This document describes potential implementation steps drawn from the ALAS Program Design that could be undertaken by the states on the ALAS Committee and the MTC prior to formally launching the project. Such activities would be carried out without employing any of the projected ALAS staff or consultants (other than in a training capacity). Thus, these steps would not require states to enter into the ALAS participation agreement or pay ALAS project fees during this pre-launch period. However, there would be specific charges for items such as training course fees.

The early implementation steps would serve two objectives. First, they would assist states in improving their compliance activities with respect to cases involving arm’s length issues. Second, the early work would also develop further knowledge understanding among project states and the MTC to help tailor ALAS activities and implementation to best serve state needs. For example, case discussions by the states can identify particular services needed from economics experts that would aid in drafting the request for proposals for such experts once the project is launched.

There are three relatively obvious activities that could be undertaken without formally launching the ALAS project. These include training, exchange of information and discussion of taxpayer cases by the states. This list is not exhaustive. The ALAS Committee and the MTC may identify other early steps that could be undertaken.

The MTC Training Program has already offered an initial arm’s length course through consultant faculty in 2015. The ALAS Committee can advise the MTC Training Program on additional courses it would wish to have offered. Ideas for such training are included in the ALAS Program Design, but the committee can refine those ideas further. Registration fees would be charged to cover the costs of such training, including any consultant trainers, in accordance with the regular practices of the MTC Training Program.

States could also initiate the exchange of taxpayer information. This step would be supported first by the development of an ALAS Exchange of Information agreement under the auspices of the ALAS Committee. Once signed by the states participating in the committee, the exchange process would proceed among the states. If some coordination is needed, an MTC staff member could be designated to assist with that process.

The information exchange agreement would also support the third potential early implementation step. This step would involve interstate discussions of pending taxpayer cases involving important arm’s length issues. The process would begin with a meeting of key compliance staff—auditors and attorneys—from committee member states to review each state’s experience with arm’s length issues and to discuss cases of significance from each state.

These case discussions would help each state understand the challenges other states face and the different practices and remedies employed by the various states. Such discussions would enable states to generate suggestions among themselves as to ways of addressing particular issues. Finally, this step would also help develop an understanding of
the specific help that the ALAS project, once launched, should provide to states. That common understanding will aid the implementation of the full project. Lessons learned in these interstate discussions would generate details relevant to:

- Recruiting future ALAS staff and economics consultants,
- Shaping ALAS training, technical assistance and other support activities for states, and
- Refining numerous details of the ALAS, most importantly the voluntary disclosure opportunity to be offered taxpayers early in the life of the project.

After the initial case discussion meeting, the states would determine whether the next step is to schedule a second in-person meeting, or to proceed with some regularly teleconferences prior to an additional meeting.

The states and the MTC staff should be able sustain the early steps for some period of time. As training, exchange of information and case discussions continue, the value of states working together on arm’s length issues should become evident. As it does, these activities could assist with securing participation from additional states until there are sufficient states to formally launch the ALAS project.