

# Transaction Cost Analysis

M&A Tax



## Transaction Cost Analysis

Millions of dollars are paid to investment banks, legal counsel, accounting firms, and other service providers in connection with major transactions such as mergers, acquisitions, divestitures, stock issuances, spin-offs, and bankruptcy. The tax treatment of these costs can have a significant and direct impact on a deal's value, or in the case of bankruptcy, a company's revitalized financial strength.

The tax treatment of transaction costs is, generally, based on the facts and circumstances of the transaction and the nature of the professional services performed. Applying the transaction cost rules for bright-line dates, safe harbors, and success-based fees can be challenging.

KPMG LLP's (KPMG) Mergers & Acquisitions Tax (M&A Tax) professionals provide Transaction Cost Analysis (TCA) services to shed light on these complex tax rules and help companies obtain valuable tax benefits. We use a streamlined and efficient approach that reduces the burden on company personnel and service providers while providing a work product that incorporates the necessary analysis and documentation of the tax treatment of these transaction costs.

### **KPMG cuts through the complexity of the transaction cost rules**

Notwithstanding the existence of Treasury regulations, Internal Revenue Service (IRS) administrative materials, and judicial decisions addressing the tax treatment of transaction costs, significant uncertainty remains.

As part of our TCA services, KPMG seeks to cut through this uncertainty and complexity, helping to

resolve your transaction cost issues and preparing documentation to support your tax positions. As part of our TCA services, we:

- Gather and review invoices, engagement letters and correspondence, public data, board minutes, and other information related to the transaction and services performed in connection with the transaction
- Reconcile invoices to the general ledger
- Interview appropriate company personnel to understand and document relationships with service providers and events leading up to the transaction
- Discuss, and document, as necessary, the nature of the services provided by advisers
- Evaluate which entity(ies)/group(s) benefited from the costs incurred
- Determine the effects of electing the safe harbor for allocating success-based fees
- Analyze the tax rules applicable to each cost, as well as the proper reporting of such
- Document our conclusions in a well-reasoned technical analysis.



## Your transaction cost needs

We can deliver a complete set of workpapers that help provide an “audit trail” from each invoice to your general ledger and ultimately to the tax return, or we can address a particular technical issue or cost. We tailor our approach to meet your needs.

Our deliverables provide essential support in the event of an IRS audit.



## Our TCA experience

KPMG’s M&A Tax professionals have performed and reviewed hundreds of TCAs, as well as helped clients successfully resolve transaction cost matters upon IRS audit. Our professionals have also authored a number of externally published articles that analyze the transaction cost rules and their potential business impact.

We understand how deals work and the role that investment bankers, legal counsel, accounting firms, and other outside advisors play in an M&A transaction. We have efficiently worked with numerous large investment banks and law firms to help secure required documentation and analysis without requiring significant time from company personnel and service providers. Our well-organized approach permits us to deliver TCA projects in a timely and efficient manner.



## Contact us

For information about KPMG’s Transaction Cost Analysis Services or M&A Tax Services in general, please contact the following KPMG M&A Tax professional:

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