

CLIENT ALERT

Director of APMA Hughes Discusses Impact of COVID on APAs and MAP at Crowell & Moring Tax Seminar

October 29, 2020

On October 5, John C.C. Hughes, the Director of the Advance Pricing and Mutual Agreement Program (APMA), provided an update regarding the impact of COVID-19 recession on current and future Advance Pricing Agreements (APAs) and Mutual Agreement Program (MAP) proceedings, APMA directives in practice, and the relationship between the OECD and APMA. A video of Mr. Hughes' presentation at the 34th Annual Crowell & Moring Managing Audits and Appeals Seminar [may be found here](#).

Mr. Hughes explained that APMA is well aware of economic conditions faced by different industries and the potential effects of the downturn on transfer pricing policies. APMA is discussing these issues with its counterparties in the Transfer Pricing practice within the IRS. He said that APMA will look at taxpayer's issues on a case-by-case basis to see how a specific taxpayer's facts and circumstances play out. He said that taxpayers should know that the tax authorities are cognizant of the economic pressures and the possible need to adjust transfer prices, but noted that APMA also is aware that there could be a degree of opportunism, where taxpayers could use generalized down economic conditions to exploit the situation for their advantage. Mr. Hughes encouraged taxpayers with issues with their existing APAs to approach APMA proactively with any issues, but urged patience because the entire impact of the pandemic might not be clear until taxpayers get their year-end results.

When asked how the current economic downturn differs from the 2008 recession, Mr. Hughes explained that the architecture for dispute resolution is much more robust than it was during the 2008 recession. The MAP forum did not exist back then, and today is allowing for a continuous dialog for MAP countries to discuss issues and potential resolutions.

APMA continues to work remotely, but faces the same constraints as other parts of the IRS with communications, such as no face-to-face conferences, limited videoconferencing capabilities, and protocols on emails and files. Mr. Hughes anticipates that APMA will reduce the amount of travel of its employees when things begin to return to normal, as they have found they are able to do a lot by video conference.

For more information, please contact the professional(s) listed below, or your regular Crowell & Moring contact.

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