



## CLIENT SPOTLIGHT

## McDonald's is lovin' cosourcing

For the last 12 years, McDonald's, the world's leading global food service retailer, has cosourced its US tax compliance work. The cosourcing arrangement covers more than 300 foreign tax returns (Forms 5471, 8858, and 8865) and 380 state tax returns, including 150 municipal returns. The company began working with Deloitte in 2009.

According to Marcy Miller, McDonald's senior director, Corporate Tax, a number of factors led McDonald's to the strategic decision to cosource, including the challenges of recruiting and retaining the right talent. "It's difficult to find people," Miller says. "And the more staff we have, there is inevitably more turnover, which creates a need to spend more time on recruiting versus time that could be spent elsewhere." With a cosourcing arrangement, her staff gets to be in a review capacity, which allows them to learn more and see the bigger picture across federal, state and international tax. They also have good work-life balance. Both of these make McDonald's more appealing to top talent.

## Cosourcing enables clients to focus on strategic matters

Although Miller believes the compliance work is vitally important to McDonald's, cosourcing allows her tax department personnel to spend time in other strategic areas as well. "We provide value to the US business by handling US tax planning, the growing number of state audits, compensation issues, real and personal property tax, sales tax, and US provision work."

Additionally, access to technical knowledge that may not be practical to sustain in house is part of the equation. Miller reflects, "A lot of times we'll

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do transactions during the year, mostly international transactions, and we'll have Deloitte's technical team review them. So, we have our view, we have our outside auditors' view, and then we also have Deloitte's view. That just makes us more comfortable. We have a great relationship, and they do a great job for us."

## Valuable lessons learned

Marcy Miller offers a number of valuable lessons learned about cosourcing she gained along the way:

- Manage in-house staff's expectations during the transition. "When we first moved to a cosourcing model in 2003, a lot of our people lost their jobs. They were offered jobs with the service provider, but most of them didn't take it. They were treated fairly, but it did impact morale. I think it's important to try and manage people's expectations and make sure they're onboard with how we're going to do work going forward."
- Establish open communication and



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### MARCY MILLER

McDonald's Senior Director,  
Corporate Tax

collaboration. "I think it's very important that both sides feel like we're going to work together and get this done. It's not just the service provider doing the work for us – we've always viewed our relationship as cosourcing and not outsourcing because we're still very involved."

- Clearly define what is in scope and out of scope of the cosourcing agreement and agree that items out of scope must be approved prior to

the service provider doing the work. "Prior to Deloitte, we ran into issues where the previous service provider did a lot of work they thought was out of scope and then tried to bill us for it. You need to clearly define upfront what's in scope and what's out of scope – and communicate clearly about it going forward."

- Have regularly scheduled status meetings. "I think those are very important because we go through what's been done, what needs to be done, and what each side is waiting for from the other. It's very important to keep those lines of communication open. A detailed work plan is another best practice. We have very detailed plans, even for the book-to-tax adjustments. We also have major and minor deadlines, and we go over those at each of the weekly meetings."
- Maintain access to and ownership of your data. "Deloitte has been great. They give us a CD with all the data on it at the end of every tax return season. We're able to provide that to the IRS and we keep a copy for ourselves too."

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