



MULTISTATE TAX COMMISSION

## Corporate Income Tax Training Program for State Revenue Agencies

Georgia Department of Revenue  
4125 Welcome All Road  
Atlanta, Georgia 30349  
March 20-23, 2018

### Part I: Legal Principles and Practice

8:00 a.m.—8:30 a.m.: **Welcome and Introductions:**

**Faculty:** Bruce Fort, Counsel, MTC; Cathy Felix, Audit Supervisor, MTC; Larry Shinder, Audit Supervisor, MTC; Helen Hecht, Chief Counsel, MTC (Day 2); Guest Lecturers (Day 2): Dr. Edinaldo Silva, Principal, RoyaltyStat, LLC, Bethesda, Md.; Julia Vasconcellos, LL.M., Senior Associate, RoyaltyStat, LLC.

8:30 a.m.—9:30 a.m.: **Basic Principles of Corporate Income Taxation:**

The federal and state tax base; Constitutional limitations on taxing multistate business entities; accounting principles: formulary apportionment and the unitary business principle versus arms-length (transactional) accounting; lessons from *Container v. FTB* (1983).

9:30 a.m.—9:45 a.m. (*Coffee Break*)

9:45 a.m.—11:00 a.m.: **Basic Principles of Corporate Taxation (Cont.):**

Intangible property and add-back statutes; state authority to adjust income and expenses among related parties; nexus: physical presence and economic or factor-based nexus; the role of agents and representatives under *Scripto v. Carson* and *Tyler Pipe v. Washington*; the role of unrelated in-state activities under *National Geographic v. Franchise Tax Board.*; P.L 86-272 concepts and application.

11:00 a.m.—Noon: **Problem-Solving Exercises and Group Discussion.**

12:00 p.m. -1:00 p.m. (*Lunch—provided on site*)

1:00 p.m.—1:45 p.m.: **Introduction to the Federal 1120:**

Consolidated returns, the *pro-forma* 1120 and audit techniques.

1:45 p.m.—2:45 p.m.: **The Economic Substance Doctrine:**

Federal and state common law doctrines; I.R.C. Sec. 7701(o); burdens of proof, audit IDR's and legal discovery.

2:45 p.m.—3:00 p.m. (*Carbonated Cola-Flavored Beverage Break*)

3:00 p.m.—4:00 p.m.: **Roundtable Discussion of Current Audit Issues in Attending States.**

4:00 p.m.—4:45 p.m.: **Alternative Apportionment and Impact of Federal Tax Reform:**

The use and misuse of alternative apportionment; reflecting the marketplace for goods and services; intangible property representation. State issues in conforming to federal tax reform.

(*Adjourn*)

Day 2, Wednesday, March 21, 2018:

8:00 a.m.—8:30 a.m. **Recap of Day 1 and Questions.**

8:30 a.m.—9:30 a.m.: **I.R.C. 482 and the Federal Transfer Pricing Regulations.**

Dr. Ednaldo Silva & Julia Vasconcellos, RoyaltyStat, LLC. Basic economic principles applicable to intercompany transactions; transactional accounting and the arms-length standard; risk and transfer pricing; valuing intangible property; review of COG and deductions.

9:30—10:00 a.m. (*Kombucha Break*)

10:00 a.m.—Noon: **I.R.C. 482 and the Federal Transfer Pricing Regulations (cont.).**

Dr. Ednaldo Silva & Julia Vasconcellos, RoyaltyStat, LLC. Application of the Comparable Profits Method; evaluating comparable companies; analyzing a transfer pricing report; principles for determining clear reflection of income.

Noon—1:00 p.m. (*Lunch—provided on site*)

1:00 p.m.-1:45 p.m.: **Problem-solving and roundtable discussion of transfer pricing issues facing states**

1:45 p.m. –2:30 p.m.: **Taxation of Income from Pass-Through Entities.**

Common legal structures; apportionment; constitutional limitations; 1065 and K-1 returns; I.R.C. 199, scope and effects.

2:30 p.m.—2:45 p.m. (*Chai Break*)

2:45 p.m.—3:00 p.m.: **Pass-Through Entities (cont.):**

State audit programs; new RAR models for reporting partnership adjustments; state statutes.

3:00 p.m.—3:30 p.m.: **Litigating a State Corporate Income Tax Case:**

Presumptions and burdens of proof; discovery; subpoenas; stipulations; role of agency testimony; use of expert testimony and settlement.

3:30 p.m.—4:30 p.m.: **Roundtable Discussion of Georgia Audit Examples.**

4:30 p.m.—4:45 p.m.: **Course Review.**

(*Adjourn*)

## **PART II - State CIT Audit Procedures**

Day 3, Thursday, March 22, 2018

8:30 a.m.--8:45 a.m.: **Welcome and Introductions:**

Faculty: Cathy Felix, Audit Supervisor, MTC; Larry Shinder, Audit Supervisor, MTC; Bruce Fort, Counsel, MTC.

8: 45 a.m.—9:30 a.m.: **Beginning an Audit:**

Pre-audit preparation; selection; entrance interview and records requests.

9:30 a.m.—10:00 a.m. (*Coffee Break*)

10:00 a.m.--Noon: **Auditing a Corporate Return:**

Computing Income; State Modifications; Business/Nonbusiness; Apportionment Factor; Allocation; interest expense deductions; NOL's

Noon—1:00 p.m. (*Lunch—provided on site*)

1:00 p.m.—4:30 p.m.: **Auditing a Corporate Return (Cont.):**

Computing income; state modifications; business/nonbusiness; apportionment factor(s); allocation; interest expense deductions; NOL's

(*Adjourn*)

Day 4, Friday, March 23, 2018

8:30 a.m. to 10:00 a.m. **Auditing a Corporate Return (Cont.):**

Follow-up IDR's; exit conference; narratives, schedules and reports.

10:00 a.m.—10:15 a.m. (*Tea Break*)

10:15 a.m.—12:00 p.m. **Auditing a Corporate Return (Cont.):**

Auditor questions and roundtable; imputing income and expenses in related party transactions; alternative apportionment adjustments; preparation for mock audit.

Noon—1:00 p.m. (*Lunch—provided on site*)

1:00 p.m.—4:00 p.m.: **Comprehensive Problem (Mock Audit)**

4:00 p.m.—4:30 p.m.: **Course Wrap-up:**

Evaluation of mock audit results; course comments and evaluations.

(*Adjourn*)