

Multistate Voluntary Disclosure Improvement Team
Report to
Nexus Committee and Strategic Planning Steering Committee
December, 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 process and findings, and makes recommendations that the project team believes will help improve the Multistate Voluntary Disclosure process for states and taxpayers.

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 four 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. Finally, we conducted interviews of some states from which we thought we could gain more insight into the causes for delay 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.

Findings

The Multistate Voluntary Disclosure process involves nine 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 in the process in which MTC staff are involved usually occur in a timely way.

The stages at which delays are most likely to occur are those in which the taxpayer or the states must take some action. Specific examples include:

- Taxpayer press of business
- Taxpayer questions about process
- Taxpayer requests for special treatment
- State delays in responding to MTC contacts
- State requests for additional information from taxpayer

Recommendations

Based on our research and the feedback we have received, the project team recommends the following changes to the process, or other steps to improve efficiency:

Respectfully submitted,

Multistate Voluntary Disclosure Improvement Team

Anita DeGumbia, Georgia
Christi Daniken, Oregon
Myles Vosberg, North Dakota
Mike Christensen, Utah
Ted Shiraishi, Hawaii
Diane Simon-Queen, MTC
Thomas Shimkin, MTC
Lennie Collins, ex officio