

# Mergers and Acquisitions Forum

## Course Outline

### Introduction to Mergers and Acquisitions

- Positioning Payroll
  - Payroll Responsibilities
- Terms and Definitions
  - Common Terms
    - Acquisition
    - Asset Purchase
    - Divestiture
    - Predecessor
    - Predecessor Employer
    - Reorganization
    - Spin off
    - Statutory Merger or Consolidation
    - Stock Purchase
    - Private Equity
  - Comparison Chart

### Social Security and Medicare Taxes

- Overview of FICA Taxation
  - Social Security
  - Medicare
  - Reporting
    - Form 941
    - Form W-2
- Common Paymasters and Agents
  - Common Paymaster
    - Who is considered related?
    - What is a common paymaster?
    - What is concurrent employment?
  - Agent
- FICA Options According to Merger/Acquisition Type
  - Asset Purchase
  - Multiple successors
  - Single successor
  - Asset Acquisition
    - Standard procedure
    - Alternate procedure – Revenue Procedure 2004-53
  - Statutory Merger or Consolidation
    - Form 941
    - Forms W-2
    - Federal wage base (social security, Medicare and FUTA) credits
  - Stock Purchase

- Schedule D (Form 941)
  - Schedule D Overview
    - Revenue Procedures 62-60 and 2004-53
    - When to file Schedule D
    - How to file Schedule D
  - Completing Schedule D (Form 941)
    - Your Business Information
    - Tax Year of Discrepancies
    - Type of Submission
    - Part 1: Background Questions
    - Part 2: Tell about the discrepancies
    - Part 3: Multiple Schedule D (Form 941) for any calendar year
- Schedule R (Form 941)

### Withholding and Reporting

- Taxation Overview
  - Income Tax
    - Federal Income Tax (FIT)
    - State Income Tax (SIT)
    - Local Income Tax (LIT)
    - Paid Family and/or Medical Leave Contributions
  - Reporting
    - Form 941
    - Form W-2
    - Ceasing to pay wages
- Federal Tax Withholding and Reporting Options According to Merger/Acquisition Type
  - Asset Purchase
  - Asset Acquisition
    - Standard procedure
    - Alternate procedure – Revenue Procedure 2004-53
  - Statutory Merger or Consolidation
  - Stock Purchase

### Unemployment Taxes

- Federal Unemployment Tax
  - FUTA Requirements and Reporting
    - Coverage Tests
  - Options under a Statutory Merger or Consolidation
    - Federal wage base credits
  - Options under a Stock Purchase
  - Options under an Asset Purchase
- State Unemployment Taxes
  - SUI Overview

- Withholding unemployment contributions
- State Unemployment Tax (SUTA) “Dumping”
  - State enforcement
- Employees Working in More Than One State
  - Rules to consider
  - Taxable wages
- Experience Rating Systems
  - Reserve ratio
  - Benefit ratio
  - Benefit wage ratio
  - Payroll decline or payroll variation (stabilization)
- Transfers
  - Transfer of SUI experience rating
  - Qualifying periods for tax rates based on experience
  - Transfer of experience
  - Successor’s rate determination
  - Impact of SUI wage base credit
  - Potential savings for an organization
  - Wage transfer between states
- State Relief From Benefit Charges
- State Requirements and Reporting
  - Voluntary contributions
  - Timeliness of requests
  - Joint accounts
  - Combined state filing, separate federal filings cause problems
  - IRS response
  - Inactive accounts
  - Analysis of rate notices of successor/predecessor
- Strategic Planning and Implementation Issues
  - Stock purchase
  - Statutory merger or consolidation
  - Asset purchase
  - Total acquisition
  - Management agreements
  - Reorganization of existing entities
  - State disability Insurance (SDI)
  - States with a workers’ compensation payroll tax

# Mergers and Acquisitions Forum *Cont'd*

## More Payroll Issues Impacted by a Merger or Acquisition

- Wage Attachments
  - Child Support
  - Federal or State Tax Levy
  - Creditor Garnishment
- Wage & Hour Issues and Cafeteria Plans
- New Hire Reporting
- Form I-9
  - Statutory merger or consolidation
  - Stock purchase
  - Asset purchase
- Form 1099 Series Reporting
  - Standard procedure
  - Alternate procedure - Revenue Procedure 99-50
- Record Retention Requirements According to Type
  - Asset purchase
  - Stock purchase and statutory merger or consolidation
- Federal Record Retention Requirements
  - OSHA documents
  - IRS/SSA/FUTA documents
  - FLSA documents
  - FMLA documents
  - IRCA documents
  - Supplemental documents
- State Record Retention Requirements
  - State unemployment records
  - Wage and hour records
  - Stock purchase
  - Statutory merger or consolidation

## Preparing for a Merger or Acquisition

- Building an Acquisition Committee
  - Transition Coordinator
  - Payroll and Payroll Taxes
  - Human Resources and Benefits
  - Information Systems
  - Financial Accounting
- Due Diligence
  - Taxes
- Timeliness of tax returns

- Accuracy
- Timeliness of tax payments
- Review of general ledger payroll liabilities
- Outstanding tax issues
  - Exempt/Nonexempt Classification
  - Miscellaneous Income and Benefits
    - Company-provided airplane
    - Company-provided automobiles
    - Employee loans
    - Moving Expenses
    - Golden parachutes
    - Stock options
    - Nonqualified deferred compensation
    - Restricted stock
- Planning the Merger or Acquisition
  - Changing Payroll Frequencies, Workweek, and Pay Dates
    - Effective date
    - Payroll frequency of predecessor/successor
    - Tips to successfully change pay periods/frequency
    - Initial pay period ending under successor
    - Changing workweeks
    - Initial check date under successor
    - Paying employees with payroll cards
    - Outsourcing
  - Reduction in Workforce
    - WARN Act issues for a reduction in workforce
    - California notice requirements for mass layoffs
    - COVID-19 Impact
  - Organizing the Work
    - Automating the interface of data
    - Acquisition time line
    - Manual input of data
    - Staffing requirements for short-term and long-term
    - Develop an acquisition package for new unit(s)
- New payroll, HR and accounting procedures
- New employee benefits
- Gathering Information from the Predecessor
  - Merger & Acquisition Payroll Transition Checklist
  - Personnel and Payroll Information
    - Stock purchase and merger or acquisition
    - Asset purchase
  - Miscellaneous Information
    - Locations
    - Contacts for payroll, HR, and IT
    - Federal, state, and local withholding EINs
    - Local tax rates
    - SUI identification numbers and tax rates
    - State workers' compensation tax rates
    - Wages for FICA, FUTA and SUI/SDI
    - 401(k) and other deferred compensation deductions
    - Union vs non-union employees
    - Manuals or employee handbooks associated with HR policies and procedures
    - Types of earnings and deductions
    - PTO balances
    - Software applications and platforms
    - List of third-party administrators
    - List of interfaces to payroll system
    - First Payroll After Merger
- Payroll Tax Checklists
  - Stock Purchase Payroll Tax Checklist
  - Merger or Consolidation Payroll Tax Checklist
  - Asset Purchase Payroll Tax Checklist
  - Merger and Acquisition Payroll Transition Checklist