

Thomson Reuters Market Insights

A Podcast for tax, legal and compliance professionals around the globe.

Episode Title: What's next for U.S. tax policy in the wake of the recent election, the pandemic, and beyond?

Release Date: January 10, 2020

Intro: Thompson Reuters Market Insights, a podcast for tax legal and compliance professionals around the globe.

Mike Abbott: Welcome everyone, I'd like to say thank you for joining our first Market Insights podcast for 2021. Mine might not be a voice that you recognize if you're familiar with this channel, but I'm Mike Abbott, Vice President of Market Insights and thought leadership at Thomson Reuters, and it's been my pleasure to watch this channel grow throughout the course of its first year. It's been very exciting.

We've been honored throughout the year to bring you a wide variety of truly valuable, and we hope to be insightful, comments from experts and thought leaders from law firms, from corporate legal departments, government agencies, and others. And if you haven't yet, subscribe to this channel. I encourage you to do so, and you can do that through your favorite podcast platform and then go back and listen to some of those past episodes.

In addition to the experts, we have through our relationships and through our partnerships, we're also fortunate to have a team of experts here at Thomson Reuters, whose sole focus is to stay on top of the issues facing our customers and help bring our perspective to the conversations that are happening or in some cases, should be happening, in the marketplace. There are a number of great lessons to be learned from everything that we've been going through or that we went through in 2020 and in the early stages of 2021.

As we start the new year, I thought it would be helpful to bring some of these folks together and help recap the year that was, but also take a look at what we can expect here as 2021 plays out. If you've listened to the podcast in the past these are likely voices that you've heard before, but you might not really know how deeply involved they are in the customer segments that they serve. First, I'd like to introduce you to Nadya Britton. Nadya is responsible for coordinating our thought leadership efforts for our tax and accounting customers with her background in business and sales and marketing, Nadya deeply understands the pressures facing tax and accounting firms as businesses, if they try to acclimate and grow in a changing economy.

Next is Gina Jurva. Gina leads our thought leadership efforts for both corporate legal professionals and our government customers. An attorney and former deputy District Attorney in the San Francisco Bay Area, Gina leads content and multimedia activities to highlight solutions to some of the world's most pressing risk, regulatory compliance, and public and private sector challenges, including anti money laundering, human trafficking, fraud and white-collar crime. She also works closely with in-house counsel and legal Operations Department's on issues impacting the modern law Department, including

optimizing operations, budgeting and spend to the efficiency and success of business outcomes. Jean is also the host of the video series, "Thomson Reuters talks financial crimes."

Natalie Runyon managed all of our thought leadership content related to talent management, a key area for Natalie's work is her focus on keeping matters of diversity, equity and inclusion at the four most of the conversation of how professional service businesses and their clients manage their workforces. After more than 20 years working in multinational organizations ranging from Thomson Reuters to the Central Intelligence Agency. Natalie's experience and broad Network helps secure US access to key thought leaders around the world. One of the newest members of our team, and maybe one that you're already is Lisa Hart Shepherd. Lisa joined Thompson, Reuters. As part of the acquisition of Acritas just over a year ago, Lisa has worked on projects with many of the world's largest law firms and corporate legal departments, helping to develop programs to achieve service excellence, brand strength, employee engagement and global growth.

And finally, last but not least, is Bill Josten a voice you're familiar with. With this podcast, Bill leads our efforts in thought for thought leadership among our law firm customers for nearly a decade. Bill's work closely with leaders of law firms of all sizes on issues related to the business of law, practice, efficiency, profitability, business management, and business development. Bill is the author of several of our well-known reports on the legal industry, including the Dynamic Law Firms Report, and Bill frequently presents on behalf of Thomson Reuters, to key industry groups.

After those introductions, Natalie, I think it makes the most sense to probably start with you because so much of what you would touch on in the talent space touches each one of our customers across the business segments. What trends from 2020 are you seeing that will continue to impact talent at employers in 2021?

Natalie Runyon: Thanks Mike. In the short term, I think we will see the acceleration of changes that started in 2020 that carry over into 2021, so things like remote work and working flexibly because of the pandemic will definitely carry over into 2021. There's been some mixed feedback in terms of how well working remotely and flexibly has been on talent Some employees have loved it, some have hated it, and some like having the choice. I think the implication for employers is that they will need to be flexible to the needs of their employees.

