

Comparisons Among Three Design Scenarios: Recommended, Accelerated, and Contractor Focus Versions¹

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This document presents, largely in the form of tables, comparisons among three scenarios for the proposed MTC Arm's-Length Adjustment Service (ALAS). It is important to note at the outset, however, what the versions share in common.

All three versions assume an initial "charter period" of four years for the service. Over that period, the three versions would complete the same number of economic analyses of taxpayer transfer pricing studies on the same schedule, but at different costs.

All versions provide for an information exchange process to be in place by the second quarter of the first year of operation as a necessary step in undertaking joint analysis of transfer pricing studies.

All versions aspire to provide support to states in improving related party tax compliance through training, process improvement, case assistance and case resolution activities. They differ on the timing of these services and their costs, however. In addition, the contractor focus version is not expected to be as complete, flexible or effective in providing these support services as the other versions.

All three versions provide "early impact" activities requested by the Advisory Group. Those activities consist of early training for auditors on identifying issues and securing documents and a taxpayer voluntary disclosure opportunity. The versions differ in the timing of these activities.

Additional highlights of the three versions are briefly discussed below followed by a set of tables that provide a more detailed description and comparison.

All versions rely on the MTC Joint Audit Program for providing interested states with optional, joint audit services fully addressing related party issues. For all three versions, the pace of development of the related party, joint audit capacity is expected to be the same.

All versions use a combination of staff and contractors, but in different proportions.

¹ At the Arm's-Length Adjustment Service Advisory Group meeting on November 3, what had been labeled the "deferred staff" version was selected by the group as its preferred choice. Hence, it is relabeled here as the "recommended" version. The previously labeled "base" version is now labeled the "accelerated" version to better distinguish it from the "recommended" version.

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Recommended Version

The ALAS Advisory Group reviewed the three versions at a November 3, 2014, teleconference and chose this version to recommend to the MTC and the states. The group selected this version because it meets all the priority needs identified by the group and implements the service at a pace best suited to the needs of the states and the MTC for expeditious, but realistic and orderly development. The lower cost in the first year also was seen as a positive factor in terms of encouraging state participation in the service.

This recommended version addresses the group's request for certain "early impact" activities by providing early training on identifying issues and securing documents in the first year. It also provides a taxpayer voluntary disclosure period at the outset of the second year of the service's operation. While the initial pace of this version is less rapid than the accelerated version, the two versions are virtually identical by the middle of the third year of operation.

Case assistance, case resolution, and litigation support would begin late in the first year, and process improvement early in the second year—somewhat later than in other versions.

The recommended version of the service begins with one core staff member at the outset (the tax manager position), employs a senior economist six months later and an attorney and a pricing study auditor in the latter half of the first year. A second economist would be hired in the following year and the third economist at the beginning of year three. Economic analyses of transfer pricing studies would be completed through a combination of staff and contract economists.

The recommended version is estimated to be the least costly in the first year of operation by a substantial amount: \$150,000 less than the contractor focus version and \$240,000 less than the accelerated version. Over the four-year charter period, this version is estimated to cost \$1.1 million less than the contractor version. However, the recommended version is estimated to cost \$90,000 more than the accelerated version over the four-year period. That is due to this version making greater use of the more expensive contract economists in the second and third years for transfer pricing studies, training and support services for the states.

Accelerated Version

The accelerated version is similar to the recommended version in addressing all the needs identified by the group and the method of meeting those needs in terms of staff and contractor composition. However, the accelerated version would employ staff on a more rapid schedule in the first year and “jump start” activities more quickly. In addition to a tax manager, this version also would employ a senior economist and attorney in the early weeks of the project and a pricing auditor four months later.

This more rapid staffing schedule would result in earlier and more extensive training courses for states in the first year of operation. Under this version, the service would offer taxpayers a voluntary disclosure opportunity in the first year of operation. Case assistance, case resolution and litigation support would also begin earlier than in the other versions.

Despite higher costs in the first year, the accelerated version is the least costly approach over the four-year charter period—by a small amount as compared to the recommended version and a large amount as compared to the “contractor focus” version (\$1.19 million). The budgetary savings are due to using staff economists somewhat more than contract economists in the operation of the service.

