



State Tax Today

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Company Refutes Claims That It Works on Contingency-Fee Basis

Eric Cook

Summary by **taxanalysts**®

In a letter to the editor, Eric Cook of Chainbridge Software LLC disputes claims that his company accepts contingent-fee agreements and describes the work his company does.

Full Text Published by **taxanalysts**®

To the Editor:

"When truth is replaced by silence, the silence is a lie." -- Yevgeny Yevtushenko

For some time we at Chainbridge Software LLC have felt that rather than responding to our critics in print we would just keep bugging on, as Winston Churchill would say. We are generally busy helping our state government clients identify corporate taxpayers that may not be reporting a reasonable amount of income to the states and building and delivering tax policy analysis simulation systems. However, the contingency fee canard has been overfed, and we are compelled to set the record straight.

We are not bounty hunters; we provide economic analyses, products, and services to our state government clients. In fact, calling us bounty hunters could imply that the taxpayers are fugitives from justice. We don't have a magic eight-ball, but we do have preliminary analysis software used to help our state clients identify corporate taxpayers for IRC section 482 and other types of analyses. We are not auditors, and we do not, have not, and will not operate on a contingency-fee basis in providing our products and services to our clients. All of our work is performed on either a fixed-price or hourly basis.

We have no incentive to inflate income adjustments. We have every incentive to perform objective economic analyses that can be used to support audits and we must be prepared to defend them through any ensuing legal action.

We are not attorneys; however, it is our understanding that there are at least two basic types of performance-based procurements that have been in use by government contractors in the tax arena to fund IT and other types of projects for a number of years. In a no-cap procurement, the

contractor takes a share of all benefits during a specified contract period. This is the type of procurement that we believe that all of the hubbub is about that is driving the movement to enact legislation, issue policy and position statements and the like, and sounds most like a contingency fee to us.

In a capped procurement, the contractor is compensated for work performed through a fixed fee that is paid from benefits. This is the type of procurement that our partner firms have had with clients and it provides the states with a cost-efficient way to get access to our economic analyses. It is a fixed-fee contract.

Since 2000, Chainbridge has been involved in the development and delivery of two principal products, including ComplianceLinks and PolicyLinks. ComplianceLinks was originally designed, developed, and tested for internal use by a major U.S. economic consulting firm providing transfer pricing documentation services for international corporations. In 2003 Chainbridge decided to offer ComplianceLinks to the states for purposes of performing analyses of the arm's-length nature of intercompany transactions for state corporate taxpayers.

PolicyLinks is an advanced microsimulation tax policy modeling system that determines how changes to tax policies affect taxpayers by income classification, total revenue, and receipts. The system provides an integrated approach to tax policy simulation. Most importantly, PolicyLinks allows analysts to make changes to policies graphically, in an intuitive and simple way. It enables analysis of individual income taxes; corporate taxes; sales, excise, and use taxes; property taxes; multitax incidence; and revenue to receipts conversion.

We appreciate the opportunity to set the record straight regarding the nature of the compensation for our IRC section 482 work for our state clients. Chainbridge has never been and never will be compensated on a contingency-fee basis. All of our work is performed on either a fixed-fee or hourly basis.

Eric Cook, CEO
Chainbridge Software LLC
April 7, 2014

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