We will be taking a deeper dive look at this when we launch some research that will look at the impact of COVID, and other seismic events in 2020's on the careers of law, lawyers from under represented communities in conjunction with the Association of Corporate Counsel Foundation and the Association of Law firm Diversity Professionals. The other change that we've seen in 2020 that will carry over into 2021 is the growing movement of racial justice in the aftermath of the murder of George Floyd. This is certainly not going away. You see a number of employers talking about systemic racism now and really starting to address race and ethnic biases that adversely impact their employees of color.

Other non-COVID related factors from 2020 that will continue into 2021 is really Gen Z entering the workforce. We conducted some research in collaboration with Penn Law School looking at Gen Z men's perspectives on allyship and there's been some real sophistication and the understanding of the impact of subtle biases and a willingness for men to adapt their behavior to the culture rather than historically professionals from under represented communities adapting their behaviors and understanding of the culture that predominantly has been built by cisgender straight white men. I think the other thing that

I'll say about Gen Z and culture is that it is the issue in forging Gen Z talent relating to desiring and staying at an employer, so it's going to be a major attraction and retention issue and that will carry over into 2021 and beyond.

Mike Abbott: I think you're right, Natalie. I think you know talent, culture and inclusion has been a priority for all organizations for a while, but 2020 really kind of shot that up the list to be sort of the number one area of focus for them is what we've what we've been hearing. Nadya, many people don't fully appreciate the amount of crossover that exists between tax and accounting firms and law firms in terms of talent management issues that they're facing after hearing what Natalie was talking about, you know how have you seen some of those same issues playing out in tax and accounting organizations?

Nadya Britton: Yeah, you know that's right Mike. Like most law firms, I'll start by saying where I tax and accounting professionals primarily work at a physical office, so I'll start there. So, this is a group of people that they see clients face to face as much as they can, and they all again work together. So, having to move to working primarily from home wasn't quite a bit of a challenge for employers. I would say the first part is of course making sure there's a technological piece that everyone can work efficiently and more important, securely from home. And of course, all of this is the overlay of having to help clients, and even for some of themselves navigate the stimulus packages.

For the most part, professionals welcomed the shift. They felt that they were actually more efficient and were more productive working from home. Some employers did feel that they had challenges managing people not working in an office, so that was quite in-fight, insightful to note in terms of talent management. Building upon Natalie's thoughts as we look forward to 2021, you know the tax profession and the accounting profession has had challenges with acquiring talent and so that will continue to be something that we as a team will work on exploring in terms of how are the academics preparing the next Gen talent for tax and accounting, incorporating and that is the technological pieces and what other skills they will bring. Not just, you know, knowing tax and accounting.

Mike Abbott: Lisa, you see this from kind of all across all the markets we serve with the work that you and the team do, including some new reports that were launched in the tax and accounting space this year. Anything to add to what Nadya had said?

Lisa Hart Shepherd: Yeah, I think I'd say that for most of the different communities that we researched that the pandemic has provided a moment of reflection. A lot more time at home and you know the majority of people have decided they want more balance in their life. They want to have more choice in the way that they work. You know, everybody believed culturally that remote working wouldn't deliver the way it has. That's been proven now that it can work. So, I think for most they just want to take more control and not be dictated to and in the firms that embrace this moving forward. are going to hang on to their talent better than those that don't. And the one exception just building and whatnot, he said in the tax and accounting firm side, particularly those focused on SME customers you know often they'll still have the documents in a shoebox, so it's not so easy for them to transition, so I think you know there are still parts of our markets that it's not as easy to remote work, but for the majority it has been proven. And they won't move?

Mike Abbott: Right, right. For some corporations, 2020 was the year of big growth, while others struggled. Gina, what have corporate law departments been talking about most in 2020?

