

Hedge Fund ALERT

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Software Pitched as Tax Predictor

G2 Systems is developing a product that would allow hedge fund managers to check the tax implications of trades before making them.

The Boston consulting firm is aiming for the fourth quarter to introduce the latest version of its tax analysis program, TaxGopher. The current software calculates taxes related to trading activities for the purpose of a yearend audit. The pitch for the upgrade is that managers would be warned if a planned trade would result in a disproportionate tax liability in time to alter or cancel the transaction.

That could be particularly useful for managers whose rapid-fire trading of hundreds of stocks in a day could have unexpected tax consequences. "Wouldn't it be nice if you had a pre-trade analytics engine that would tell you if you do this trade it will trigger some weird section of the tax code?" said **George Michaels**, founder of G2.

Consider a case where one portfolio manager takes a long position in a stock, while another in a different area of the same firm takes a short position in the same security. Depending on the timing, such trades could trigger an unintended taxable event. "Tough beans, the **IRS** doesn't care if you guys don't talk to each other," Michaels said.

The TaxGopher software currently costs \$4,000-\$5,000 per fund. G2, which isn't affiliated with **G2 Investment**, hasn't yet determined pricing for the upcoming version. ❖

