



One Firm WorldwideSM



STATE AND LOCAL TAX COUNSELING

EXPERIENCED GUIDANCE FOR NAVIGATING COMPLEX STATE AND LOCAL TAX LAWS

One of the greatest challenges for any tax practitioner is staying abreast of changes in state and local tax laws. For a multistate business, this challenge is magnified not only by the number of jurisdictions in which the business operates, but also by the financial implications for the business. State and local taxes continue to increase, with the cumulative burden of income, gross receipts, net worth, sales and use, business license, and property taxes approaching half of all taxes paid by the typical business. Because state and local tax laws are not uniform across the country, multistate businesses face a labyrinth of conflicting rules and a host of complex tax problems. It is not unusual for companies that have not focused resources on the management of state and local

taxes to find themselves paying significantly more in state and local tax than their competitors.

For several decades, Jones Day's State and Local Tax practice has assisted clients in responding to the challenges created by this complex tax environment. Drawing on our extensive experience, we routinely advise businesses on multijurisdictional tax disputes, complex business transactions, and tax compliance projects throughout the United States. Jones Day's customized counseling, dispute resolution, and transactional planning help businesses develop, maintain, and defend tax-efficient structures that complement operational activities. While most law firms focus either on litigation matters or on limited aspects of state and local matters, our focus is overall tax planning, taking into account the interaction of our clients' particular business plans and all relevant local, state, federal, and international tax laws. We strive to

resolve tax issues efficiently and, when possible, confidentially, to reduce unnecessary audit exposure.

TARGETED TAX PLANNING

By creating innovative strategies specifically suited to each business, Jones Day helps multistate companies turn the patchwork of conflicting state and local tax laws to their advantage. Working with company personnel and drawing from our experience and knowledge of state and local tax laws, we assist companies in identifying refinements to their operational structures that complement and advance their overall business strategies while providing the additional benefit of reducing state and local taxes. A business structure that takes state and local tax considerations into account increases the business's competitiveness through improved cash flows, higher margins, and greater profitability.

Jones Day regularly assists clients in planning and implementing successful organizational structures that reduce unnecessary tax burdens. We have comprehensive state, federal, and international tax experience in evaluating the choice of legal entities; placement of corporate, pass-through, and hybrid entities within the overall business structure; and tax-efficient financing options. Our lawyers analyze all tax aspects of potential acquisitions, dispositions, spinoffs, and reorganizations; help structure the transactions; and negotiate the tax terms of the principal transaction documents.

Our State and Local Tax lawyers have multistate due diligence experience with mergers, acquisitions, and other reorganizations. We regularly assist clients in avoiding unnecessary successor liability and identifying and reducing potentially applicable sales, use, real estate transfer, gross receipts, motor vehicle, stock transfer, capital stock, and other transactional taxes. We routinely work with clients to qualify for tax exemptions, obtain tax clearance, and mitigate unavoidable taxes through appropriate negotiations.

Our State and Local Tax team also helps clients arrange and implement business transactions that reduce unnecessary tax burdens by utilizing favorable tax characteristics, forms of transactions, and jurisdictions. When the state tax treatment of transactions is unclear, advance rulings provide a cost-effective approach to significantly reducing an entity's state and local tax burden. We have comprehensive experience in negotiating multistate tax compliance agreements, voluntary tax disclosures, and taxability determinations to quantify or reduce past and current tax exposure. Through our extensive

network of contacts with state and local tax officials, we simplify and streamline the inquiry and negotiation process, allowing our clients to concentrate on their business.

Jones Day has broad state and local tax experience in various industries, including automotive, chemicals, construction, consumer products and retail, consumer services, e-commerce, electronics, energy/utilities, financial, health care, hospitality, manufacturing, media, metals and mining, oil and gas, pharmaceuticals, real estate, semiconductors, software, technology, telecommunications, and transportation.

