

---

## Tax Group Launches New Tool, Improves Capabilities

2011-10-25

Executives of public and private companies often receive severance packages, acceleration of equity grants and other benefits when the company for which they work is acquired or otherwise experiences a change in control. Known as golden parachutes, these packages can be lucrative, but they can also come with complex tax obligations, as governed by Sections 280G and 4999 of the Internal Revenue Code. Knowing how to navigate Section 280G is half the battle, and can result in a smooth transition of control and distribution of benefits for executives and acquiring companies alike.

WilmerHale's [Tax Group](#) regularly handles Section 280G matters for clients engaged in mergers and acquisitions, including calculating tax gross-up payments and executive compensation tables in annual proxy statements, and conducting executive compensation planning. Until recently, the group relied on a Microsoft Excel spreadsheet to calculate Section 280G tax implications, but the tool wasn't meeting the Tax Group's expanding business requirements. Additionally, only a limited number of seasoned tax attorneys could use the tool, given its complexity.

In search of a solution that would streamline the processing of Section 280G matters, enhance the Tax Group's capabilities and ensure accuracy in all related work, Tax Partner [Roger Ritt](#) sought experts to assist in the production of a more advanced tool. Ritt partnered with the firm's Information Services (IS) Department to collaborate with independent consultants, including an "Excel guru" and a consultant with a PhD in finance, and in July 2011, a new tool—also built in Excel—was launched, resulting in improved workflow and delivery of service to clients.

"The old tool did what it was designed to do, and made simplified assumptions," says Ritt. "The new tool covers more complex items, and accuracy is greatly improved, so we have all of these capabilities that we didn't have before. These capabilities make our group stand out in the market."

The new tool enables attorneys to determine, with pinpoint accuracy, the items they'll need to address with a client. It also allows users to easily format data presentations for clients, and can calculate to the penny an executive's excise tax exposure and tax liability. While tax lawyers aren't traditionally charged with making these types of calculations, it's a good capability to have, according to Ritt.

Now that the new tool is in place, Ritt and Tax Partner [Bill Caporizzo](#) have begun training fellow tax partners and associates on it. “This will substantially cut the amount of time it takes us to produce 280G reports,” Ritt explains.

The new tool also lends itself to introducing alternative fee arrangements for clients, given its enhanced capabilities. “The same amount of time is required to review the underlying documents, but once it comes to inputting the data, it’s a much smoother process,” says Ritt. “The tool has definitely enhanced our practice.”

To implement the solution, Ritt and Caporizzo partnered with the IS Department’s Business Relationship Management (BRM) and Application Services teams. The BRM team engages practices and administrative departments to understand business challenges and identify solutions, and partners with other groups within IS to deliver those solutions. On the 280G effort, Business Relationship Manager Rich Taylor and Lead Application Engineer Hugh Stafford worked with Ritt to ensure the new tool met the Tax Group’s needs.

“The regulations around Section 280G are extremely complicated,” says Taylor. “Our challenge was to enable a solution that was simple to use and would keep the complex algorithms and technical functions hidden from the user. The solution is founded on the subject matter expertise of Roger and Bill. Thanks to their extraordinary commitment to implementing the design, testing and fine-tuning the solution, the firm now has a technology asset that enables the group to provide the highest level of service to its clients.”

To learn more about the Section 280G tool, contact Roger Ritt at +1 617 526 6475 or [roger.ritt@wilmerhale.com](mailto:roger.ritt@wilmerhale.com).