



Multistate Tax Commission
Programs & Activities Update

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Multistate Tax Commission

- An intergovernmental state tax agency established in 1967 by states adopting the Multistate Tax Compact.
- Established to preserve state tax authority against federal preemption through—
 - Facilitating the proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases;
 - Promoting uniformity or compatibility in significant components of tax systems;
 - Facilitating taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration;
 - Avoiding duplicative taxation.



Core Programs

■ **Joint Audit Program**

- Operates under authority of the Multistate Tax Compact; auditors are agents of, and work at the direction of, participating states in conducting an audit (the Commission does not have assessment authority).
- 25 states participate in the program (23 for income tax audits, 17 for sales & use tax audits, and 1 observing state).

■ **National Nexus Program**

- Created to foster state tax compliance by business that is engaged in multi-jurisdictional commerce, and to promote cooperation and consistent state tax enforcement and administration of issues in the nexus area.
- 40 states participate in the program



Core Programs, cont.

■ **Uniformity**

- The Commission promotes and maintains uniformity in state taxation of interstate through uniformity projects under the direction of the Uniformity Committee.

■ **Training**

- Schools and programs designed to increase the effectiveness and efficiency of state tax administration with courses that enhance knowledge and practical skills.



Other Support

- **Legal Support**
 - Amicus briefs & case consultation
 - Bi-annual Litigation Committee meetings
 - State tax attorney teleconferences
- **Policy Research**
 - Staff economist provides technical support for uniformity projects
 - Consultation with states on fiscal & legislative issues
 - Support for addressing federal legislative activity
- **Voluntary Alternative Dispute Resolution Program**
 - Resolve controversies of an interstate nature involving more than one state
 - Mediation, Arbitration, or any Combination



Joint Audit Program

- **Income Tax Audits**
 - 2 audits completed, 4 partially completed
 - \$30,960,711 in proposed assessments
 - 23 audits in progress
- **Sales & Use Tax Audits**
 - 9 audits completed, 2 partially completed
 - \$6,914,463 in proposed assessments
 - 32 audits in progress



Joint Audit Program Participating States

Compact Members	Sovereignty Members	Associate & Project Members
Alabama Alaska (income only) Arkansas Colorado District of Columbia Hawaii Idaho Kansas Michigan Minnesota Missouri (income only) Montana (income only) New Mexico (income only) North Dakota Oregon (income only) Utah Washington (observer status)	Georgia (sales & use only) Kentucky Louisiana (sales & use only) New Jersey West Virginia (income only)	Nebraska (income only) Wisconsin Illinois



National Nexus Program

- Voluntary Disclosures
 - Commission staff worked with 61 taxpayers and relevant states to close disclosure agreements (288 separate state contracts total)
 - \$25,962,887 in back taxes collected
 - Opened 63 new files (representing 567 potential disclosure contracts)
- Completed a nexus investigation initiated by the Nexus Committee
- Internal processing improved through upgraded database application; online application available soon



National Nexus Program Participating States

Compact Members	Sovereignty Members	Associate & Project Members
Alabama Arkansas California Colorado District of Columbia Hawaii Idaho Kansas Michigan Minnesota Missouri Montana New Mexico North Dakota Oregon South Dakota Texas Utah Washington	Georgia Kentucky Louisiana Maryland New Jersey West Virginia Wyoming	Arizona Connecticut Florida Iowa Massachusetts Nebraska North Carolina Ohio Oklahoma Rhode Island South Carolina Tennessee Vermont Wisconsin



Uniformity

- Model Audit Sampling Authorization Statute and Accompanying Regulation
 - Adopted by the Commission – July 2008
- Model REIT Statute
 - Adopted by the Commission – July 2008
- Model Telecommunications Special Apportionment Regulation
 - Adopted by the Commission – July 2008
- Model Statute on the Tax Collection Responsibilities of Accommodations Intermediaries
 - Approved by Executive Committee for public hearing – May 2009



Uniformity, Cont.

- Amendments to Compact Art. IV and UDITPA
 - Under development at Executive Committee; also under consideration by a Uniform Law Commission Study Committee
- Uniform Nonresident Wage Withholding
 - New Uniformity Committee project directed by Executive Committee
- Review Model Combined Reporting Statute Provision on Tax Havens
 - Under Review by Uniformity Committee as directed by Executive Committee (given recent OECD reconfiguration of tax haven list)
- Amendments to MTC Model Financial Institutions Apportionment Rule
 - Pending recommendations by a Uniformity Committee Special Work Group that includes financial industry representatives



Uniformity, Cont.

- Model Statutes for Telecommunications Transaction Tax Administration
 - Under development at Uniformity Committee
- Administration of Corporate Affiliates Not Subject to Corporate Income Tax
 - Under development at Uniformity Committee
- Review Model Sales & Use Tax Related Statutes and Regulations in light of Streamlined Sales Tax Agreement
 - Under review at Uniformity Committee
- Consideration of Amendments to Model Add-back statute to Address REITs
 - under development at Uniformity Committee



Training

- Training Programs offered in FY2009 —
 - 2 Corporate Income Tax Course
 - 5 Nexus Schools
 - 2 Statistical Sampling for Sales & Use Tax Audits Courses
 - 1 Other Presentation

- The Commission is on the National Registry of CPE Sponsors of the National Association of State Boards of Accountancy (NASBA)



Upcoming Training

- Nexus Schools
 - October 19-20, 2009, in Topeka, Kansas
 - December 8-9, 2009, in the Washington, D.C., metropolitan area (National Conference Center in Lansdowne, Virginia)

- Computer Assisted Audit Techniques Using Excel & Basic Random Sampling
 - September 14-18, 2009 in Mitchell, South Dakota

- Statistical Sampling for Sales and Use Tax Audits
 - October 19-22, 2009 in Chicago, Illinois



Commission Access to Federal Taxpayer Information

- Memorandums of Understanding entered into with 23 Audit Program States "Requesting Contractor Services"
 - MOU terms developed in consultation with IRS
 - MOU allows Commission to handle federal taxpayer information (FTI) as a contractor on behalf of the state
 - MOU also provides for sharing MTC audit results with IRS
- Commission being advised by IRS Governmental Liaison & Disclosure and Office of Safeguards on implementation and procedures
 - Physical security improvements completed to meet federal requirements
 - Initial Safeguard Procedure Report and 45-day letters will be submitted to IRS Office of Safeguards by end of 2009
 - Following Office of Safeguards review and approval, Commission will begin working with FTI from the states



Amicus Briefs

- *Commissioner of Revenue v. Comcast*, Massachusetts Supreme Judicial Court (decided in favor of taxpayer)
- *Ohio Grocers Association, et al. v. Wilkins*, Ohio Supreme Court (decision pending)
- *Polar Tankers, Inc. v. City of Valdez, Alaska*, United States Supreme Court (oral argument held April 1, 2009; decision pending)



Federal Legislative Matters

- Mobile Workforce State Income Tax Fairness and Simplification Act
- Business Activity Tax Simplification Act
- Voice over Internet Protocol Sourcing Act
- State Video Tax Fairness Act
- Cell Tax Fairness Act
- Sales Tax Simplification
- Hotel Intermediaries



State Update Teleconferences

- Commission hosted call that provides an opportunity to discuss—
 - Federal legislative matters related to state taxation
 - MTC programs and activities
 - Legislative, Judicial, or administrative developments that states would like to share or discuss during the call
- Open to all states
- Held twice monthly on the 2nd and 4th Thursdays, at 3:30 p.m. Eastern



Questions?

- Information on the Commission and its activities can be found at www.mtc.gov