We have been very successful in assisting clients with tax-efficient acquisitions, dispositions, spinoffs, and other restructuring transactions. While most of Jones Day's transactional representations remain confidential, a few examples of our transactional experience include:

- Assisting a *Fortune* 500 company in analyzing options for segregating and marketing certain noncore assets and reducing state and local transactional taxes and state income tax by more than \$10 million.
- Counseling a large transportation company on the sales tax treatment of a complicated investment transaction and assisting in obtaining a refund of more than \$25 million.
- Assisting a large venture capital company with critical due diligence in connection with an acquisition and negotiating a multimillion-dollar purchase price reduction for the seller's undisclosed state and local sales, use, and income tax exposure. Following the closing, Jones Day helped the purchaser further reduce its tax costs by obtaining voluntary disclosure agreements and private letter rulings that eliminated millions of dollars of state and local tax exposure.
- Counseling a *Fortune* 500 company on options for integrating newly acquired businesses and eliminating unnecessary entities in a manner that saved more than \$1 million of transfer taxes.

BROAD EXPERIENCE

Jones Day is one of the few law firms with experienced state and local tax attorneys in offices located in each major region of the country. Jones Day's State and Local Tax team comprises more than 30 highly skilled attorneys, who have significant experience in matters involving nexus, unitary businesses, combined returns, apportionment, factor relief, pass-through entities and partnerships, e-commerce taxability and sourcing, income tax accounting, sales and use taxability and exemptions, property tax valuation and exemptions, mergers, acquisitions, dispositions, restructurings, compensation, bankruptcies

and workouts, unclaimed property, and economic development tax incentives for new or expanded operations. Our nexus experience includes more than 20 years of representing retailers, internet sellers, direct sellers, and call centers.

Our lawyers combine extensive experience with an understanding of the latest developments in numerous fields. Many have been ranked among the world's outstanding tax attorneys. Members of the State and Local Tax team have been recognized by the American College of Tax Counsel, *The National Law Journal*, *Who's Who Legal*, and *Chambers USA*; they have also appeared in numerous "Best Lawyers" and "Super Lawyers" rankings. Members of the team serve as law-school adjunct faculty and frequently appear as featured speakers at continuing legal education seminars, including those sponsored by the American Bar Association, BNA, CCH, the Tax Executives Institute, the Institute on Property Taxation, the Institute for Professionals in Taxation, the Federation of Tax Administrators, and the Council On State Taxation.

Members of our team often author articles for the *Journal of Multistate Taxation and Incentives*; *The State and Local Tax Lawyer*; *State Tax Notes*; the *Journal of State Taxation*; and publications from BNA, CCH, Matthew Bender, and the American Bar Association. Jones Day lawyers wrote the very successful *CCH Sales and Use Tax Nexus: Practical Insights and Strategies* and *A Lawmaker's Guide to Nexus (Doing Business in the State)*. In addition, our lawyers have headed ABA committees and served on advisory boards of the New York University Institute of State and Local Taxation, the Hartman Tax Institute, and the University of Wisconsin Multistate Corporate Tax Board. They have served on the BNA Tax Management State Tax Advisory Board, the CCH State Tax Advisory Board, and the RIA Business Entities Editorial Board. Our lawyers include former Assistant Attorneys General and Administrative Law Judges and others who have served on various tax administrative boards and committees, such as the advisory committee of the Georgia Department of Revenue; advisory boards of the New York State and City Departments of Taxation and Finance and Tax Appeals Tribunals; and the Texas Comptroller's Taxpayer Advisory Group.

