



Allegheny Energy Discovers New Power Source for Corporate Income Tax Management

By Pat Bryant, BNA Software

Allegheny Energy owns and operates 20 power plants, providing electricity to almost 1.5 million customers in Maryland, Pennsylvania, Virginia, and West Virginia. The company, with \$3 billion per year in revenue, is considered a large case taxpayer with the IRS's LMSB unit and as a domestic taxpayer, has a number of complex tax issues that it regularly complies with and plans for.

Recently the company began to look at additional software that it could use to plan and streamline its IRS audit management process. The IRS agents indicated that they were going to be using BNA Corporate Tax™ Analyzer from BNA Software in their next audit of Allegheny, so the company began to take a detailed look at the program's potential uses. At first glance, Allegheny assumed the software would only help improve communication and interaction with the IRS, but the company soon discovered that this all-around "power tool" was ideal for solving far more of Allegheny's corporate income tax challenges.

It All Started with the IRS

Allegheny's 17-person tax department deals with the many complexities of IRS audit exams, including multi-year calculations of attributes such as net operating losses (NOLs), carryback claims, amended returns, taxable income adjustments, Change in Accounting Method elections, Joint Committee issues, IRS Technical Advice memorandums as well as IRS Appeals. Relying on manual efforts and Excel spreadsheets to support the audit process was getting the job done; however, it prevented Allegheny from gaining the visibility needed to quickly optimize complex outcomes.

BNA Corporate Tax Analyzer appeared to have the potential to be integrated with Allegheny's current IRS management process and serve as a potential best practice tool for the company's continuous improvement processes that it was implementing.

Allegheny viewed the purchase of the software as a way to be consistent and improve currency time with the IRS. With a little help from BNA Software Technical Support, Allegheny became quickly familiar with how to use BNA Corporate Tax Analyzer to manage corporate income tax and IRS audits. "We gained immediate confidence in the BNA team thanks to their expertise in federal income tax issues," explained Bill Rowe, General Manager of Tax Planning for Allegheny Energy.

Gaining Visibility and Control of the Audit Process

With BNA Corporate Tax Analyzer, Allegheny now brings a high degree of confidence to the table in working with the IRS for audits. The software handles the complexities of calculating multi-year tax attributes such as NOL carrybacks and carryforwards, and keeps pace with frequent federal tax law changes automatically. Allegheny can validate results and assess proposed adjustments in real time, even taking the software on a laptop to Appeals for instant analysis.

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"We've literally saved weeks of effort around the audit process using BNA Corporate Tax Analyzer," said Rowe, "It gives us the power we need to easily administer a very burdensome large case exam with a small staff." Before BNA Corporate Tax Analyzer, Allegheny spent at least a week crunching numbers in Excel in support of large exams. Now, the calculations are done accurately in less than an hour.

Conquering the Paper Chase

The tax department at Allegheny previously spent large amounts of time managing the paper-based stream of IDRs, 5701s, and other pieces of audit documentation. With BNA Corporate Tax Analyzer, Allegheny has significantly reduced the paper-based workflow of the past. Allegheny scans IDRs and 5701s into a permanent, easy-to-retrieve electronic format and stores them within the BNA Corporate Tax Analyzer database. Beyond creating an electronic workflow for IRS audits, Allegheny now shares data in electronic format between BNA Corporate Tax Analyzer, other software tools such as tax compliance software, and external consultants.

Power and Flexibility Solves Many Corporate Tax Challenges

What began as simply an audit tool, turned into a one-stop solution for the tax department. As Allegheny gained experience using BNA Corporate Tax Analyzer, it discovered how effective and powerful the software can be in many areas of corporate income tax management. Allegheny now depends upon the tool for complex, multi-year tax calculations, strategic and tax planning, modeling, and FIN 48 analysis.

With real-time tax calculations for NOL and AMT, Allegheny can better manage and optimize use of these tax attributes. The software helps the tax department immediately determine the company's effective tax rate and any impact of changes to federal tax law. Allegheny also uses it to conduct analysis for FIN 48 requirements. And BNA Corporate Tax Analyzer simplifies handling of Section 199 and setting up initial interest-netting calculations and state taxes.

All together, the combination of BNA Corporate Tax Analyzer's capabilities with built-in tax expertise from BNA keeps Allegheny well positioned to optimize tax performance in a fluid tax environment. "It is a powerful tool with great flexibility," commented Rowe, "It's nice to discover a product that actually does far more than you expect it to."

Fully Optimizing Tax Performance

With BNA Corporate Tax Analyzer, Allegheny reduced the effort and time required for IRS audits, and can now use that time more effectively for modeling various tax planning outcomes. "The significant advantages we gain more than pays for the software," said Rowe, "We can now make decisions that we know with certainty are the most tax advantageous."

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