Contractor Focus Version

This version would employ legal, technical and tax management staff but no staff economists. This staff would carry out the functions that do not require economics expertise. Contract economists would conduct transfer pricing economic analyses and provide economic support for training, process improvement, case assistance, case resolution and litigation support activities.

The training and other state support services would be developed on a schedule roughly halfway between that for other two versions. The initial voluntary disclosure opportunity would begin late in the first year and end early in the second year.

More importantly, under this version the process improvement, case assistance and case resolution services would be more limited compared to the other versions. That is due to the absence of staff economists who can bring their expertise flexibly into these activities. The result will be to reduce the quality and extent of these services in ways that may be difficult to measure.

Over the four-year charter period, the estimated cost of the contractor focus version is \$1.2 million greater than the accelerated version. The contractor focus version is more expensive due to the higher cost of providing economics expertise through contract economists instead of staff economists.

Introduction to Comparison Tables

The four tables below present features and activities of the Arm's-Length Adjustment Service under the three scenarios. The first two, multi-page tables present ALAS services and outcomes in two different ways. The first table presents the activities by type, with some references to timing. The second presents the activities entirely as a timeline. There is some redundancy in the two tables, but overall their intent is to provide a thorough summary of the evolution of the Arm's-Length Adjustment Service over its charter period. The third table presents a summary budget comparison among the three scenarios. The fourth summarizes the staffing under the scenarios.

Table 1. Comparison of Services and Outcomes			
Activity	Recommended	Accelerated	Contractor Focus
<p><u>Training</u></p> <p>Types of Training by Year</p>	<p><u>FY 2016:</u></p> <ol style="list-style-type: none"> 1. "Identifying Audit Issues and Securing Documents." 2. One interstate training sessions of front-line staff. <p><u>FY 2017:</u></p> <ol style="list-style-type: none"> 1. "Fundamentals of Related Party Compliance Methods." 2. "Fundamentals of Related Party Federal and State Law." 3. "Identifying Audit issues and Securing Documents." 4. Two interstate training sessions of front-line staff. 5. Related party topics at MTC Litigation Committee. 6. Two-part training for designated state pricing study auditors. 	<p><u>FY 2016:</u></p> <ol style="list-style-type: none"> 1. "Identifying Audit Issues and Securing Documents." 2. Two interstate training sessions of front-line staff. 3. Two-part training for designated state pricing study auditors. 4. "Fundamentals of Related Party Federal and State Law." <p><u>FY 2017:</u></p> <ol style="list-style-type: none"> 1. "Fundamentals of Related Party Compliance Methods." 2. "Identifying Audit Issues and Securing Documents." 3. Two interstate training sessions of front-line staff. 4. Related party topics at MTC Litigation Committee. 	<p><u>FY 2016:</u></p> <ol style="list-style-type: none"> 1. "Identifying Audit Issues and Securing Documents." 2. One interstate training sessions of front-line staff. 3. First half of two-part training for designated state pricing study auditors. 4. "Fundamentals of Related Party Federal and State Law." <p><u>FY 2017:</u></p> <ol style="list-style-type: none"> 1. "Fundamentals of Related Party Compliance Methods." 2. "Identifying Issues and Securing Documents." 3. Second part of training for designated state pricing study auditors. 3. Two interstate training sessions of front-line staff. 4. Related party topics at MTC Litigation Committee.

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Activity	Recommended	Accelerated	Contractor Focus
Training (continued)	<p><u>FY 2018:</u> 1. Repeat 2017 courses as needed. 2. Advanced topics in related party compliance. 3. Two interstate meetings of front-line staff.</p> <p><u>FY 2019:</u> 1. Repeat prior courses as needed or in “update” form. 2. Two interstate meetings of front-line staff. 3. Update course on non-economic review of pricing studies for pricing study auditors.</p>	<p><u>FY 2018:</u> 1. Repeat 2017 courses as needed. 2. Advanced topics in related party compliance. 3. Two interstate meetings of front-line staff. 4. Update course on non-economic review of pricing studies for pricing study auditors.</p> <p><u>FY 2019:</u> 1. Repeat prior courses as needed or in “update” form. 2. Two interstate meetings of front-line staff.</p>	<p><u>FY 2018:</u> 1. Repeat 2017 courses as needed. 2. Advanced topics in related party compliance. 3. One interstate meeting of front-line staff. 4. Update course on non-economic review of pricing studies for pricing study auditors.</p> <p><u>FY 2019:</u> 1. Repeat prior courses as needed or in “update” form. 2. One interstate meeting of front-line staff.</p>
Mode of Training	Primarily contractor training in first two years. Increased training by staff in years three through four.	Primarily contractor training in first year. Increased training by staff in years two through four.	Primarily contractor training in first two years. Majority contractor training in all years.

