The Industry Blend: PR Roundtable Key Takeaways

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In 2023's ever-evolving landscape, public relations, marketing and media firms are at a critical juncture, grappling with both tax considerations and the integration of transformative technologies.

During this quarter's Anchin's *The Industry Blend* roundtable, key decision makers in the PR and Media industries discussed the complexities of managing a talent pool across multiple states, the tax implications of remote workers, and the integration of artificial intelligence (AI) into business processes. Below are the key takeaways from the roundtable.

Talent Pool:

- Firms can leverage a talent pool, onboarding employees across different states.
- However, tax considerations, including payroll taxes and state income tax return obligations, pose challenges.
- Compliance efforts increase, including registering for business in new state

jurisdictions, being subject to new state employment and other laws, and personal liability implications if payroll taxes are not managed appropriately.

Evolution in Revenue Sourcing Models:

- Each state has adopted one of two allocation methods. Some are based on the model of cost of performance, while others are based on market-based sourcing.
- Market-based sourcing has gained prominence over the cost of performance model for purposes of revenue apportionment.
- States are shifting towards economic nexus, impacting tax enforceability thresholds.
- Companies should assess locations to minimize tax burdens by eliminating offices and personnel in high-tax jurisdictions.

Navigating Economic Nexus and Compliance:

- The *Wayfair* case sets a standard for economic nexus, requiring careful analysis for compliance.
- Strategic considerations include understanding where clients benefit from services, considering advertisements, and employee and customer locations.
- Firms are considering hiring team members in states with low or no corporate tax, such as Texas, Florida, Colorado and Wyoming, among others.

AI Integration and Challenges:

- AI, exemplified by ChatGPT, is gaining traction, offering potential efficiency and revenue benefits.
- Concerns include data breaches, hallucinations, copyright issues (from graphics, videos, and written excerpts), and the need to protect confidential information.
- Firms are in the early stages of understanding and integrating AI, addressing its impact on creativity, contracts, and societal norms.
- PR firms are looking for content in the form of graphics and videos and are hoping AI can assist with developing press campaigns in the near future.

As PR firms navigate the intersection of tax complexities, talent management, and the integration of AI, strategic planning will be key. Adapting to evolving tax regulations, understanding the implications of economic nexus, and embracing transformative technologies are crucial steps in positioning firms for success as they head into 2024.

For more information on any of the key takeaways listed above, please contact **Michael Belfer**, or your Relationship Partner.