I. Next Meetings

Teleconference on Wednesday, June 25, 2:00 pm Eastern Time

Meeting on July 28 in Albuquerque NM

II. Issue Priorities

The following issue priorities are based on state interviews and discussions at the June 2 meeting. They range from items of unanimous or near unanimous interest (A through C) to those of significant interest to several or some states (D through F) and of minimal interest (G).

A. Joint Economics Expertise
B. Information Exchange/Management
C. Training
D. Joint Auditing
E. Case Resolution
F. Advanced Pricing Agreements
G. Policy and Practices Evaluation

III. Next Work Tasks—In Order of Priority

The priorities among work tasks generally follow the priorities of state interests. However, item C (Training) and D (Joint Auditing) change places in terms of work priorities because the work associated with joint auditing is more complex and extensive, thus requiring more time and an earlier start. Also, training will be shaped to a degree by and derived in part from other components of the project.

A. Joint Economics Expertise

Joint economics expertise could be used in several ways, including:

1. Selection of taxpayers for audit or other compliance activity,
2. Providing support for audits in progress either through:
   a. Examining intercompany transactions for audit selection or determining priorities within an already selected audit, and/or
   b. Evaluating and developing responses to taxpayer transfer pricing studies, and
3. Providing expert witness support during litigation.
Work on joint economics expertise prior to the June 25 teleconference would focus on surveying sources of such expertise on types of services and current costs, interviewing transfer pricing experts on issues relevant to the use of such expertise, and developing more detail on the practical use of such expertise within a joint, multistate project.

*A progress report on issues related to joint economics expertise will be prepared for discussion during the June 25 teleconference.*

B. Information Exchange/Management

Effectively obtaining and using taxpayer, tax agency and external expert information can improve compliance. Information exchange/management issues to be explored include:

1. Informal case consultation among states at several stages in the administrative process,
2. Exchange of taxpayer information,
3. Exchange of expert transfer pricing reports, and

Immediate work will focus on exploring the legal and practical mechanisms for exchange of information and joint state consultation.

*A progress report will be available for the June 25 teleconference.*

C. Joint Audit Issue Review

Discussions at the June 2 meeting raised a variety of topics related to joint audits in terms of the varying needs of the states, the different types of audits that might be conducted, and issues of coordination with existing income tax audits. As a result, the project facilitator will prepare an issue paper that examines a broader range options than previously discussed—including examining ways that transfer pricing issues could be addressed in conjunction with the existing MTC income tax audit program.

*The issue paper on joint audit options would be prepared for discussion at the July 28 meeting in Albuquerque.*

D. Expanded Training

Work on expanding training on state treatment of intercompany transactions will focus on surveying existing state and federal
resources on the topic and identifying options for expanding such training for state personnel. The training options will be developed to leverage the connections to other components of the arm’s-length project.

_A progress report on expanded training options would be prepared for discussion at the July 28 meeting in Albuquerque._

**E. Joint Case Resolution**

Items E and F are both forms of case resolution that differ in terms of timing, procedures and available information.

Joint case resolution would generally occur after audit work is conducted. Work on this topic will be deferred until after the July 28 meeting. However, the states may choose to discuss the issue and provide input and suggestions to the project facilitator at any time.

**F. Joint State Advanced Pricing Agreements**

Advanced pricing agreements occur prior to any audits and are initiated by taxpayers. Again, work on this topic will be deferred until after the July 28 meeting in Albuquerque. However, the states may choose to discuss the issue and provide input and suggestions to the project facilitator at any time.

Item G (Policy and Practices Evaluation) is “on the shelf” with no work being planned unless project states express greater interest in the topic.