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Activity	Recommended	Accelerated	Contractor Focus
<u>Transfer Pricing Analysis</u> Total Number of Analyses of Taxpayer Transfer Pricing Studies	<u>FY 2016:</u> 9 <u>FY 2017:</u> 18 <u>FY 2018:</u> 24 <u>FY 2019:</u> 27	Same number of analyses in each year as in Recommended Version.	Same number of analyses in each year as in Recommended Version.
Ratio of Contractor to Staff Conducted Analyses	<u>FY 2016:</u> 9:0 <u>FY 2017:</u> 15:3 <u>FY 2018:</u> 12:12 <u>FY 2019:</u> 8:19	<u>FY 2016:</u> 8:1 <u>FY 2017:</u> 13:5 <u>FY 2018:</u> 10:14 <u>FY 2019:</u> 8:19	<u>FY 2016:</u> 9:0 <u>FY 2017:</u> 18:0 <u>FY 2018:</u> 24:0 <u>FY 2019:</u> 27:0
Non-Economic Technical Audits of Transfer Pricing Studies	Yes, by 2 nd quarter, FY 2017.	Yes, by 4 th quarter, FY 2016.	Yes, by 1 st quarter, FY 2017.
Estimated Cost per State Report— Assuming Three States Participating in Each Analysis	<u>FY 2016:</u> \$27,066 <u>FY 2017:</u> \$25,282 <u>FY 2018:</u> \$18,999 <u>FY 2019:</u> \$15,264 <u>All Years:</u> \$20,087	<u>FY 2016:</u> \$26,663 <u>FY 2017:</u> \$27,066 <u>FY 2018:</u> \$20,991 <u>FY 2019:</u> \$15,264 <u>All Years:</u> \$21,065	<u>FY 2016:</u> \$27,220 <u>FY 2017:</u> \$27,159 <u>FY 2018:</u> \$26,398 <u>FY 2019:</u> \$26,169 <u>All Years:</u> \$26,589
Information Exchange	Yes, beginning 2 nd quarter, FY 2016.	Yes, beginning 2 nd quarter, FY 2016.	Yes, beginning 2 nd quarter, FY 2016.
Process Improvement	Yes, by 1 st quarter, FY 2017. Joint work and improvements by states encouraged.	Yes, by 3 rd quarter, FY 2016. Joint work and improvements by states encouraged.	Yes, by 3 rd quarter, FY 2016. More limited and lower quality service. Less joint work among states.

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Activity	Recommended	Accelerated	Contractor Focus
<u>Case Assistance</u> (pre-audit assessment)	Yes, by 4 th quarter, FY 2016. Assistance includes, but not limited to, audit & legal help, & staff economists informally evaluating taxpayer transfer pricing facts.	Yes, by 2 nd quarter, FY 2016. Assistance includes, but not limited to, audit & legal help & staff economists informally evaluating taxpayer transfer pricing facts.	Yes, by 2 nd quarter, FY 2016. Assistance includes audit & legal help, & referrals to contract economists for informally evaluating taxpayer facts. States would contract separately with economists.
<u>Case Resolution</u> Voluntary Disclosure Process	Yes, from 1st through 3rd quarter, FY 2017.	Yes, from 2 nd through 4th quarter, FY 2016.	Yes, from 4 th quarter, FY 2016 through second quarter, FY 2017. Would require MTC to contract with economists to assist with disclosure agreement terms.
Post-Assessment Case Evaluation and Support	Yes, by 4 th quarter, FY 2016.	Yes, by 2 nd quarter, FY 2016.	Yes, but limited to legal assistance, by 2 nd quarter, FY 2016. States contract individually with economists.
Alternative Dispute Resolution	Yes, by 4 th quarter, FY 2106.	Yes, by 2 nd quarter, FY 2016.	Yes, by 2 nd quarter, FY 2016.

