DISCUSSION DRAFT

Report from Nexus Membership Project Team
5-7-15 (v 1.0)
To
MTC Nexus Committee and MTC Strategic Planning Steering Committee

Background

The Steering Committee approved a project to identify the barriers to state membership in the National Nexus Program and propose solutions to remove those barriers. The project included identifying the program characteristics that attract states to become members. The project team started its work in fall 2014. This report describes our findings and conclusions, and makes recommendations concerning possible next steps to be taken.

Project Description

Problem: There are currently 14 states that are not members of the National Nexus Program. The program has goals related to the vitality and reputation of the program and engagement of the states. These goals can be achieved by attracting as many of these states as possible to join the program.

Risks: When a significant number of states are not members of the National Nexus Program, member and non-member states alike lose the opportunity to work together to address nexus issues; and there is a higher risk of inconsistent administration of nexus standards. In addition, the program cannot provide voluntary disclosure services to taxpayers with respect to non-member states.

Expected outcomes: The project goals were -

- List the specific barriers to state membership in the National Nexus Program.
- List the specific benefits of membership in the National Nexus Program.
- Recommend steps that can be taken to overcome barriers.
- Recommend enhancements to current benefits or services to make the program more attractive to states.
- Recommend steps for marketing the National Nexus Program to non-member states.

Process

We gathered information through surveys of states that are not currently participating in the National Nexus Program. We were able to complete surveys for five non-participating states. Three of those had participated in the National Nexus Program in the past. We also gathered information through an e-mail survey and general discussion with states that are currently members of the National Nexus Program. We got feedback from about a dozen member states on the benefits they receive from their membership and the aspects of the program that they value the most.
**Results**

We drew the following conclusions from our conversations with states that are not currently participating in the National Nexus Program:

- Those states are most familiar with the multistate voluntary disclosure program
- State budget priorities are often a primary driver in the decision whether to participate
- Lack of significant revenue from the multistate voluntary disclosure program is also a significant driver in the decision whether or not to participate
- If a state has only one major tax (sales or income), information sharing isn’t perceived as being useful

In our conversations with states that currently participate in the National Nexus Program; we learned that those states place the highest value on the multistate voluntary disclosure program and the nexus training program. States that are currently participating would like to see more outreach to taxpayers and practitioners, and information sharing about legal developments; audit results; and best practices for taxpayer discovery and developing leads.

**Recommendations**