

Presentation to MTC by Dr. Jonathan A. Neuberger

October 7, 2014

Economists
INCORPORATED

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The Challenge

Create a well-informed, well-reasoned and consistent set of procedures and policies to evaluate taxpayers' transfer pricing practices.

The Obstacles

- Taxpayers employ well-paid consultants and advisors with extensive transfer pricing experience and expertise.
- Taxpayers operate in multiple jurisdictions and may be reluctant to cooperate with state tax authorities.
- Occasional state-level audits make it difficult to assess continuity in transfer pricing practices.
- Complexity of transfer pricing practices may be daunting to state-level auditors or untrained staff.

The Response

1. Develop internal resources

- Demystify transfer pricing through training.
- Apply common-sense screens and filters.
- Learn to look for red flags.
- Look for continuity.
- Question complexity.

The Response

2. Design coordinated response

- Develop comprehensive checklists of issues, questions and procedures to investigate.
- Make specific document requests.
- Request complete transfer pricing files, including data in native format.
- Request accounting statements and workpapers to confirm application of stated practices.

The Response

3. Spend resources wisely

- Identify issues most likely to be productive.
 - Don't get lost in the weeds.
 - Don't sweat the small stuff (it's not all small stuff).
- Rely on industry-wide surveys and other references for intercompany royalties.
- Use experts when needed.