TAX CONTROVERSY REPRESENTATION

Efforts to reduce tax burdens sometimes collide with aggressive taxing authorities, resulting in the need for tax controversy representation. Through our close professional relationships with state tax agencies and state attorneys general, we resolve state and local tax controversies at all

levels. "Knowing the players" and understanding the "unwritten policy" add significantly to our ability to resolve tax controversies successfully. In appropriate situations, our tax lawyers partner with our talented Trial Practice and Issues & Appeals lawyers to ensure that the best talent available is focused on achieving a successful result for our clients. The Jones Day team has broad experience in tax controversies, having successfully resolved numerous contested audits; prevailed in many administrative hearings; and obtained a number of significant victories in courts throughout the country, including multiple appeals before the U.S. Supreme Court. The Firm's State and Local Tax litigators have achieved victories for clients in cases dealing with such matters as tax nexus, unitary businesses, manufacturing exemptions, apportionment and "throwback rules," business vs. nonbusiness income, alleged "sham transactions," property valuation, and debt vs. equity. We have represented a substantial number of taxpayers/defendants in purported tax class-action proceedings throughout the U.S., and have defended taxpayers against the dramatically growing practice by municipalities of issuing large tax assessments. We provide a first-class winning strategy at every level, from audit to final appeal.

FULL-SERVICE BUSINESS TAX PRACTICE

Jones Day's State and Local Tax practice is an integrated part of an extensive worldwide business tax team. Our team includes more than 100 lawyers located in eight U.S. and seven non-U.S. offices. The Tax Practice covers U.S. federal income taxes, state and local taxes, and taxes assessed by foreign jurisdictions. The practice provides advice on tax planning, controversies, and legislative and regulatory matters. Through the various offices of the Firm, both in the U.S. and beyond, Jones Day tax lawyers are able to respond to the multijurisdictional concerns that clients frequently encounter.

The Firm's international tax presence has grown in response to the increasing globalization of business. Jones Day tax lawyers resident around the world have experience in the tax systems of most of the major developed countries and in many cases are nationals of and admitted to practice in those countries. Our tax lawyers are experienced in handling complex international transactions, such as cross-border investments, and in restructuring businesses to reduce multinational tax exposure. The Firm not only provides U.S. and non-U.S. tax advice on inbound and outbound investments, but also has the capability in most countries that are major U.S. trading partners to provide related legal advice in other disciplines (including

corporate, antitrust, trade, contracts, and dispute resolution). The Firm's lawyers who are qualified in non-U.S. tax law have considerable experience in dealing with U.S. businesses and are familiar with U.S. business needs, priorities, and methods. In addition, the Firm's U.S.-based tax lawyers provide advice on Subpart F, transfer pricing, PFIC, foreign tax credits, sourcing, §936, deduction allocation, and FIRPTA matters.

The Firm has long provided sophisticated federal and state tax advice to privately and publicly held corporate clients that are in the process of acquiring or divesting businesses. Our lawyers participate in the planning for a large variety of such transactions, including mergers and acquisitions (taxable and tax-free), dispositions, and spinoffs. The Firm also provides counseling on the tax aspects of significant internal corporate matters, including restructurings, reviews of proposed transactions, and advice on tax-return reporting positions. Our tax lawyers advise on the tax implications of transaction alternatives, help develop appropriate deal structures, and draft and negotiate the tax provisions of related documents.

The Firm's tax attorneys also have extensive experience with tax-sensitive financial products and techniques and with the tax aspects of financings generally. This experience extends to the international arena, where differing tax, regulatory, and accounting treatments between and among jurisdictions

can provide significant benefits. Our tax lawyers have been active in developing new tax-advantaged products, including structured-finance products, often working closely with investment bankers and others in the business community. The Firm does extensive work with more traditional tax-oriented financial products, such as different types of leases and municipal bonds, as well as with asset securitization structures.

Jones Day is One Firm Worldwide—one integrated partnership operating in all our locations. Our organizational structure avoids the staffing shortcomings of many firms whose structure rewards the use of local personnel, whether or not those persons are the most qualified for the specific project. Our structure, focused on client service, uses the best-qualified team for each client project, regardless of where those lawyers are located.

ADDITIONAL INFORMATION

For additional information regarding the State and Local Tax practice, please contact your principal Firm representative or one of the lawyers listed below. General email messages may be sent using our "Contact Us" form, which can be found at www.jonesday.com.

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