

When to refer tax work: A checklist for trusted advisors

Not every tax issue is straightforward. This checklist will help you spot scenarios where your client's situation may call for specialized tax support. Tax professionals with expertise in state and local tax (SALT), IRS tax controversy, transfer pricing, and credits and incentives like R&D tax credits and cost segregation can help you add value, reduce risk, and guide your clients toward reaching their financial goals.

Growing Business Expanding into New States

Scenario: Client is adding employees, opening warehouses or offices, or selling into multiple states.

Tax Issue: Potential SALT (State & Local Tax) exposure.

Why It Matters: They may unknowingly owe back taxes, face audits, or miss tax planning opportunities.

Ask Yourself:

- ☐ Is your client now operating or selling in more than one state?
- ☐ Have they hired remote employees or contractors out-of-state?
- ☐ Have they had any state tax audits or compliance questions recently?

Client Is Undergoing or Preparing for an M&A Transaction

Scenario: Client is being acquired, merging, or undergoing diligence.

Tax Issue: Exposure to unresolved tax risks or missed savings opportunities.

Why It Matters: Tax issues can derail deals, reduce valuation, or create post-close liabilities.

Ask Yourself:

- ☐ Has your client asked for help with financial or tax diligence?
- ☐ Do they operate in multiple states or internationally?
- ☐ Is there pressure to optimize EBITDA or reduce audit risk pre-close?

Client Received a State or IRS Notice

Scenario: Client received an IRS or state tax letter—penalty, audit, or information request – now or in the past.

Tax Issue: Urgent need to address tax controversy involving penalties, audit, or collections with the IRS or state tax agencies now and an opportunity for proactive planning (SALT, controversy, transfer pricing) to avoid future issues.

Why It Matters: Delays or missteps can escalate risk, cost, and anxiety.

Ask Yourself:

- ☐ Has your client received a notice about underpayment, penalties, or documentation gaps that they need help resolving?
- ☐ Has your client recently paid a penalty or had a dispute?
- ☐ Would they benefit from proactive guidance such as a review of their tax exposure?

Tech or Manufacturing Client has R&D Projects

Scenario: Technology firm or manufacturer with engineers developing new or improving existing products or platforms.

Tax Issue: R&D tax credit opportunity and potential SALT or transfer pricing implications.

Why It Matters: They may leave thousands of dollars in credits unclaimed or misclassify expenses.

Ask Yourself:

- ☐ Does your client spend significantly on product or platform development?
- ☐ Are they unsure about how to properly document or claim R&D credits?
- ☐ Are they capitalizing or amortizing R&D expenses in accordance with new IRS rules?

Real Estate Developer or Architect Is Starting a New Construction Project

Scenario: Client is designing or building new commercial/government facilities.

Tax Issue: Eligibility for cost segregation and energy-efficient design incentives (179D).

Why It Matters: Studies can accelerate depreciation and create tax savings.

Ask Yourself:

- ☐ Is your client involved in government or institutional construction projects?
- ☐ Have they recently completed or started a new build?
- ☐ Do they want to maximize cash flow from real estate?

Business Has Foreign Operations or Related-Party Entities

Scenario: Client has subsidiaries, affiliates, or intellectual property (IP) licensing arrangements across borders.

Tax Issue: Transfer pricing risk or compliance gaps.

Why It Matters: Inappropriate intercompany pricing and improper documentation can trigger audits, penalties, or additional tax costs.

Ask Yourself:

- ☐ Does your client sell to, purchase from, or operate in other countries?
- ☐ Are there related-party transactions involving products, royalties, services or loans?
- ☐ Do they have formal transfer pricing documentation and is it up-to-date?

Business Is Planning a Major Capital Investment or Renovation

Scenario: Client is upgrading a facility or making large capital purchases.

Tax Issue: Missed opportunities for cost segregation or energy-related incentives.

Why It Matters: Cost segregation studies can free up cash flow via accelerated depreciation.

Ask Yourself:

- ☐ Is your client investing \$500K+ in a building or upgrade?
- ☐ Are they installing energy-efficient systems?
- ☐ Have they previously done a cost segregation study?

PE Firm Has Portfolio Companies with Complex Tax Needs

Scenario: You advise a private equity (PE) firm with a multi-state/multi-jurisdictional portfolio.

Tax Issue: SALT, transfer pricing, credits, or tax controversy issues.

Why It Matters: Tax issues could lower valuation and introduce deal risk.

Ask Yourself:

- ☐ Do you work with portfolio companies facing growth or integration challenges?
- ☐ Are you involved in diligence or value creation planning?
- ☐ Would tax insights improve efficiency across the portfolio?