Gina Jurva: Well, that's a great question, Mike. I think building off what everyone has said here we have seen really a trifecta of change in the world from a health crisis to a financial crisis, to a social crisis and the COVID-19 pandemic has had a measurable effect specifically on all markets across the globe. In corporate legal departments are obviously no exception. We've had a shift to remote working engaging in online learning and adopting new methods of operation, delivery, collaboration, and social interaction. I mean, one example is, you know, we've seen law department's embrace sharing documents and messaging through cloud-based software. Now all of this raises cybersecurity issues, of course, but these are things that, as we embrace technology and move forward, the pandemic has really accelerated that this year I was able to attend both the CLOC conference and the Association of Corporate Council or ACC Conference. Virtually, of course, but in attending those the constant theme I was hearing was the theme of transformation and giving legal professionals really an opportunity to re imagine how they're operating, especially under tighter budget constraints and just to get into that a little bit more in a couple of different areas in terms of workplace culture. And Natalie did talk about this earlier, but the biggest changes we've seen is about the way we work, right? So, most of us are not in this physical office space. And so general counsel specifically have been asking the question, how do I manage a distributed workforce? How do I keep folks engaged? And that may not be specific just to the corporate law department. We see it everywhere; we see it here at Thomson Reuters. How are we keeping employees engaged? And the other piece too is the impact on mental health and our productivity and just how we manage our day-to-day lives if we are on zoom calls all day long.

I think lawyers in particular have had higher rates of mental health and substance abuse challenges in, you know, years that are not a pandemic, and so how do we really stay aware of all of that, as well as do our jobs? I know Lisa is going to tell us a little bit more about the Acritas surveys and trends that we've seen, of course, but I think a key takeaway is that COVID has changed the way we will work forever and flexible work situations will stay with us, well past the pandemic.

Just a couple other things I will mention in terms of technology. I think a fundamental part of the way general counsel does their jobs has changed. Technology always has been important, but it is absolutely come to the forefront. It is changing the way in-house counsel and outside firms work together. It's driving the demands of productivity and the need to get really more done with less and all the pressure that that entails, and so I think departments that leverage data law departments that leverage data and use artificial intelligence to perhaps perform low risk but high-volume tasks and work more efficiently will help them work more efficiently. We see that also general counsel has an evolving role in in this pandemic and that evolving role is not just to be a legal advisor, but a trusted business advisor. Legal risks that corporations face are often multi multifaceted and complex and we've seen that solutions to these problems require more than just traditional legal advice. It means understanding things like supply chain risk, ecosystems, regulatory regimes, technology, privacy, tax. As Nadya just mentioned, talent management as not as Natalie said operational models and more.

And the last thing I will leave you with is. I definitely want to mention legal operations. You know, earlier I mentioned that I attended the Clock conference this year and Clock President Mario Carol when she started the conference. You know, she told the community in her opening speech that you know during this pandemic, legal operations were really made for this moment that they were born of change and that they thrive on transformation and think as part of this shift, many corporate law departments that have a legal operations Department or had one that was already in place were able to quickly embrace technology and fast track digitization. And there's also been an increased interest in legal operations

from clients with less developed legal OPS strategies as their businesses start to come under significant economic pressure. And finally, as a data driven company here at Thomson Reuters, we're going to get more insights as well. We have the *State of the Corporate Law Department Report* for the US and Europe 2021 in February, and the *Law Department Operations Index Report*, the *Legal Department Operations Index Report* in September that we're putting out. So be on the lookout for that.

Mike Abbott: You know, we've seen this over the last 10 to 12 years. This incredible transformation of legal departments and Gina, you mentioned it how in-house counsel outside counsel work together that's also evolved in the last 10 or 12 years in 2020, just really made that hit the accelerator. And I think part of that was from the lessons learned over the financial crisis, but you know, obviously the end result is the impact what impacts an in-house lawyers also impacts outside counsel and, Bill, I want to turn it over to you because what in your mind have been some of the major takeaway for law firms in 2020? And in that area, in terms of how they work with their clients?

