

FEATURED NEWS

State Tax Spotlight on Lynn Gandhi

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Lynn Gandhi's friends and colleagues have a lot to say about her professional capabilities and personal qualities. But one common theme always emerges.

"She's incredibly energetic," said Bobby Burgner of General Electric Co.

"She has a ton of energy," said Marilyn Wethekam of Horwood Marcus & Berk in Chicago.

"She's extremely dynamic and energetic," said Doug Lindholm of the Council On State Taxation.

In her career of nearly 30 years, Gandhi has needed it. Since 2008, Gandhi has been a state and local tax partner at Honigman Miller Schwartz and Cohn LLP and is now its co-chair for SALT. At Honigman, Gandhi has represented taxpayers in high-profile Michigan cases, including ones stemming from Multistate Tax Compact election litigation and a major use tax case concerning exemptions for industrial processing. Meanwhile, she is serving her second term as chair of the Michigan Chamber of Commerce Tax Policy Committee, and over the last five years has helped to push through both large and small legislative and administrative changes in her state.

Those have been the stable years. Before Honigman, Gandhi spent most of her career in corporate America, where she experienced a dizzying array of changes, including a hostile takeover, a spinoff, and a spin back to the parent company.

"Most people go their whole career without having even one transaction like that, and I had three," Gandhi told Tax Analysts.

"We used to joke with her that every time she showed up to a COST board meeting, she worked for a different company," said Jeffrey Hyde of IBM Corp., chair of the COST board.

A Long Career in Industry

"No one sets out to be a state tax lawyer," Gandhi said. But she said she loved tax from the start and has spent her entire career in some kind of tax work.

"I liked tax because it was puzzle solving," Gandhi said. "It was intellectually stimulating. I liked the intersection of public policy, economics, and finance."

Her first exposure to SALT work happened in the second year of her career. With Arthur Young, one of the predeces-



Lynn Gandhi

sors to EY, she was assigned a few state tax research projects. After about a year, she agreed to join the firm's SALT group.

Gandhi joined Arthur Young having already earned her JD from Wayne State University and her LLM in taxation from New York University, but she hadn't taken a single accounting class when she was hired. "I didn't even know what a debit and credit was," she said.

She earned her accounting degree taking night classes. Then, after almost three years at Arthur Young, Gandhi moved to industry, where she would spend most of the next two decades. During that time, she engaged in some classic state tax work, such as litigating California unitary business cases while with CBI Industries (which has evolved into CB&I). She also did some not-so-classic state tax work, such as hiring a border collie to join the staff at Visteon Corp. The new campus of Visteon, which Gandhi helped to develop, had a messy problem: It was in the migration pattern for wild Canadian geese.

“There are companies that will come and they will let their trained border collies run, and they are like a natural predator, except they won’t kill the birds; they round them up,” Gandhi said. “So we interviewed a few companies, and I had to negotiate a contract, and the name of the company was Get the Flock Out.”

Between those two extremes, Gandhi did various federal and SALT projects and became a student of several industries. At CBI Industries, she learned about iron, steel, and gas when the company owned Liquid Carbonic, a worldwide gas company.

“I had the opportunity to do a very wide range of work with a lot of litigation,” Gandhi said. “I was out on the road a lot, touring our facilities. I did everything from incentives, to litigation, to federal appeal, to planning, to education. It was a great opportunity to see how tax impacts a business across functional areas.”

By 1997, though, Gandhi found herself in a job she didn’t apply for. Praxair Inc. wanted Liquid Carbonic, commencing a hostile takeover of CBI Industries, “even though CBI was twice their size,” Gandhi said. “On a specific date, you see your top management walk out the door. It was a very stressful situation.”

Gandhi stayed, however, helping with Praxair’s spinoff of Chicago Bridge & Iron (now CB&I), and then moved to Praxair headquarters in Connecticut. She remained for 2-1/2 years and met the man who is now her husband. When she got an opportunity with CMS Energy, he followed her home to Michigan.

At CMS, Gandhi began work on what she calls one of the most important issues of her career — how Michigan applies its sales and use tax exemptions for industrial processing. When she arrived in 1999, the state had just completed statutory changes to allow for its largest expansion of the exemption. At CMS, Gandhi worked on the application of that exemption to equipment used for the distribution of electricity. That eventually led to litigation that Gandhi handled at Honigman.

Her time at CMS was busy but short-lived. In 2000 Ford Motor Co. was spinning off its parts division, which became Visteon.

“Overnight, Visteon was going to be a \$13.5 billion company with a tax office of three people,” Gandhi said. A colleague gave her name to Peter Look, who was to be Visteon’s vice president for tax, and he asked her to come by for an interview on her way home from work. During the interview, Look asked Gandhi what she knew about intellectual property.

“I said, ‘Well, do you mean like intellectual property holding companies for the purposes of income tax planning? Or do you mean intellectual property that’s embedded in your contracts for sales and use tax purposes? Or are we talking intellectual property soft costs that you can take out of your capitalized costs for property tax purposes?’” Gandhi said. “And he replied, ‘When can you start?’”

At Visteon, Gandhi helped build the tax office — and the massive new campus for the company — from the ground

up. “Those were dog years,” she said, and she doesn’t just mean hiring the border collie. After six years during which Gandhi did state and local work, global indirect taxes, incentives, government affairs, real estate work, and general counsel work, Visteon started to “right-size itself,” Gandhi said. That meant North American manufacturing was being spun back to Ford.

“I was secunded — that was the term,” Gandhi said. “It was a very difficult work environment, and we saw the recession coming, and I had worked 20 years in-house. I decided to say, ‘I wonder what else is out there?’ And I was fortunate that law firms were interested.”

