



# Measure Your SALT & Transfer Pricing Know-How & Win with the 6-Question *SALT TP Quiz!*

The 2022 SALT Transfer Pricing Quiz ("Quiz") consists of six multiple-choice questions.

Alas, Quiz Prize eligibility closed on April 30, 2022.

However, if you haven't yet read the 2022 *Tax Notes State* article "SALT Transfer Pricing — What You Need to Know," there is still time to request a copy of the article from within the Quiz, which we will keep open until 31 May 2022 for this purpose.

WTP Advisors is administering the Quiz and all responses (score, name, etc.) will be kept in strict confidence unless, of course, you want us to call and tell your boss how smart you are!

All submissions will be deleted on May 31, 2022.

🕒 Takes 3 minutes

**Start**

press Enter ↵

1 → Select the one **Prize** you would like to receive, should you become the **2022 SALT Transfer Pricing Quiz Champion!**

(You may opt out of all public recognition and your chosen prize will still be sent to you 😊)



A

 Peugeot Paris u'Select SALT Mill in red (30 cm)



B

 Peugeot Paris u'Select SALT mill in white (30 cm)



C

 Peugeot Tahiti SALT and Pepper Mill Duo (15 cm each)



D

 \$75 Amazon Gift Card

OK ✓



2 → Q1: In the context of SALT transfer pricing tax authority audit resolution trends, which one of the following acronyms is the most relevant: \*

**Notes:**

- "\*" denotes an answer is required
- In all questions, "transfer pricing" is abbreviated as "TP"

☐ A Advance Purchase Agreement

☐ B Advance Pricing Account

☐ C Advance Procurement Authorization

☐ D Advance Pricing Algorithm

☒ E Advance Pricing Agreement ✓

OK ✓







3 → Q2: Which statements are true about IRC § 482-based TP studies? \*

**A** Taxpayer TP studies presented to certain U.S. state departments of revenue (DORs) must be prepared or approved by a Certified Public Accountant licensed in the state where the multistate enterprise's entity under audit is located.

**B** Taxpayer TP studies presented to U.S. state courts in mandatory combined reporting states must be approved by a licensed attorney.

**C** Certain U.S. state DORs require a PhD economist to timely sign off on taxpayer TP studies that are to be considered contemporaneous.

**D** Today, thanks to artificial intelligence, the majority of tax authorities and Fortune 500 companies in separate reporting states consider TP study generation software to be a better solution than work performed by experienced TP professionals.

**E** While A, B, C, and D, are all not true, it is beneficial to work with a TP expert who is happy to explain any aspect of a TP study as it relates to your business.

OK ✓







4 → Q3: Which types of enterprises with U.S. entities should be concerned with having a contemporaneous IRC § 482-based TP study to help avoid TP adjustments and penalties? \*

☐ A MNEs with transnational intercompany transactions and U.S. interstate intercompany transactions.

☐ B MNEs with U.S.-foreign transnational intercompany transactions but not U.S. interstate intercompany transactions.

☐ C Multistate enterprises with U.S. interstate intercompany transactions.

☐ D Texas Taco Trucks, Inc., which is headquartered in Texas, and operates its food trucks only within Texas, but purchases certain ingredients from cooperatives of farmers in Mexico.

☐ E A, B, C, and D.

☐ F A, B, and C, but not D.

OK ✓





5 → Q4: In which case did the court rule in support of the taxpayer's IRC § 482-based transfer pricing study as providing evidence of arm's-length intercompany transactions? \*

☐ A *Rent-A-Center East Inc. v. Department of State Revenue*, 42 N.E.3d 1043 (Ind. T.C. 2015).

☐ B *Columbia Sportswear USA Corporation v. Department of State Revenue*, 45 N.E.3d 888 (Ind. T.C. 2015).

☐ C *State Tax Commission v. See's Candies Inc.*, 435 P.3d 147 (Utah 2018).

☐ D A, B, and C.

☐ E None of the three cases.

OK ✓



6 → Q5: Which statement about U.S. domestic TP is false \*

- ☐ A MNEs should be prepared for U.S. state tax authority review of intercompany transactions between related domestic and foreign entities, particularly in water's-edge filings.
- ☐ B When multiple unitary groups that are owned by a common owner transact with each other, transfer pricing is only an audit risk when one or more unitary group member corporations file separate-entity returns.
- ☐ C Separate reporting state provisions requiring certain intercompany expenses paid to related parties be disallowed or added back in the computation of state taxable income is not consonant with the arm's-length standard.
- ☐ D Multistate taxpayers and tax authorities of states that have adopted IRC § 482-like statutes often rely on the arm's-length standard embodied in Treasury regs. § 482.
- ☐ E Generally, under separate reporting, the pricing of transactions between a taxpayer and its domestic or foreign affiliates impacts the taxpayer's separate-company taxable income.

OK ✓





7 → Q6: Determine Salty Dough's Tasty Pizza Corporation's Total Tennessee Income.

- Hints:
- Perform calculations by rows in the order: C, D, F, G.
  - 2022 State Corp Income Tax Apportionment Formulas are located here:  
<https://www.taxadmin.org/assets/docs/Research/Rates/apport.pdf>

**Note:** The particular placement of Salty Dough's Tasty Pizza Corp's Total U.S. Income in the chart has no bearing on the calculations - you only need to know that the Total U.S. Income is 10,000.