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Activity	Recommended	Accelerated	Contractor Focus
<p><u>Case Resolution</u> (continued)</p> <p>Litigation Support</p>	<p>Yes, by 4th quarter, FY 2106.</p> <p>Experts would include MTC staff economists and contract economists, the latter paid for by individual states.</p>	<p>Yes, by 2nd quarter, FY 2016.</p> <p>Experts would include MTC staff economists and contract economists, the latter paid for by individual states.</p>	<p>Yes, by 2nd quarter, FY 2016.</p> <p>States would contract with and pay costs for contract economists as expert witnesses.</p>
<p>Advanced Pricing Agreement Support</p>	<p>To be determined.</p>	<p>To be determined.</p>	<p>To be determined.</p> <p>If pursued, states would contract individually with contract economists.</p>
<p><u>Optional Joint Audits</u></p>	<p>Provided through MTC Joint Audit Program, with treatment of related party issues expanding over 2 ½ year period.</p> <p>MTC staff economists provide ongoing training & informal consultation for program.</p> <p>MTC staff & contract economists provide transfer pricing study analyses same as for individual state audits.</p>	<p>Provided through MTC Joint Audit Program, with treatment of related party issues expanding over 2 ½ year period.</p> <p>MTC staff economists provide ongoing training & informal consultation for program.</p> <p>MTC staff & contract economists provide transfer pricing study analyses same as for individual state audits.</p>	<p>Provided through MTC Joint Audit Program, with treatment of related party issues expanding over 2 ½ year period.</p> <p>Contract economists provide training & informal consultation for program.</p> <p>Contract economists would provide transfer pricing study analyses same as for individual state audits.</p>

