessment tool. The module taps into an expansive database of Broadridge's proprietary shareholder position repository to provide unmatched visibility into subomnibus account positions across all distribution platforms.

INCREASE THE EFFICIENCY OF THE TAX CALCULATION PROCESS

On a quarterly or yearly basis, Multi-state Tax Apportionment can improve your tax estimation process and provide you with an increase in apportionment accuracy. Individual monthly shareholder positions are available to calculate average asset holdings on a quarterly and yearly basis. The module can then associate the average positions to the state in which they are held. From the state positions, the module can then apportion the income to each individual state. The results will aid the tax manager in determining if the fund has nexus within the state.

PROVEN TECHNOLOGY

Broadridge's State Tax Apportionment Management solution was created in collaboration with clients to tackle a real industry issue. The result is a powerful business application that enables the Chief Financial Officer and Corporate Tax Managers to accurately and easily manage multi-state tax apportionment and meet year-end state and local tax obligations.

Broadridge, a global fintech leader with over \$9 billion* in market capitalization, provides communications, technology, data and analytics solutions. We help drive business transformation for our clients with solutions for enriching client engagement, navigating risk, optimizing efficiency and generating revenue growth. *As of November 2017

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