



## Legal Alert: MTC Speaks with Potential Transfer Pricing Vendors

June 26, 2014

On June 25, the Arm's Length Adjustment Services Advisory Group (the Group) of the Multistate Tax Commission (MTC) met via teleconference to continue the process of developing a multistate arm's length pricing adjustment service. States participating in the meeting included Alabama, Florida, Georgia, Iowa, Kentucky, North Carolina, Pennsylvania and the District of Columbia. The primary focus of the meeting was to follow up from the [June 2 meeting in St. Louis](#).

As was the case earlier in the month, the Group focused primarily on expanding the resources available to states when entering a dispute with a taxpayer regarding transfer pricing. While taxpayers typically exhaust substantial resources to demonstrate the legitimacy of transfer pricing agreements, states have traditionally been unable to duplicate those efforts. The Group seeks to change that trend and is seeking advice from external experts. Dan Bucks, the project facilitator, met with seven firms to discuss the services available to the MTC. Services ranged from exhaustive advice throughout the entire audit process and subsequent litigation, to *a la carte* services including transfer pricing agreement analysis. Exploring the viability of hiring these firms garnered overwhelming support. To that end, the Group is planning to gather in fall 2014 to meet directly with potential vendors. The Group will discuss both the services the firms can provide the Group, as well as ability of the firms to train individual states in the audit process.

Again, the Group echoed the same sentiment regarding joint transfer pricing audits from the June 2 meeting. Multiple states, including Florida and Kentucky, indicated that their involvement in the Group is exclusively to benefit from economic expertise. Iowa also raised doubt about audit services, as it does not presently use the MTC joint audit program. Thus, the possibility of a coordinated audit of intercompany pricing agreements remains in doubt.

The next meeting will take place on July 28 at the 2014 Annual MTC Conference and Committee Meetings in New Mexico. The

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Group is likely to meet again in the fall with potential vendors to discuss developing economic expertise. No date has been set for this meeting.

*If you have any questions about this Legal Alert, please feel free to contact any of the attorneys listed under 'Related People/Contributors' or the Sutherland attorney with whom you regularly work.*