Table 2. Timeline Comparison			
Time Period	Recommended	Accelerated	Contractor Focus
<u>January through June 2015</u>	<p>Final revisions of service design.</p> <p>MTC Training Program hosts “Identifying Issues” course for auditors.</p> <p>Recruitment of participating states.</p> <p>Preliminary implementation documents for staff recruitment, economic services RFP, exchange of information, and performance objectives.</p> <p>Executive Director confirms sufficient participation, triggering pre-launch staff recruitment and advance publicity for RFP.</p> <p>States appoint Arm’s-Length Service Committee.</p> <p>Recruitment of Tax Manager.</p>	<p>Final revisions of service design.</p> <p>MTC Training Program hosts “Identifying Issues” course for auditors.</p> <p>Recruitment of participating states.</p> <p>Preliminary implementation documents for staff recruitment, economic services RFP, exchange of information and performance objectives.</p> <p>Executive Director confirms sufficient participation, triggering pre-launch staff recruitment and advance publicity for RFP.</p> <p>States appoint Arm’s-Length Service Committee.</p> <p>Recruitment of Tax Manager, Senior Economist and Attorney positions.</p>	<p>Final revisions of service design.</p> <p>MTC Training Program hosts first “Identifying Issues” course for auditors.</p> <p>Recruitment of participating states.</p> <p>Preliminary implementation documents for staff recruitment, economic services RFP, exchange of information and performance objectives.</p> <p>Executive Director confirms sufficient participation, triggering pre-launch staff recruitment and advance publicity for RFP.</p> <p>States appoint Arm’s-Length Service Committee.</p> <p>Recruitment of Tax Manager.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<u>July through September 2015</u>	<p>Formal launch of service.</p> <p>Tax Manager begins July 1.</p> <p>Arm's-Length Service Committee meets at MTC Annual Meeting; reviews draft performance objectives.</p> <p>RFP issued for economists for transfer pricing analysis, training of MTC and state staff, and voluntary disclosure support.</p>	<p>Formal launch of service.</p> <p>Tax Manager begins July 1.</p> <p>Arm's-Length Service Committee meets at MTC Annual Meeting; reviews draft performance objectives.</p> <p>Attorney and Senior Economist begin August 1.</p> <p>RFP issued for economists for transfer pricing analysis, training of MTC and state staff, and voluntary disclosure support.</p> <p>Recruitment begins for Pricing Auditor position.</p>	<p>Formal launch of service.</p> <p>Tax Manager begins July 1.</p> <p>Arm's-Length Service Committee meets at MTC Annual Meeting; reviews draft performance objectives.</p> <p>Attorney begins August 1.</p> <p>RFP issued for economists for transfer pricing analysis, training of state staff, and voluntary disclosure support.</p>
<u>October through December 2015</u>	<p>Information exchange process implemented.</p> <p>Contract made with economics consulting firm(s).</p> <p>First round of transfer pricing study analyses solicited.</p>	<p>Information exchange process implemented.</p> <p>Contract made with economics consulting firm(s).</p> <p>First round of transfer pricing study analyses solicited.</p>	<p>Information exchange process implemented.</p> <p>Contract made with economics consulting firm(s).</p> <p>First round of transfer pricing study analyses solicited.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<p><u>October through December 2015</u> (continued)</p>	<p>Recruitment begins for Sr. Economist.</p> <p>ALAS Committee meets.</p> <p>MTC Audit Committee reviews process of incorporating related party issues in corporate tax joint audits.</p> <p>Recruitment begins for attorney.</p>	<p>Voluntary Disclosure Process begins—taxpayer applications accepted as of October 1.</p> <p>Pricing Auditor begins on November 1.</p> <p>First organizational training session of state front-line staff.</p> <p>States asked to designate staff to perform technical audits of transfer pricing studies.</p> <p>ALAS Committee meets.</p> <p>MTC Audit Committee reviews process of incorporating related party issues incorporate tax joint audits.</p> <p>MTC staff initiates case assistance and case resolution services to states.</p>	<p>Recruitment begins for Pricing Auditor.</p> <p>ALAS Committee meets.</p> <p>MTC Audit Committee reviews process of incorporating related party issues in corporate tax joint audits.</p> <p>MTC staff initiates case assistance and case resolution services to states—minus economic expertise.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<p><u>January through March 2106</u></p>	<p>Recruitment begins for Pricing Auditor.</p> <p>ALAS Committee meets.</p> <p>Senior Economist begins January 1.</p> <p>Attorney begins on March 1.</p>	<p>“Fundamentals of Related Party Federal and State Laws” course.</p> <p>Related party topics at MTC Litigation Committee.</p> <p>First part of two-part training for designated state transfer pricing study auditors.</p> <p>ALAS Committee meets.</p> <p>Six-month taxpayer application period for voluntary disclosures ends on March 31.</p> <p>MTC staff initiates process improvement services with states.</p>	<p>“Fundamentals of Related Party Federal and State Laws” course.</p> <p>Related party topics at MTC Litigation Committee.</p> <p>States asked to designate staff to perform technical audits of transfer pricing studies.</p> <p>ALAS Committee meets.</p> <p>Pricing Auditor begins January 1.</p> <p>MTC staff initiates process improvement services with states—minus economics expertise.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<u>April through June 2016</u>	<p>Pricing Auditor begins on April 1.</p> <p>States asked to designate staff to perform transfer pricing study audits.</p> <p>“Identifying Issues and Securing Documents” course for auditors—held with first training session of state front-line staff.</p> <p>9 economic analyses of transfer pricing studies completed, all by contract economists.</p> <p>MTC staff initiates case assistance and case resolution services to the states.</p>	<p>Voluntary disclosure agreements with taxpayers processed through June 30.</p> <p>Second part of training for designated state transfer pricing study auditors.</p> <p>“Identifying Issues and Securing Documents” course for auditors—held with regular semi-annual training session of state front-line staff.</p> <p>9 economic analyses of transfer pricing studies completed, 8 by contract economists, 1 by MTC Sr. Economist.</p> <p>Technical audits of transfer pricing studies implemented.</p> <p>Recruitment begins for second Economist.</p>	<p>Voluntary Disclosure Process begins—taxpayer applications accepted as of April 1.</p> <p>First part of two-part training for designated state transfer pricing study auditors.</p> <p>“Identifying Issues and Securing Documents” course for auditors—held with first training session of state front-line staff.</p> <p>9 economic analyses of transfer pricing studies completed, all by contract economists.