



Case Study: Tax Administration Outsourcing Bank Leasing Case Study

OSG Saves a Fortune 500 Bank Leasing Organization \$500,000

Industry: Leasing

Client Profile: Fortune 500 Banking Leasing Organization

The Challenge

This organization had four separate incidents that included duplicate assessments of an acquired portfolio, duplicate assessment of assets reported by lessee, a lessee claiming that they already reported and paid the property taxes, and that a prior property tax service provider erroneously reported exempt equipment as taxable. As a result of these issues this organization was spending more time and resources to solve tax issues that took away from core business competencies and goals.

The Solution

OSG looked at all the tax issues related to this organization and developed a plan of strategy for cost-efficiently resolving each issue and ensuring the smooth resolution of tax issues.

Duplicate Assessment of Acquired Portfolio

When clients acquire leasing portfolios, OSG proactively notifies the jurisdictions of a change in ownership. OSG is aware that rollover assessments may still occur and therefore monitors the value notification and tax payment process to limit and correct duplicate assessments. Our expert staff identified this problem and timely filed an appeal to force the jurisdiction to close the prior year account. Because tax liens attached to property are as of the assessment date, the jurisdiction has the legal right and obligation to collect the taxes. By forcing the jurisdiction to correct their error of double assessment, OSG halted the jurisdiction's attempt to collect the erroneous tax.

Duplicate Assessment of Assets Reported by Lessee

The lessee notified the client that the invoice for tax reimbursement was duplicating the tax for the same assets they reported to the jurisdiction. OSG's investigation confirmed that the assets were being assessed to both parties. OSG worked with lessee and jurisdiction to secure a \$275,000 refund for the lessor. In this case, the client was aware of special filing requirements granted to the lessee but failed to exclude the lease from processing. Going forward, OSG provides a questionnaire that will prompt the client to think about special exclusions.

Noncompliant Reporting by Lessee - Back Assessment for Lessor

The lease contract language clearly indicated that the lessee was responsible for (1) filing property tax renditions and (2) paying the resulting property taxes on the equipment leased from the lessor (OSG's client). An audit by the taxing jurisdiction, of lessor's account, identified that the assets were never reported to the taxing jurisdiction. The jurisdiction back-assessed the lessor's account and applied penalties for failure to report these assets.

The lessee initially refused to reimburse the lessor for the back taxes, stating the taxes for the leased assets were included in their company's assessment. OSG worked with the auditor and determined the assets were not included in the lessee's rendition. Based on OSG's findings, the lessee ultimately reimbursed the client for the back taxes and penalties.

Assessment of Exempt Equipment

OSG took over tax administration from the previous service provider. OSG performed a property tax compliance review on the portfolio. The compliance review identifies any material or questionable deficiencies related to property tax administration. OSG reviews asset classifications, taxability, jurisdiction assignment and timeliness filings of tax payments. By comparing anticipated results to what actually occurred under the former service provider, OSG is able to identify potential deficiencies.

OSG discovered the previous provider erroneously classified several exempt vehicles and an aircraft as taxable. These exempt assets were reported to the jurisdiction and taxed. OSG filed an appeal to correct the classifications and was successful in the removal of \$115,000 in erroneous tax liability.

The Results

Through the efficient and detailed management of this tax issues, OSG was able to help this client save or recoup about \$500,000 as well as enable their personnel to direct their attention and resources back to core business functions..

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