

Multistate Voluntary Disclosure Improvement Team
Progress Report to
Nexus Committee and Strategic Planning Steering Committee
July 27, 2015

Background

At the recommendation of the Nexus Committee, the MTC Strategic Planning Steering Committee approved a project to identify opportunities to streamline the Multistate Voluntary Disclosure Program so that it works more efficiently for taxpayers and states. The project team began working in January 2015. This report describes our progress to date, and recommends that the project team continue to work on the project until the December Nexus Committee meeting.

Project Description

Problem: The Multistate Voluntary Disclosure Program is often labor-intensive for taxpayers, state personnel and the MTC National Nexus Program staff. There are opportunities to streamline the voluntary disclosure program to make it more efficient for both the states and taxpayers.

Risks: A labor-intensive process is less likely to be used by taxpayers and states. The MTC Multistate Voluntary Disclosure Program is currently the primary program offered by the National Nexus Program. If it isn't being used by significant numbers of states or taxpayers, it cannot return the best value to both constituencies. Also, a complex system can result in a slower process.

Expected outcomes from the project:

- List of opportunities for improvement to the MTC Voluntary Disclosure Program.
- Estimate or description of likely costs and benefits of any recommended changes.
- List of recommended measures for determining whether more taxpayers and states are using the MTC VDP.
- Recommended targets for time to complete a voluntary disclosure.

Process

We gathered information in three ways. First, we interviewed taxpayer representatives who have used the Multistate Voluntary Disclosure Program. Second, we asked for feedback from the states through e-mail and during Nexus Committee meetings. Third, the MTC Nexus staff gathered data on the time it takes to process a voluntary disclosure, including the time elapsed between the major steps in the process. We were looking for stages in the process where significant amounts of time elapsed between steps, causing the overall process to be delayed.

Initial Findings

The Multistate Voluntary Disclosure process involves eight major stages of activity:

1. Taxpayer application for voluntary disclosure
2. MTC staff prepares draft voluntary disclosure agreement for taxpayer
3. Taxpayer approves draft agreement (or requests changes, which may result in a period of negotiation)
4. MTC staff sends draft of taxpayer agreement to state(s)
5. States review and approve agreement (or make counter offer to taxpayer changes)
6. MTC staff sends final agreement to taxpayer for signature
7. Taxpayer returns signed agreement with appropriate returns/spreadsheets/payment
8. MTC staff transmits full package to state(s)
9. MTC staff enters records data in database and retains copies of contract and accompanying documents.

The stages at which delays are most likely to occur are those in which the taxpayer or the states must take some action. The team has not had time to do further research on the causes for these delays. The team cannot make recommendations for process improvement without further work. Also, further review of the entire process may reveal other opportunities to shorten the overall time for the process to be completed.

Recommendation to Continue Project

This project was scheduled to be concluded by July 1. The project team recommends that the project completion date be extended until the December meeting of the Nexus Committee. This extension will give the project team sufficient time to do further research and develop effective recommendations.

Respectfully submitted,

Multistate Voluntary Disclosure Improvement Team

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