



Start Here

Equifax is dedicated to helping you successfully plan your next Merger & Acquisition (M&A) transaction by providing this helpful interactive checklist! Use this resource as a best practice guide to manage your employment tax risks and opportunities throughout the M&A process.

Please click on the tabs below to complete each area. On each step you can click to indicate which tasks are complete, in progress, or not applicable to your transaction.

You can keep track of your deadlines with the Due Date feature. Click on the arrow that pops up to pull open the calendar.

And add your notes to keep all your details together in one-place.

Have questions regarding an upcoming M&A transaction? **Contact us** today to speak with one of our Employment Tax subject matter experts.

The information contained herein is not inclusive of all items that should be considered in the financial due diligence process but key items that should be obtained in order to evaluate significant issues associated with employment tax liabilities. These items should be integrated with other M&A due diligence activities performed in evaluating a target company. Equifax Workforce Solutions does not practice law. The Ultimate M&A Checklist is intended to provide general guidance and does not provide tax or legal advice.

Due Diligence

Implementation

Agreement Provisions

Planning 1 | Planning 2

Compliance

Next Steps





DUE DILIGENCE INFORMATION REQUEST	COMPLETE	PENDING	N/A	DUE DATE	NOTES
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For Stock and Asset Acquisitions:

Legal entity organizational chart					
Payroll apportionment detail (appearing on state income tax returns) for most recently completed tax year					
Most recently completed Form 940, Federal Unemployment Tax Return, for each legal entity, including supporting taxable payroll calculations					
All state unemployment tax rate notices for current and past two years					
State unemployment tax clearance letters from all state unemployment agencies					
Employment tax notices/assessments for last three years					
Employment tax transcripts for prior three years					
If target made acquisitions or transferred employees between related legal entities in the current or last three years, obtain relevant details					
Explanations of any significant reductions in workforce in any legal entities in the current or last two calendar years					

For Stock Acquisitions:

IRS transcripts for all federal employment tax accounts for the current year and prior three years for each employing entity					
Description of target's employment tax policies (or formal policies if available) with respect to issues such as: nonresident multistate withholding; state unemployment sourcing; worker classification determinations					
Compensation paid outside the normal payroll process, including: third-party sick pay, non-qualified deferred compensation, severance and relocation payments					



IMPLEMENTATION INFORMATION REQUEST	COMPLETE	PENDING	N/A	DUE DATE	NOTES
For Stock and Asset Acquisitions:					
Year-to-date wage records by legal entity for all employees associated with the target					
Federal Forms W-4 - electronic copies for all employees impacted by the transaction					
Electronic State Forms W-4 (or equivalent) - for employees impacted by transaction					
For Stock Acquisitions:					
Forms 940 – past three years (including Schedules A and B)					
Forms 941 – all quarters for current year and past three years					
Forms W-2/W-3 – last completed calendar year					
State withholding tax returns – all quarters for current year and past three years (including annual reconciliations)					
State unemployment tax returns – all quarters for current year and past three years					
Local withholding tax returns – all quarters for current year and past three years (including annual reconciliations)					
Forms 1099-MISC – last completed calendar year					



AGREEMENT PROVISIONS	COMPLETE	PENDING	N/A	DUE DATE	NOTES
Protection against undisclosed employment tax liabilities (e.g., escrow accounts, indemnifications, etc.).					
Access to target's employment tax records for year of acquisition, including:					
• Legal entity detail,					
• Calendar year-to-date wage detail for all acquired employees,					
• Representation from seller of the portion of the business acquired.					
Target's approval of any requests for transfer of experience, where requested by acquirer.					
Target's approval of any request for use of the federal "alternate procedure" for employment tax reporting, where requested by acquirer.					

PLANNING CONSIDERATIONS	COMPLETE	PENDING	N/A	DUE DATE	NOTES
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Off Balance Sheet Liabilities:

• Protection against successor liabilities for delinquent or unidentified state unemployment tax.					
• Unreported transactions and the potential impact of higher unemployment tax rates.					

FICA, FUTA, and SUI wage base carryovers

• Will federal and state statutes allow for wage base carryovers?					
• Are there time or system constraints that will prevent wage base carryovers?					
• If wage bases were not carried over, is there an opportunity to recover any over paid tax as a result?					

Planning Considerations:

• Does the contemplated legal structure (stock, asset, merger, etc.) into consideration unemployment tax impacts?					
• Do the “substantially all” unemployment tax provisions apply to the assets and/or employees being acquired?					
• What unemployment experience transfer options (required, optional, or not permitted) are available?					
• Has the impact for unemployment tax purposes of a January 1st versus a December 31st transaction date been considered?					
• Is the successor entity currently a liable employer or a newly established employer?					
• What is the financial impact of the transaction for purposes of unemployment tax?					
• Have implications of mid-year employee movements been assessed (e.g., wage base carryovers and tax rates)?					

(continued on next page)

Due Diligence	Implementation	Agreement Provisions	Planning 1 Planning 2	Compliance	Next Steps
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PLANNING CONSIDERATIONS	COMPLETE	PENDING	N/A	DUE DATE	NOTES
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Planning Considerations:

• Have all necessary employment tax provisions been incorporated into the agreements?					
• What are the expectations of target employee headcount post-transaction static, growth, RIF?					
• How will the transaction impact current internal payroll processes?					
• Has “payrolling” been prevented (i.e., the reporting of one common-law employer’s employees by another employer)?					
• Have “SUTA dumping” provisions been analyzed to prevent potential penalties?					
• Has the timing between transaction close and employee movement been considered?					





POST-TRANSACTION COMPLIANCE CONSIDERATIONS	COMPLETE	PENDING	N/A	DUE DATE	NOTES
Federal, state and local employment tax regulatory requirements					
All transactions must be reported to state workforce agencies, especially if the companies involved are commonly controlled					
Account registrations and closures					
Reconciliations of employment taxes between parties					
Request transfers of unemployment tax rate experience, as required or to acquirer's benefit, and monitor outcomes; protest as necessary					
Preparation of timely responses to inquiries from state workforce agencies					
Follow up with state workforce agencies to ensure desired outcomes					





Any M&A within the past 3 years? You may have experienced double taxation.

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and after M&A.

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