



TaxSearch
I N C O R P O R A T E D

2010 TAX MARKET FORECAST

It's time once again to look ahead and see what the Tax Profession might look like in the year ahead. To better understand how things have changed over the past decade, I went back and looked at my 2000 Tax Market Forecast letter. Surprisingly, 10 years later, we seem to be on exactly the opposite end of the spectrum.

In 2000, I felt like things were getting too crazy and that the demand for tax professionals was out of line with the supply and something had to give. I commented that in 1999 the starting salaries at the major law firms were getting excessive (\$120K-\$140K). Additionally in my opinion the money being offered by the Big 4 to entice people back to public accounting firms was equally inflated. The market correction that started in 2000 certainly put the supply and demand back in balance. That being said, I stated then and I still believe that the long term opportunities for tax professionals are extremely attractive.

For 2010 I believe that demand will increase as businesses recover; government agencies at all levels are being pressured to raise their tax revenue collections and new regulatory requirements add to tax department work loads. Supply of talent at all levels will be a problem and it will be felt going forward. The baby boomers are retiring, especially as the stock market rebounds, and there is a growing sense that leadership roles in tax are just not as much "fun" as they used to be.

The population of Gen-Xers in tax, as we all know, is half the size of the baby boomers. These Gen-Xers have been kept out of tax leadership roles longer than they should have because baby boomers have stayed in the workforce longer due to the economic downturn. Even before the market downturn, the large number of employed baby boomers resulted in

less opportunity for the Gen-Xers to lead and manage staff.

As baby boomers retire, it is becoming clear that there is not enough Gen-X talent ready to take on leadership roles in tax. Some companies are trying to entice the boomers to stay on longer; however these companies must also simultaneously implement an internal and/or external succession plan to properly transition the knowledge and skills sets required. As part of this, tax department budgets must increase so that the work loads are adjusted to allow for the necessary training time required to implement an effective succession plan.

We do expect that some of the baby boomers will come back into the workforce after they realize retirement is not all it is cracked up to be. However, we believe they will gravitate more into consulting roles than full-time positions. We are preparing for this, as is evidenced in our launching of TaxForce. This new initiative matches seasoned independent tax contractors with project requests from corporate in-house tax departments. This will finally provide a viable alternative to the unreliable and inconsistent practices of relying on "loaner" staff from the professional service firms.

On the entry level, it is more evident than ever that the tax profession must decrease its dependency on the professional service firms (Public & Law) to hire and develop staff. The talent supply fluctuations consistently created by the budget levels of professional service firms varying with each economic downturn are tremendously inefficient. We are seeing many of our corporate clients utilizing internships to evaluate potential entry-level hires. We believe this, as well as direct entry level off-campus hiring, will grow in popularity.

Diversity is still a major problem but we are making some headway from both racial and gender perspectives. We've just released two new studies that look at the current state of diversity as compared to 2002, the *Minorities in Tax 2010* and the *2010 Females in Tax Study*.

In summary, we have some challenges but for those of you in the tax field regardless of gender or race there are tremendous opportunities! All the new regulations (SOX, FIN 48, etc.) are accelerating senior leadership (CEO's, CFO's) bringing tax into the C-level discussions and elevating the tax function relevance from a shareholder perspective. Never in my three decades of executive recruiting for the tax profession have I ever been contacted by the number of the CFO's and CEO's seeking to understand how to build and maintain a world class tax department as I have in the last two years. Even during this past recession we saw dozens of clients exempt hiring for tax positions from their general hiring freezes.

This is an exciting and opportunistic time to be in the tax profession. I and the rest of our staff at both TaxSearch, and our sister companies, Tax-Talent and TaxForce, are confident that 2010 will be extremely active.

We look forward to an exciting and prosperous year for all involved in the tax profession. Thanks for your continued support and believe us when we say it is very much appreciated!



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