Bill Josten: Yeah, well, Mike, I think one of the things that you just said really hits the nail right on the head where you talked about hitting the accelerator. And I think that has been something that in talking to whether I'm talking to law firm legal operations, folks managing partners sort of frontline partners or even associates that's been a theme is that they really feel like things that have been talked about a lot for years really came to the forefront and hit hyper speed in the course of 2020. And sort of the hope is that that's going to continue much like what's already been talked about by my colleagues here. Talent issues have been absolutely predominant within law firms, because obviously as part of their austerity measures that a lot of law firms had to undertake it as the pandemic started, there was a lot that was done in terms of, you know, colloquially, we call it headcount management, but you know, we saw furloughs, we saw layoffs and a lot of law firms. I think we're trying to be very careful not to repeat some of the mistakes of the 2008 downturn for the legal profession where they didn't want to make such drastic headcount cuts, so we didn't see the elimination of summer programs to the extent that we saw, you know, a decade and change ago. We saw a lot more law firms opting for furloughs or sort of temporary stoppages for some of their staff as opposed to full out layoffs. I think some of the things like the PPP program really helped. We saw a lot of law firms taking advantage of that, but we really did see a sort of a shift in focus on how they're managing their headcount, particularly from a retention and development standpoint. Lot of discussion around, OK, we've had to make some of these shifts, but how do we continue to make sure that things like diversity inclusion remain top priorities? They know law firms are keenly aware that corporate counsel are trying to not only place emphasis on D&I as important metrics, but also trying to figure out ways to capture that through the data that they're able to use or they're starting to use e-billing tools to actually not only track OK which layers are my meeting with in which lawyers might older on my team, but which layers are actually working on my matters and trying to be very precise in the data on that. We're seeing that emerging and you know, seeing a lot of conversations around not only how do we recruit the right talent, but how do we then retain and develop the right talent from a variety of aspects to move our business or forward appropriately in the future, we've seen a lot of discussion around new ways of working. This has been something that you know several of my colleagues have talked about, but the ability to work flexibly, the ability to work remotely, maybe shorter hours, and one of the things that I found most fascinating is in looking at some of our Acritas research from this year. We saw a big shift in lawyers saying that they're willing to sort of again to use a colloquialism "explore other options" if their current firm tries to go back to the way that things have quote unquote, always been done, they like this new way of working. They want to keep

some of these aspects and they're willing to take a pay cut to do it. Which to me was a really interesting finding because it's just not something that you would have historically heard from lawyers. You know, it was always sort of, this is just the way things are done. And if you want to advance in a law firm, this is what you have to do. And you're seeing younger lawyers really sort of pushing back against that. I think that another big trend in this is not necessarily as much talent related, but probably more in the vein of talent that needs to be developed is a focus on pricing and legal operations within law firms. Gina talked a little bit about this on the corporate in-house legal department side. It's absolutely parallel on the law firm side, big focus on pricing. We saw a lot of requests this year from clients for fee relief law firms trying to figure out how to strategically handle that and those firms that had.

More nuanced, more sophisticated pricing firms kind of had a leg up and how to handle that, and with the resurgence, or I'm not really even researching it, rise of legal operations on the in-house side. We're seeing a lot of law firm saying we need to have similar functionalities.

On our side of the buy sell relationship so that we have sort of a one-to-one parallel. We have people that can speak the same language on both sides of the relationship that are really talking about how do we foster this culture and how do we foster this client relationship and make it work for everybody. And I think that's something that we're going to see again, you mentioned we're going to hit the accelerator on that and we're not going to look back.

Mike Abbott: Right. So, we've talked, you know, we can take this look back at 2020 and everybody was more than ready to turn the page on 2020, but let's take a look into what we're thinking about for 2021 and in much of '21 in what it might hold is likely to be influenced by what happens in government from changes in policies with the new US administration to changes in how court here matters. Gina, you work in this space from a thought leadership perspective. What are one or two of the trends that we're likely to see in '21 that could potentially have broader impact?

Gina Jurva: Yeah Mike, I think you know government has been a very robust area of changes. Well, you know in terms of government policies, I think the most obvious piece is going to be the incoming Biden-Harris administration. They're going to have an enormous impact on many aspects of our lives. Will they be as ambitious as, say, Franklin Roosevelt was when he passed 76 laws in his first 100 days? I think that remains to be seen, of course. And may hinge on what happens in the Senate. But we do know that the incoming administration has a robust plan to fight the pandemic, get the vaccine out to as many Americans as possible, and they have big plans on other things that will affect everyone on this call and in all the areas we work in, and that's everything from the environment to union organizing, racial justice and more.

