

“The BNA solution—software and expert consulting services—helped us shorten the audit cycle and expedite a refund.”

—Patty Conte, Senior Manager, Tax Department, Lucent Technologies Inc.

# Lucent Calls On BNA to Facilitate IRS Audit Process

*BNA Corporate Tax™ Analyzer and on-site expertise combine to ensure accurate calculations of federal income tax attributes*

## Challenge:

Manage and document complex tax attributes and calculations for Lucent’s federal income tax audits.

## Solution:

BNA Corporate Tax Analyzer from BNA Software

## Results:

Using BNA Corporate Tax Analyzer and BNA on-site, expert consulting services, Lucent fast-tracked an IRS audit and expedited a refund.

Lucent Technologies Inc. is a global leader in telecommunications equipment, services, and software. With revenues of \$9.4 billion, Lucent’s federal income tax practice is significant and IRS audits are a fact of life for the Lucent tax department.

## Acquisitions and Spin-Off Trigger NOL Complexities

Lucent’s tax department works together with the IRS on a full-time basis. At any one time, there are normally several tax years open for audit, with many months of work being required to close out each tax year.

In the years following Lucent’s spin-off from AT&T, several factors converged that convinced Lucent’s tax group that a tool was required to more efficiently and accurately deal with IRS audits. Through a series of acquisitions, entities purchased by Lucent were being added to the company with carryovers and attributes that needed to be accounted for in Lucent’s return. In addition, a net operating loss (NOL) occurred that Lucent needed to carry back. The NOL triggered a domino effect of tax complexities, including foreign tax credit, general business credit, and AMT, that required a sophisticated audit and analysis tool.

## On the Same Playing Field as the IRS

Lucent selected BNA Corporate Tax Analyzer to help it handle the ever more challenging tax attributes and calculations that apply to Lucent’s tax situation. The fact that the IRS also uses BNA Corporate Tax Analyzer for

audits clinched the deal for Lucent. With large federal income tax refunds requiring Joint Committee approval and the IRS submitting its reports to the committee using BNA Corporate Tax Analyzer, Lucent realized it would help ensure a smoother, quicker process by using the same product. Once Lucent began using BNA for its federal audit work, the tool and BNA’s expertise were truly put to the test.

## Driving for a Quick Closeout

Accurately and quickly modeling the NOL carrybacks and other tax attributes became a critical issue for Lucent when it needed to close out an open audit as quickly as possible. Upon receiving Joint Committee approval for a significant refund, Lucent needed to close the current audit in order to receive the cash as soon as possible.

Lucent selected BNA for both its product and subject matter expertise in order to ensure the rapid completion of the audit, as well as the acceptance of the case by the Joint Committee in Washington. Within two days of contacting BNA, a taxation law expert from BNA Consulting Services was on-site to assist Lucent with its audit effort.

## BNA Taxation Law Expertise Expedites Audit Process

With the help of the corporate taxation expert from BNA, Lucent was able to accurately and efficiently model all of the issues involved in the audit, including the federal net operating loss carryback, carryforwards, foreign tax

### Lucent Technologies Inc.

- Global leader in telecommunications equipment, services, and software
- Number of employees: 30,200
- BNA Corporate Tax Analyzer is Lucent's primary tool for IRS audit analysis and documentation

credits, alternative minimum tax, suspension of a research credit, and other general business credits. As an independent source trusted by both the IRS and corporate taxpayers alike, the BNA expert consultant was able to analyze files from both the IRS and Lucent to identify and reconcile differences.

"The BNA consultant was a huge help. With all these attributes, there are lots of 'moving parts' involved in the calculations. BNA helped make sure it all tied together correctly," commented Patty Conte, Senior Manager in Lucent's tax department, who works full-time on IRS audits.

### Working Side-By-Side with the IRS

Critical to expediting the audit process was being able to work together with the IRS, shadowing the IRS agent's work and analyzing proposed adjustments as they came up. With BNA Corporate Tax Analyzer, Lucent had insight during the course of the audit into the impact of its tax adjustments. "With BNA, we knew in real time the impact of proposed IRS adjustments," said Conte.

"In addition to working directly with me and the IRS to help create an accurate report, the BNA consultant explained how BNA Corporate Tax Analyzer applies the tax law in its calculations. Her technical knowledge of issues such as foreign tax credits and SRLY (Separate Return Limita-

tion Years) was extremely helpful. She helped us every step of the way." With on-site expertise from BNA, Lucent was able to take the lead and manage the audit process to a faster completion.

### BNA's Total Solution Results in Faster Refund

With BNA Corporate Tax Analyzer and BNA on-site, expert consulting services, Lucent was able to close out the audit quickly and receive its refund faster. Going forward, Lucent will continue to use the BNA audit tool to analyze and document complex tax calculations for all of its federal income tax audits. And it knows that BNA is ready to help with qualified technical support anytime Lucent calls. According to Conte, "BNA's responsiveness is excellent."

### About BNA Software

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