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<p><u>July through September 2016</u></p>	<p>Voluntary Disclosure Process begins—taxpayer applications accepted as of July 1.</p> <p>States submit candidates for FY 2017 transfer pricing study analyses.</p> <p>First part of two-part training for designated state transfer pricing study auditors.</p> <p>ALAS Committee meets—Confers with MTC Audit Committee on Related Party Audit Issues. Audit Program begins process of expanding treatment of related party issues.</p> <p>Recruitment begins for second Economist.</p> <p>MTC staff initiates process improvement activities with the states.</p>	<p>States submit candidates for FY 2017 transfer pricing study analyses.</p> <p>ALAS Committee meets—Confers with MTC Audit Committee on Related Party Audit Issues. Audit Program begins process of expanding treatment of related party issues.</p> <p>Second Economist begins July 1.</p>	<p>Six-month taxpayer application period for voluntary disclosures ends on September 30.</p> <p>States submit candidates for FY 2017 transfer pricing study analyses.</p> <p>Second part of training for designated state transfer pricing study auditors.</p> <p>ALAS Committee meets—Confers with MTC Audit Committee on Related Party Audit Issues. Audit Program begins process of expanding treatment of related party issues.</p> <p>Technical audits of transfer pricing studies implemented.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<p><u>October through December 2016</u></p>	<p>Six-month taxpayer application period for voluntary disclosures ends on December 31.</p> <p>“Fundamentals of Related Party Compliance Methods” course held with regular semi-annual training session of state front-line staff.</p> <p>Second part of training for designated state transfer pricing study auditors.</p> <p>Technical audits of transfer pricing studies implemented.</p> <p>ALAS Committee meets.</p> <p>Second Economist begins October 1.</p>	<p>“Fundamentals of Related Party Compliance Methods” course held with regular semi-annual training session of state front-line staff.</p> <p>ALAS Committee meets.</p>	<p>Voluntary disclosure agreements with taxpayers processed through December 31.</p> <p>“Fundamentals of Related Party Compliance Methods” course held with regular semi-annual training session of state front-line staff.</p> <p>ALAS Committee meets.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<u>January through March 2017</u>	<p>Voluntary disclosure agreements with taxpayers processed through March 31.</p> <p>“Fundamentals of Related Party Federal and State Law” course.</p> <p>Related party topics at MTC Litigation Committee.</p> <p>ALAS Committee meets.</p>	<p>“Fundamentals of Related Party Federal and State Law” course.</p> <p>ALAS Committee meets.</p>	<p>“Fundamentals of Related Party Federal and State Law” course.</p> <p>ALAS Committee meets.</p>
<u>April through June 2017</u>	<p>18 transfer pricing analyses completed, with approximately half having undergone technical audits. 15 completed by contract economists, 3 by MTC staff economists.</p> <p>Semi-annual training session for state front-line staff.</p> <p>Recruitment begins for third Economist.</p>	<p>18 transfer pricing analyses completed, with all or nearly all also having undergone technical audits. 13 completed by contract economists, 5 by MTC staff economists.</p> <p>Semi-annual training session for state front-line staff.</p> <p>Recruitment begins for third Economist.</p>	<p>18 transfer pricing analyses completed, with half or slightly more having undergone technical audits. All 18 completed by contract economists.</p> <p>Semi-annual training session for state front-line staff.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<u>July through December 2017</u>	<p>States submit candidates for FY 2018 transfer pricing studies.</p> <p>Third economist begins July 1.</p> <p>Semi-annual training sessions for state front-line staff continue.</p> <p>Formal courses will repeat in fundamental or advanced topic versions as demand indicates. The three areas include: identifying issues and securing documents, related party law, and related party compliance methods. Courses on other topics may be added.</p> <p>ALAS Committee meets—Confers with MTC Audit Committee on related party audit process.</p>	<p>States submit candidates for FY 2018 transfer pricing studies.</p> <p>Third economist begins July 1.</p> <p>Semi-annual training sessions held for state front-line staff continue.</p> <p>Formal courses will repeat in fundamental or advanced topic versions as demand indicates. The three areas include: identifying issues and securing documents, related party law, and related party compliance methods. Courses on other topics may be added.</p> <p>ALAS Committee meets—Confers with MTC Audit Committee on related party audit process.</p>	<p>States submit candidates for FY 2018 transfer pricing studies.</p> <p>Semi-annual training sessions for state front-line staff continue.</p> <p>Formal courses will repeat in fundamental or advanced topic versions as demand indicates. The three areas include: identifying issues and securing documents, related party law, and related party compliance methods. Courses on other topics may be added.</p> <p>ALAS Committee meets—Confers with MTC Audit Committee on related party audit process.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<u>January to July 2018</u>	<p>Training continues as described above.</p> <p>Update on technical skills for transfer pricing study audits may occur.</p> <p>Process improvement, case assistance, case resolution and litigation support continue in response to identified needs.</p> <p>MTC joint audits regularly cover full set of related party issues.</p> <p>ALAS Committee completes review of information exchange procedures and addresses expansion or modification.</p> <p>24 transfer pricing analyses completed, with all having undergone technical audits. 12 completed by contract economists, 12 by MTC staff economists.</p>	<p>Training continues as described above</p> <p>Update on technical skills for transfer pricing study audits may occur.</p> <p>Process improvement, case assistance, case resolution and litigation support continue in response to identified needs.</p> <p>MTC joint audits regularly cover full set of related party issues.</p> <p>ALAS Committee completes review of information exchange procedures and addresses expansion or modification.</p> <p>24 transfer pricing analyses completed, with all having undergone technical audits. 10 completed by contract economists, 14 by MTC staff economists.</p>	<p>Training continues as described above</p> <p>Update on technical skills for transfer pricing study audits may occur.</p> <p>With lesser scope, process improvement, case assistance, case resolution and litigation support continue in response to identified needs.</p> <p>MTC joint audits regularly cover full set of related party issues.</p> <p>ALAS Committee completes review of information exchange procedures and addresses expansion or modification.</p> <p>24 transfer pricing analyses completed, with all having undergone technical audits. All 24 analyses completed by contract economists.</p>