Now we mentioned you know the court system and I think the courts have seen a huge shift. Court proceedings have moved to a virtual environment where we've actually seen trials on Zoom, and that's been. There's been challenges there for sure. But you know, we've made it work and I do think that when we look at 2021, the biggest challenge facing the American judicial system will indeed be the inevitable backlog of cases which will be most acute in the criminal justice system. Courts need to figure out how they're going to manage their caseloads while also preserving Americans constitutional rights. You know the right to a jury trial. The right to a speedy trial, so that's something that we're going to be looking at and I think finally, this year was marked by. Really, when you look at the at fraud and financial crime, there's been an unprecedented amount of that, particularly in government programs, and it was due to this perfect storm of COVID and the influx of money coming into the economy via the CARES Act.

So, governments will continue to face those challenges. And one piece of key legislation to watch out for is the 2021 National Defense Authorization Act. The part of that act that really focuses on fraud and financial crime is the AML part of it. That's going to be a huge, consequential update to the Bank Secrecy Act and which was passed of course back as a part of in response to 9-11, and it's about the way that banks and governments tackle financial crime and financial fraud. So, the introduction of a beneficial ownership reporting requirement and its impact on financial institutions, and also the way governments, public and private sector share information about financial criminals. So, stay tuned for that. We will be covering it, of course, with our second annual fraud, waste and abuse report due out in January and a second report on the impact of COVID on the courts that will be later in Q2 so another couple of reports to watch out for.

Mike Abbott: Thank you. Things continue to change rapidly and it's really next to impossible to know what comes next. But one thing that we know is certain and we talked about it a little bit before and that is that what impacts corporate legal departments is most likely going to impact the law firms and the tax and accounting firms who serve them. Lisa, given how frequently you and your team are speaking with corporate GC's, can you identify one or two trends that you think are going to have that that will impact corporate legal departments in '21 or maybe even beyond '21? And what would those be and a potential impact on law firms and tax forms as well?

Lisa Hart Shepherd: Thanks Mike. Well, Gina mentioned earlier that the more for less trend that we'd seen emerging over the last few years, and I think the pandemic is really led to this situation where that trend is going to go into hyperdrive. So, you've got these general counsels, these legal departments who have had to kind of manage this crisis, get their operations going as much as they can through a very dynamic COVID environment, and you think the more jurisdictions that an organization is in, the more complex managing those dynamic situations presents to them.

But now legal departments are also seeing more business. As usual, work returns, so the deals are coming back. The cases as Gina was just talking about the cases are coming back often in a virtual way and then on top of this they are moving into a sort of preventative mode, knowing that there's going to be more disputes coming out of COVID the commercial that contracts the labor issues, so they're trying to mitigate those risks, those disputes as best they can. So, this all of this is coming together to create a huge surge and workload at the same time the budgets are, if not being scaled back at least held at the same level. So now rather than a desire to get more for less, it really is going to become an imperative and that means Department's internally are going to have to get more efficient, improve their process, use smarter resourcing, leverage tech and looking at their external spend getting the most return they can from their external resources.

Mike Abbott: So, Bill, you hear all that. What do you think is in store for law firms in 2021?

Bill Josten: Why I think you really hit it on the head again, Mike, when you talked about how what happens to corporates really impacts their vendors with the law firms and the tax and accounting professionals as well. And I think honestly for us, that's one of the advantages that we have with where we sit because can see all this coming from each of these various customer segments and kind of see how it's impacting and maybe have a little bit of insight as to whether if one segment is experiencing this, how is that going to impact somebody else? And so, the discussion about virtual courts as those come online, you know from really the end of March through the end of May, just in the two-month period we saw something like we went from roughly 0% of states that had on line courts capabilities to

like 80% of States and that's not to say they were up to full capacity, but we saw a really rapid adoption and now it's just kind of the growing pains of "how do we start to work with this?"