Industrial Processing and Article III

Gandhi joined Honigman in 2008. Her work runs the gamut of state and local taxation, and she is also an adviser on unclaimed property laws. But asked to pick the top three issues of her career at the firm thus far, Gandhi cited the industrial processing exemption, Michigan legislative and administrative changes, and the national issue: the Article III compact cases her firm is involved in.

For industrial processing, Gandhi represented her former company, CMS, in *Consumers Energy Company v. Department of Treasury*. She also represented the taxpayer in a companion case, *Detroit Edison Co. v. Department of Treasury*. In the latter, which went before the Michigan Supreme Court, the taxpayer won a partial exemption for equipment used for the distribution of electricity.

“It’s worked out well; there was a portion that the supreme court remanded, and we just resolved that,” said JoAnn Chavez of Detroit Edison. “Lynn is an integral part of our team,” both during litigation and in subsequent successful discussions with Treasury, Chavez said.

Gandhi said she “got to live the life cycle of a state tax case,” starting with her time at CMS when she implemented the 1999 changes in exemption law. Later she was involved in audit, informal conference, and assessment, and then litigation in the Michigan Court of Claims, the Michigan Court of Appeals, and the Michigan Supreme Court.

“We had the supreme court issue a decision upholding our victory at the court of appeals and remanding down an apportionment adjustment, but still finding in our favor on all our legal and factual arguments,” Gandhi said.

Wethekam said Gandhi’s extensive experience in industry, much like her own, plays a role.

“Lynn’s been on both sides of the equation. It helps, trust me. She’s been the taxpayer; she knows what it is to have a bad audit, to have bad policy,” Wethekam said. “That gives you a whole platform for working the other side of it.”

Likewise, Burgner said “there are not that many people who work on either side that seamlessly. She certainly understands a corporate perspective that we do have things like return on investment in our minds, and all the other things business people do.”

When discussing her compact cases, especially the 2014 case *IBM v. Department of Treasury*, and the state’s subsequent attempt to legislatively override it, Gandhi said they

were “a lot of fun, and a wild ride, and we’ve never had a situation like that. But it stands for much more.” (Prior coverage: *State Tax Notes*, Dec. 15, 2014, p. 590.)

The lesson, she said, “is for every tax administrator and governor. You’ve got to make sure your tax code is forward facing. Our economy has changed and is changing; your tax regime has to stay current. We have to figure out how we’re going to tax, get systems into place, and change and train our tax administrators.”

Compact case rulings continue to come down in Michigan. On February 29 the Michigan Court of Appeals ruled that the Single Business Tax Act did not implicitly repeal the Multistate Tax Compact’s apportionment election provision and that the state’s 2014 retroactive repeal did not extend to SBT refund claims.

Reforming Michigan Tax Policy

Gandhi is as well known for her legislative work as she is for the high-profile cases she has litigated. With Tricia Kinley of the Michigan Chamber of Commerce, Gandhi has been instrumental in legislative changes ranging from getting audit deadlines put into place to switching from the Michigan business tax to the corporate income tax.

“She’s a widely recognized expert — a brilliant attorney — but she also has a knack for understanding the legislative process,” Kinley said of Gandhi. “And she’s a very tenacious individual.”

Lindholm agreed. “She and Tricia are seen as the dynamic duo,” he said. “When the two of them put their minds to an issue, it gets resolved. They are a force unto themselves in the Michigan Legislature.”

Citing reforms to the state’s unclaimed property laws and significant changes in taxpayer audits, Michigan Treasurer Nick Khouri credited Gandhi’s expertise and “willingness to find the compromise” for positive changes in his department.

“In 2015 we were able to reduce the time for the average sales and use tax audit by 35 percent,” Khouri said. “Lynn plays a critical role.”

Gandhi has “great gravitas with the chamber and with the Legislature,” said Hyde, with whom Gandhi worked on unitary issues when he was with GE. “You saw when we met with people, they knew Lynn, they trusted Lynn. When Lynn explained difficult tax concepts to them, they may not have understood fully the tax aspect, but they trusted impeccably that she wasn’t trying to pull the wool over their eyes,” Hyde recalled.

Gandhi said each legislative and administrative change since 2011 has been meaningful to her, but she mentions particularly June 17, 2015. On that day Gov. Rick Snyder (R) signed SB 100, which permits taxpayers in Michigan to appeal a tax assessment to the court of claims without first having to pay the tax, interest, and assessed penalties.

“It is an issue of fairness,” Gandhi said. “We finally got rid of pay to play in Michigan.”

Smitten With the Mitten

In addition to her work at the state chamber, Gandhi is a past chair of the Michigan State Bar’s Taxation Section. She is a member of the American Bar Association Section of Taxation’s State and Local Taxes Committee, an advisory board member of the Paul J. Hartman State and Local Tax Forum, and a past president of the Michigan Women’s Tax Association. Since she is in private practice, she is not on the COST board any longer but retains a strong affiliation with the group.

Gandhi writes frequently for *State Tax Notes*, penning a column called Smitten With the Mitten. She is an adjunct professor at Wayne State, her alma mater. She is also chair of Honigman’s initiative to support women.

Away from SALT, Gandhi is on the board of the Museum of Contemporary Art Detroit. She has a grown son and a teenage daughter. She and her husband enjoy traveling with the family, including last summer’s trip to Israel for her daughter’s bat mitzvah.

“I’ve been fortunate,” Gandhi said. “I’ve had a pretty good career, and I still have a lot to do.” ☆

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