

**Clearing the Air:
The MTC Budget Does Not Rise If State Tax Revenues Go Up**

From time to time, questions arise as to whether that the Multistate Tax Commission (MTC) makes more money if state tax revenues rise. **The answer is “no” and any suggestions to the contrary are 100 percent wrong.** Here are the key facts of which you should be aware:

* The MTC budget is not tied to state revenues. The amount the Commission receives for its programs from the states is established annually by action of the member states of the Commission through the Commission’s budget process. The member states establish the Commission’s budget based on their judgment of the necessary level of funding for Commission activities. The Commission’s total budget level is NOT set as a percentage of state revenues.

* The MTC is explicitly forbidden from collecting "bonus" revenues from states for its work. The Commission's revenues are primarily drawn from three sources: general membership dues; audit program fees; and nexus program fees. States are permitted to pick and choose from among the programs offered by the MTC, so different states provide different levels of support for the work of the Commission. However, in NO case is the MTC permitted to collect an immediate or delayed "bounty" of any kind in exchange for enhanced state revenue collections that may result from its work with or on behalf of states. Any such arrangement that might benefit the MTC is—and always has been—banned in the laws or contracts governing the Commission's work.

* In addition to state choices as to program participation, the other state-by-state differences in monies paid to the MTC reflects the difference in the size of states. A portion of the Commission receipts are distributed in relative terms among the states on the basis of certain tax sources. In other words, North Dakota or Alaska does not pay the same amount to the Commission that California does. However, any fee formulas involving state revenues affect only the share of fees paid by the states, not the total amount the Commission receives. If the tax revenues of one state increase relative to other member states, the amounts paid to the Commission by the other states decrease in total by the same amount that the payment of the one state increases. The total amount paid to the Commission does not change, so there is no “reward” that MTC receives for increased tax collections.

The MTC wants to make sure that you understand how the Commission operates. If you have questions or comments, feel free to contact René Blocker at 202-624-8699 or rblocker@mtc.gov.