



## ***Fast and Accurate Reasonable Compensation Analysis***

Matthew J. Pontiff, CPA/ABV/CFF, CVA. Pontiff + Associates, P.C.

Since 1987, Matt's practice Pontiff + Associates, P.C. has been a multidisciplinary accounting and consulting firm primarily focusing on tax preparation and planning, business valuation, small business consulting and litigation support. Matt Pontiff practices primarily in the areas of business valuation, litigation support, tax planning, and business consulting.

His expertise in valuing closely held businesses, calculating economic damages, forensic accounting, and divorce tax planning issues, which has made him a sought-after expert witness in many civil cases.

### **The Need**

With a robust tax and valuation practice, Matt quickly realized the "thumb in the wind" approach to calculating reasonable compensation did not align with the high level of professionalism his customers had come to expect. No client had ever had push back from the IRS but Matt knew he needed something that would provide an objective, easy to use, reliable and transparent system for a reasonable compensation analysis.

Since Matt had also become a respected expert witness, his findings were used for court presentation and settlement negotiations which required formal reports and data from an independent third-party source. Although he found compensation databases for the medical and legal fields that worked fine, there simply was nothing that met his needs for business valuations and tax purposes.

### **Challenges**

- ◆ Reasonable compensation analysis done manually takes too long
- ◆ Many data sources offer a one-size-fits-all approach, lacking the detail and approaches required by valuation and tax professionals
- ◆ Most data sources do not offer the cost approach to estimate the "many hats" worn by the CEO/Manager
- ◆ Reports, data and analysis must stand up to court challenges & scrutiny

Reasonable compensation analysis was also a time-consuming process as it required extensive research using multiple tools which often lacked the detail he needed. And as a seasoned professional, Matt wanted to use a multipronged approach that included different sources and methods. This is the only way to ensure clients received a comprehensive, accurate and objective analysis. But this all takes time.

Using common online services like [www.salary.com](http://www.salary.com) had their limitations and many times could only serve as a sanity check. He tried using many other databases, but they lacked the combination of robust data, multiple approaches and the reporting he needed. In fact, they only provided a fraction of what was needed for a complete and granular analysis. Even though Matt had the expertise to do all of this himself manually, he wanted a tool to automate and standardize the process.

In cases when Matt was called as an expert witness, it was too risky to have any data, analysis or reporting that could be challenged. Although he wanted to speed up the process, he had to feel confident with everything that was presented in court.

### The Solution: *RCReports*



While initially Matt was looking for a solution for the tax side of his practice, he also wanted options for his valuation practice as well. He knew he needed a system that served both areas of his practice.

After being introduced to RCReports by a colleague, Matt started using it as a beta tester. He quickly realized RCReports was the solution he had been looking for. Finally, Matt had the resource he needed to offer his clients an objective, defensible and accurate calculation of reasonable compensation quickly and easily.

### Details are Key

Since most small business owners have multiple job titles/roles, it is often challenging to estimate what their Reasonable Compensation should be. But not anymore. RCReports ensures that when determining a business owner's reasonable compensation, you can easily break down their roles by title and percentage of time and calculate accurate wage data that is supported by an independent, third-party source.

Matt likes that RCReports even makes the process of determining owner roles easy by sending out an electronic survey that allows his clients to input their various roles and percentage of time spent in each role. Once this has been completed, RC Reports automatically generates the Reasonable Compensation analysis and estimate.

## Easy to Use, Saves Time and Resources

Before RCReports, compiling a Reasonable Compensation report took hours or even days. Matt and his team would have to pour over wage data, comparing geographic regions all for various roles, which was time consuming and inefficient. Now RCReports does the work for them and generates a report that can be used as is.

## Reasonable Compensation Challenges

In the world of both tax and valuation, getting challenged is a serious issue. Not only can losing a challenge have a financial impact on the client, it can taint the reputation of the professional preparing the report. However, this was no longer a concern for Matt.

RC Reports provides robust, readable, simple, and extremely easy to understand reports. Footnotes and references show all the data sources to ensure credibility. Reports can be used as is or customized in Microsoft Word . This means valuation and tax professional can add their professional assumptions, perspectives and opinions to the report. For example, in cases where adjustments need to be made to align pay with work hours, customization is crucial.

Matt can now rest assured that in the event of an IRS or other challenge to a Reasonable Compensation estimate, he can quickly validate and defend his analysis.

## About: RCReports

RCReports features an exclusive wage database with more than 12.9 million data points and a simple system to generate lightning fast Reasonable Compensation reports that are objective, accurate and backed by proprietary methodology combining IRS criteria, court rulings and geographic data.

### Benefits

- ◆ Easy to use
- ◆ Quickly generates a detailed reasonable compensation report using data from an independent third-party source
- ◆ Reporting is robust yet simple and easy to understand
- ◆ Involves client in the process
- ◆ Appropriate for litigation, stands up in court
- ◆ Includes the cost approach
- ◆ Generated reports can be included directly in valuation / tax reports

