Memorandum

To: Arm's-Length Adjustment Service Advisory Group

From: Dan Bucks, Project Facilitator

Date: July 25, 2014

Re: Draft Issues for October 6 Conference: Item III.B for July 28 Meeting

The economics consulting firms we are inviting to the October 6 conference will need guidance on what we will asking them to discuss. Here is a rough draft of questions that we might use in organizing the conference. They are presented for your consideration and direction at the July 28 meeting.

- What are the greatest challenges that states might face in improving tax compliance related to intercompany transactions that distort the reporting of income to their states?

- What are some of the best ways for states to meet those challenges?

- Given the fact-intensive nature of transfer pricing tax compliance work, how might states best integrate expertise in economics and statistical analysis into the work of their audit and legal staffs?

- What objections will states face from taxpayers as they increase their compliance work? Which of those objections is a legitimate concern? How can states best respond to those objections?

- What lessons can the project states learn from other taxing authorities with regard to transfer pricing enforcement?

- What remedies are most effective in correcting income manipulation associated with intercompany transactions?

- What other issues are important for states to consider in designing the projected MTC Arm’s-Length Adjustment Service?

Once the questions are finalized, we will begin developing the conference around them.

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