



TAX BENEFITS FOR IMPROVING THE C-SUITE'S SECURITY: A LOOK AT IRS CODE 132 AND WORKING CONDITION FRINGES

What if I told you that a security assessment of your business and residence could provide tax deductible expenses for private air transportation, a security driver, and executive protection agents and have favorable tax treatment too? Do I have your attention yet?

Many executives are unaware of the benefits offered by 26 CFR § 1.132-5(m) – Working condition fringes, as it relates to security. In order to qualify for these conditions, it all begins with an Independent Security Study or "ISS." The IRS code explains:

1. A security study is performed with respect to the employer and the employee (or a similarly situated employee of the employer) by an independent security consultant;
2. The security study is based on an objective assessment of all facts and circumstances;
3. The recommendation of the security study is that an overall security program (as defined in paragraph (m)(2)(iii) of this section) is necessary and the recommendation is reasonable under the circumstances; and
4. The employer applies the specific security recommendations contained in the security study to the employee on a consistent basis.

We have had Guidepost ISS services requested from CEOs of Fortune 500 enterprise firms, high-net-worth individuals, family offices, and technology startups. Here are some recent examples of how our services provided a spotlight on areas of deficiency within the security program and our recommendations to offset these gaps were of great value:

- Startup technology firm goes public – When firms go public, Boards of Directors often expect some form of executive protection for the C-suite. Some executives may not feel that they need protective resources, but their well-being may have an impact on stock price, brand reputation and profitability. When one of our clients recently went public, our ISS revealed that many details of the executives' lives, such as children's names and schools they attend, floor plans of their residences, and upcoming travel plans were all easily accessible online.
- Enterprise firm separates into new business entity – Leadership at spin-off companies will seek to differentiate themselves by creating their own identity and vision. They may change the status quo by utilizing different methods for risk mitigation of their principals. We have assisted several spinoff firms in performing an ISS for each executive to create a new model for their security program.
- Response to a firm's corporate social responsibility stance – A client's corporation made a stance on a hot button social issue that resulted in an onslaught of death threats on social media against the corporation's CEO and the public sharing of his home address and contact information. We provided 24/7 executive protection for several weeks, alongside beginning an ISS, until online threats subsided. Local law enforcement records and a physical security assessment of the home revealed that the CEO's residence had a history of burglaries in the past. In each instance, criminals entered the residence.
- Disturbing communication and online threats – A client received an unsolicited text message on a personal cell phone from an individual in another state. Although the text message did not overtly threaten violence, a review of his background revealed that he had a history of charges for home invasions and arson. Online research determined that the client's contact information was easy to identify with a simple web search of the client's name and the phrase "phone number." Based on the communication and arrest record for the subject, the client requested an ISS. Physical security assessments and recommendations were completed at several residences, where there was a significant lack of security infrastructure.

Conducting an ISS starts with an evaluation and analysis of the nature and credibility of existing and future threats to the executive. Some clients have the misconception that they must be famous to be a target. Sometimes just being a U.S. citizen is enough to result in detention in foreign nations for political reasons. By reviewing open-source information across a variety of public and proprietary databases, and both traditional and social media, we can determine the availability of the principal's personally identifiable information.

In conjunction with the online threat profile analysis, a comprehensive physical security assessment is conducted. In this phase, an evaluation and analysis of the defensibility, architecture, electronic security systems, infrastructure dependencies, operations, staffing, communications, alarm monitoring, and response elements of the overall security posture is performed at the principal's residence(s), primary office, and any corporate transportation hubs and assets (i.e., aircraft, hangars, watercraft, docks, vehicle storage).

The physical security assessments generally include the following elements:²

- Architecture²
- Crime Prevention Through Environmental Design²
- Technology²
- Executive protection²and security drivers
- Review of existing security program policies and procedures

This proven process has helped provide safety and peace of mind to many clients. To uncover your potential threats and mitigate gaps in your security program, seek a consulting firm with a depth of subject matter experts who can provide customized solutions to your unique needs. In addition to keeping your senior executives secure, you just

might get a tax benefit by doing so.



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Matt Peters is an accomplished security management professional with extensive experience in both the public and private sectors. In his role at Guidepost, he works closely with ultra-high net worth individuals and enterprise clients to develop risk mitigation and security strategies. Matt's law enforcement career culminated with a 5 year assignment to the prestigious FBI/NYPD Joint Terrorism Task Force in New York City. He directed a group of over 125 senior investigators handling critical threats, terrorism financing and cybersecurity on an international basis. Other assignments within the NYPD involved significant time spent within the narcotics division and various special operations teams.



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Cody Shultz serves as a director of investigations and private client protection for Guidepost Solutions and is based in the D.C. office. Having served with the Central Intelligence Agency, he is now sought out as an expert on reputation and identity management for ultra-high net worth clients and family offices. He holds a Professional Certified Investigator certification through ASIS International and is a Certified Cryptocurrency Investigator.