But you know that's obviously going to impact lawyers because the outside counsel, lawyers, law firms that I work with are going to be the ones that are handling a lot of that work on the part of their corporate clients. And there's going to be a big backlog of litigation. It's going to have to clear, you know, we have seen going into the pandemic, something like nine of the ten quarters. Prior to the pandemic on set where we had seen litigation demand for law firm services growing.

So, we had seen a lot of litigation moving through the pipeline. That didn't stop because people stopped wanting to sue each other. That stopped because the courts weren't moving cases anymore. So, we sort of put a finger in the dam and things started to backlog. That backlog is still there. Those cases are still going to need to clear and we're just adding to that I think, and we haven't seen this manifest yet in like the metrics of practice, demand and other things that we track, but just looking historically at any time we see an economic slowdown, we tend to see a rise in litigation matter, volume and in litigation hours demand.

So, I think that's something that that's in the offing, where we're going to see that upsurge at some point here, probably in 2021, when exactly there's a lot of factors that go into that. But I think that is something that we're going to see. We also sort of anticipated, again, this is based off of some of the research that Acritas has done, but we see potentially an uptick coming in labor and employment. I don't think this would necessarily shock anybody where there are so many talent issues, as we've already discussed the talent issues as it impacts our corporate customers, our law firm customers, our tax and accounting customers. That impacts, you know, all of our businesses as well, so there's a lot of those types of questions that have to get sorted out. I think for law firms, that's a potential area for a lot of new growth, new opportunity, bankruptcy is going to be another area where law firms are going to be able to capture some things, we saw surprise uptick at the end of 2020 in corporate work. That wasn't necessarily something we had anticipated. GC's really didn't say that they were going to be anticipating big growth there and yet when we looked at the numbers coming into the end of the year, we saw corporate work starting to turn positive again and I don't fully understand the reasons for that yet, but you know overall for the law firms, and so there's a lot of opportunity out there. It's just going to be more about positioning to be able to capture that. And that's where I think we look back again to pricing and legal operations. How can you differentiate yourself? And really, how do you evolve client relationships to focus on delivering value and really differentiating yourself as a provider beyond just what we're really cheap provider of legal services to focus on quality and value of delivering. That's really what I what I've been hearing as firms are talking about their strategy to 2021.

Mike Abbott: Nadya, how about you, from a tax professionals' perspective? What should they be thinking about as they look into 2021?

Nadya Britton: You know 2021 is going to be another extremely busy tax season and tax year for tax and accounting professionals. And so, I think that they really have to think about working smartly, right? Being more innovative. They've already started in the pathway, expand the use of technology. I mean obviously last year they had to do a lot of it, but really and truly to be a successful firm or individual and to make themselves attractive, they're going to have to heavily rely on technology. Included in that, and I would add to that, is upskilling, right? It's not just enough as they hinted at before to know the business of tax and accounting, you now have to leverage data. Data has always been king.

You've lived in data as a tax and accounting professional, but now you have to be able to analyze it faster and use it to make business decisions for your clients. It's what's going to set you apart. It's what's going to leverage your business for success. And even in the big if your attacks an accounting firm, it's what's going to make you attractive in terms of getting new hires, right? Because the young professionals they're coming in with a certain set of skills. Again, they're beyond knowing tax and accounting, their understanding how to look at data, make fast decisions, and you know, again, truly being that business partner to clients.

And so, I would say to tax the kind of professional despite it being a busy or think about how you upscale associations. Many of the tax and accounting associations are offering classes on data science as it relates to the profession, data analytics. Make sure taking advantage because that truly is what will set them apart. I wanted to close with a quote. Tom Hood is the CEO of the Maryland Association of CPAs. And he said this in a podcast recently, "You tax and accounting professionals are essential to our economy and businesses. This is your time now." And so, I would like to close with that as you look ahead and you think about how busy will be know that you know we rely on you. And so, you know, you could make it happen.

Mike Abbott: That's a good closing. It's certainly a quote that that applies across all of the markets that we serve. So, thank you very much. Really great insights. I want to thank you Nadya, Natalie, Gina, Lisa, and Bill. And I want to thank all of you for listening as well. We look forward to providing you with more great content over the coming months and we wish you a very healthy and a prosperous 2021. Thanks very much.

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