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Time Period	Recommended	Accelerated	Contractor Focus
<u>July 2018 through June 2019</u>	<p>All elements of service continue as described for FY 2018.</p> <p>27 transfer pricing analyses completed, with all having undergone technical audits. 8 completed by contract economists and 19 by MTC staff economists.</p> <p>ALAS Committee evaluates the performance of the service in relation to its goals and performance objectives and makes recommendations on future direction to the MTC Executive Director and Executive Committee.</p>	<p>All elements of service continue as described for FY 2018.</p> <p>27 transfer pricing analyses completed, with all having undergone technical audits. 8 completed by contract economists and 19 by MTC staff economists.</p> <p>ALAS Committee evaluates the performance of the service in relation to its goals and performance objectives and makes recommendations on future direction to the MTC Executive Director and Executive Committee.</p>	<p>All elements of service continue as described for FY 2018.</p> <p>27 transfer pricing analyses completed, with all having undergone technical audits. All 27 completed by contract economists.</p> <p>ALAS Committee evaluates the performance of the service in relation to its goals and performance objectives and makes recommendations on future direction to the MTC Executive Director and Executive Committee.</p>

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Table 3. Estimated Cost Comparison (Nearest \$10,000—Totals Do Not Add Due to Rounding)			
Fiscal Year	Recommended	Accelerated	Contractor Focus
FY 2016	\$ 1,250,000	\$ 1,490,000	\$ 1,400,000
FY 2017	\$ 2,250,000	\$ 2,070,000	\$ 2,100,000
FY 2018	\$ 2,210,000	\$ 2,070,000	\$ 2,520,000
FY 2019	\$ 1,950,000	\$ 1,950,000	\$ 2,750,000
4-Year Total	\$ 7,670,000	\$ 7,580,000	\$ 8,770,000

Table 4—Staffing Comparison			
Fiscal Year	Recommended	Accelerated	Contractor Focus
FY 2016	FTE: 2.08 Tax Manager 1.00 Attorney .33 Sr. Economist .50 Pricing Auditor .25	FTE: 3.42 Tax Manager 1.00 Attorney .88 Sr. Economist .88 Pricing Auditor .66	FTE: 2.38 Tax Manager 1.00 Attorney .88 Pricing Auditor .50
FY 2017	FTE: 4.75 Staff above, all @ 1.00 FTE + 2 nd Economist .75	FTE: 5.00 Staff above, all @ 1.00 FTE + 2 nd Economist 1.00	FTE: 3.00 Staff above, all @ 1.00
FY 2018	FTE: 6.00 Staff above, all @ 1.00 FTE + 3 rd Economist 1.00	FTE: 6.00 Staff above, all @ 1.00 FTE + 3 rd Economist 1.00	FTE: 3.00 Same as FY 2017.
FY 2019	FTE: 6.00 Same as FY 2018.	FTE: 6.00 Same as FY 2018.	FTE: 3.00 Same as FY 2017.