

State Tax Compliance Challenges

Federation of Tax Administrators

July 18, 2003

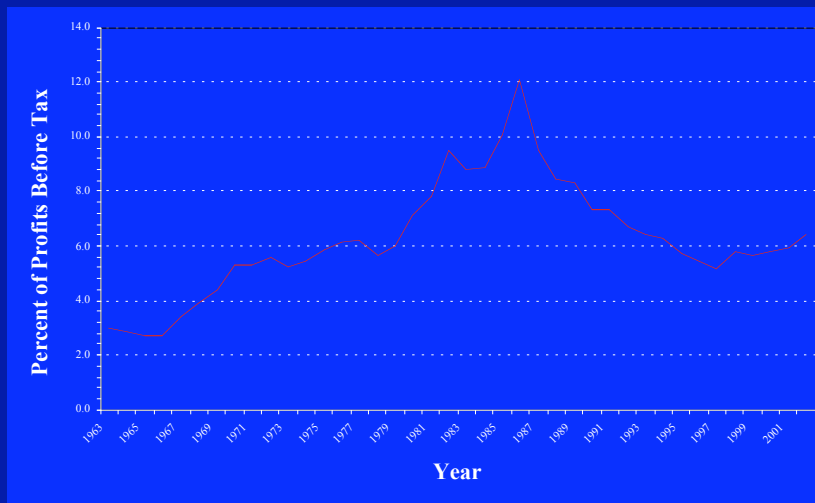
Dan Bucks, Executive Director
Multistate Tax Commission

Compliance Problem Estimates

- | | |
|---|--|
| • Sales and Use Tax Current Registrants | • \$15-\$17 billion
– Projected from Minn. Study |
| • Business Income Sheltering | • \$10-\$17 billion
– MTC \$9-\$13 billion + \$2-\$4 billion from other studies |
| • Remote Sales—by Sellers with or without Nexus | • \$8-\$9 billion
– Projected from Minn. Study |
| • Pass-Through Entity Income Reporting | • \$1.5-\$12 billion
– Projected from IRS Reports |
| • Total | • \$34.5-\$55 billion |

Figure 1

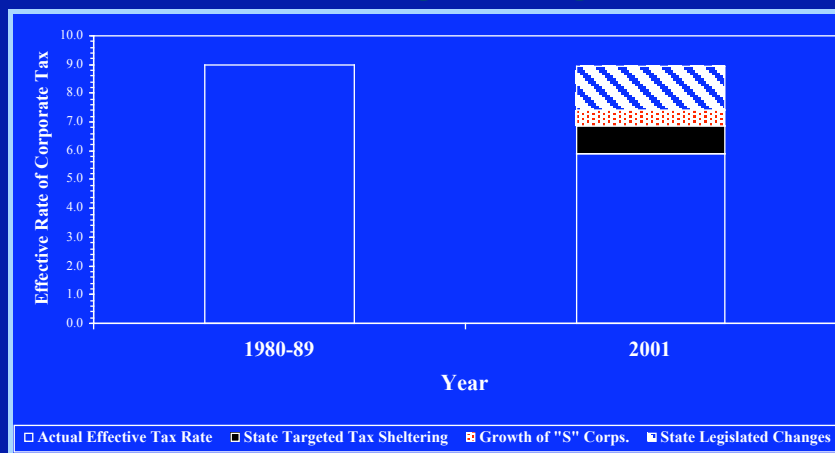
State and Local Corporate Profits Tax Accruals as Percent of Corporate Profits Before Tax: 1963 to 2002



Source: U.S. Department of Commerce and Multistate Tax Commission.

Figure 2

Effective Rate of State Corporate Income Tax¹: Average of 1980-89 and 2001 and Impacts of State Targeted Tax Sheltering, Growth of "S" Corps. and State Legislated Changes



1. State corporate profits tax accruals as percent of profits before tax of domestic industries less deposits of Federal Reserve Banks

Source: Bureau of Economic Analysis and Multistate Tax Commission