

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

Disclaimer: Unless specifically noted, this document does not represent the views of the Multistate Tax Commission, the MTC Arm's Length Adjustment Service Advisory Group, or any state. The author prepared it to help facilitate discussions by the advisory group.

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.