



American Institute of CPAs
1455 Pennsylvania Avenue, NW
Washington, DC 20004-1081

March 1, 2017

Mr. Gregory S. Matson
Executive Director
Multistate Tax Commission
444 N. Capitol St. NW, Suite 425
Washington, DC 20001

Ms. Helen Hecht
General Counsel
Multistate Tax Commission
444 N. Capitol St. NW, Suite 425
Washington, DC 20001

Re: Reporting to State Tax Authorities of Federal Tax Examination Adjustments and the Effect on State Tax Liability

Dear Mr. Matson and Ms. Hecht:

The American Institute of CPAs (AICPA) would like to share with the Multistate Tax Commission (MTC) and its Uniformity Committee the attached *AICPA Position Paper on Reporting to State Tax Authorities of Federal Tax Examination Adjustments and their Effect on State Tax Liability*. If possible, please distribute the paper to the MTC Uniformity Committee in advance of its March 8, 2017 meeting and post the paper on your website. Our members are also available to discuss the details of our position you and the MTC Uniformity Committee at its meeting on March 8, 2017.

There is no consistent method for reporting the results of federal examination adjustments and their state tax effect to state tax authorities. The states have not adopted a uniform notification period or process for reporting federal adjustments. This issue is especially important due to the likelihood that states will consider changes related to the reporting of federal audit adjustments to accommodate the new federal partnership audit regime.

The AICPA encourages state CPA societies to work with policymakers for fair, reasonable, and administrable rules that minimize the complexities and burdens to taxpayers and state tax authorities alike. States should adopt the suggested guidelines and procedures to provide taxpayers with certainty and consistency regarding the reporting to states of federal tax adjustments.

* * * * *

The AICPA is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries and a history of serving the public interest since 1887. Our members advise clients on federal, state and international tax matters and prepare income and other tax returns for millions of Americans. Our members provide services to individuals, not-for-profit organizations, small and medium size businesses, as well as America's largest businesses.

Mr. Gregory S. Matson
Ms. Helen Hecht
March 1, 2017
Page 2 of 2

We welcome the opportunity to discuss further these issues or answer any questions that you may have. You may contact me at (408) 924-3508, or annette.nellen@sjsu.edu; or you may contact Jennifer Jensen, Chair, AICPA State and Local Taxation Technical Resource Panel, at (703) 918-2882 or jennifer.jensen@pwc.com; or Eileen Sherr, Senior Manager – AICPA Tax Policy & Advocacy, at (202) 434-9256, or eileen.sherr@aicpa-cima.com.

Sincerely,

A handwritten signature in black ink, appearing to read "Annette Nellen". The signature is written in a cursive, flowing style.

Annette Nellen, CPA, CGMA, Esq.
Chair, Tax Executive Committee