Salty Dough's Tasty Pizza Corp			FACTORS		
			Property	Payroll	Sales
i		ii	iii	iv	v
A	Tennessee		1,000	3,000	5,000
B	Total U.S.		20,000	30,000	100,000
C	Ratio (A/B)		?	?	?
D	Weight ( <i>Triple-Weighted Sales</i> )		?	?	?
E	Total U.S. Income	10,000			
F	Tennessee Apportioned Income		?	?	?
G	Total Tennessee Income	?			

Type or select an option

OK ✓

8 → Would you like a free PDF of the 2022 Tax Notes State article "SALT Transfer Pricing — What You Need to Know" (Parts 1 & 2)? \*

(If you're unsure of your Quiz answers, this article contains answers to Quiz questions)

Y

Yes

N

No

OK

PRACTICE & ANALYSIS

tax notes state

SALT Transfer Pricing — What You Need to Know: Part 1

by Doug Schwerdt, Guy Sanschagrín, and Bill Lunka

Doug Schwerdt is a transfer pricing and valuation services specialist, and Guy Sanschagrín is principal in charge of transfer pricing and valuation services at WTP Advisors. Bill Lunka is a state and local tax specialist with SALT Partners.

In this two-part article, Schwerdt, Sanschagrín, and Lunka examine how transfer pricing affects corporations in separate entity states and combined reporting states.

When the subject of transfer pricing arises, most finance and tax professionals think of international transfer pricing. Transfer pricing, however, can play an important role in state and local tax. Corporations and their advisers must understand when transfer pricing is relevant from a state corporate income tax perspective. In part 1 of this article, we examine:

- Three major reporting methods available to states under formulary-apportioned corporate tax reporting: separate reporting, combined reporting, and consolidated reporting.
- The effect of transfer pricing on different reporting methods.
- The latest Multistate Tax Commission<sup>1</sup> transfer pricing developments.

In part 2, we will discuss:

- State tax authority mechanisms for adjusting taxpayer income and the shift from use of discretionary powers to

enforcing and challenging the application of the arm's-length standard.<sup>2</sup>

- How states have recently strengthened their transfer pricing enforcement capabilities and are focusing efforts on promptly and cost-effectively resolving transfer pricing cases to bolster state tax coffers.
- How companies can prepare for state transfer pricing audits.

**State Apportionment of Corporate Income**

As with different countries internationally, it is important to understand the different corporate income tax reporting methods for states and the District of Columbia.<sup>3</sup> The starting point for the three major reporting methods is an understanding of state corporate income formulary apportionment.<sup>4</sup> Wisconsin, which in 1911 became the first state to adopt the corporate income tax, applied apportionment with a formula based on a Wisconsin corporation's share of its multistate corporate group's sales, property, and manufacturing cost.<sup>5</sup> By the 1930s, most states had adopted apportionment, with the three-factor gross receipts, property, and payroll formula becoming the standard formula.

<sup>1</sup> The MTC is an intergovernmental state tax agency that seeks to address the efficient administration of state tax laws that apply to multistate and multinational enterprises.

<sup>2</sup> Tax authority discretionary powers include non-arm's-length-standard-based powers such as forced combination, affiliated group disallowances or addbacks, disallowing intercompany transactions, and so forth.

<sup>3</sup> In this article, the term "states" includes the District of Columbia.

<sup>4</sup> In this article, the term "apportionment" refers to U.S. state corporate income formulary apportionment.

<sup>5</sup> Joann Martens Weiner, "Formulary Apportionment and Group Taxation in the European Union: Insights From the United States and Canada," Taxation Papers 8, Directorate General Taxation and Customs Union, European Commission (revised Mar. 2005).



9 → **What's the best email address for you? \***

We'll need your email address to auto-send a Quiz submission confirmation email to you and to coordinate the delivery of your prize. No spam or unexpected newsletters here!

name@example.com

OK ✓







YOUR NAME HERE

10 → Please provide your name \*

Type your answer here...

OK ✓





11 → Please provide the name of the company or organization where you work. \*

I.e., Employer (or, university if full-time student, retired, etc.)

Type your answer here...

OK ✓





12 → **Should you become the 2022 SALT Transfer Pricing Quiz Champion, would you like to opt out of being personally identified?**

(Otherwise, we will announce the winner via a WTP Advisors Blog post on May 5, 2022)

☐ Yes

☐ No

**Submit**







# Thanks for taking the 2022 SALT Transfer Pricing Quiz!

Your score is 6/6.

## The "fine print"

One Quiz submission per person. If two or more respondents tie with the highest scores, we will use the Miniwebtool.com Random Name Picker with 3-step Randomness Process Certification (<https://miniwebtool.com/random-name-picker/>) to select from the tied highest score Quiz submissions and the 1st respondent to be randomly selected will win their choice of Prizes.

The Quiz is a contest and it is sponsored by WTP Advisors. The Quiz is informational and editorial content and is not tax or legal advice. Under U.S. trademark law as stated in the Lanham Act, use of any Peugeot-owned trademarks in the Quiz is for informational purposes only. WTP Advisors is in no way sponsored by or associated with Prize trademark owners (i.e., Peugeot and Amazon).

