



State Tax Notes

Other Notables

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Organizations: Multistate Tax Commission
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State Tax Notes recognizes the Multistate Tax Commission for its influence on state tax policy and practice in 2015.

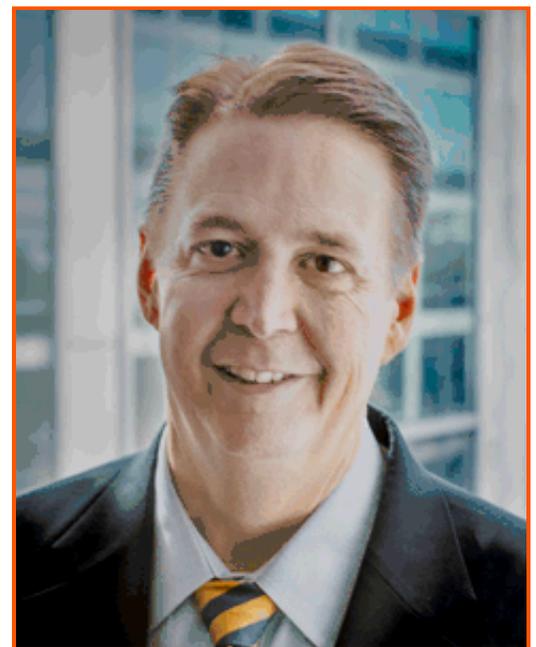
"The MTC had a blockbuster year, despite having a full plate and a thin staff," said University of Connecticut law professor Richard Pomp, *State Tax Notes*' 2013 Person of the Year for his work as hearing officer on the MTC's proposed revisions to the Uniform Division of Income for Tax Purposes Act.

"They successfully modernized UDITPA after the Uniform Law Commission's debacle," Pomp said. "They have exerted herculean efforts in formulating regulations under UDITPA that will improve on what other states have already adopted. And if that were not enough, they produced a series of amicus briefs that were well written and analytically rigorous. We all stand on the shoulders of those that come before us, so Shirley Sicilian and Joe Huddleston deserve kudos for laying the groundwork of a first-rate group."

"We are excited *State Tax Notes* chose to recognize the MTC; it is well deserved," said Alabama Revenue Commissioner Julie Magee, who completed her two-year term as MTC chair in July. "Over the last few years, the MTC has dealt with a number of difficult issues, including market-based sourcing, *Gillette*, transfer pricing, and more."

New MTC Chair Demesia Padilla, secretary of the New Mexico Taxation and Revenue Department, echoed Magee, saying, "It is exciting to be recognized for the difficult issues that MTC has dealt with over the last few years." Both underscored that the MTC is committed to dealing with difficult issues and helping formulate solutions with the assistance of its member states.

"It's important to remember that the MTC is not some independent entity," Magee added. "It is the states. It is the vehicle through which the states can come together to work on these very difficult multistate tax issues, and we are all better off because of it."



Gregory S. Matson

In 2015, key developments seemed to occur almost monthly in the Multistate Tax Compact Article III cases across the nation -- but perhaps most striking was the long string of court rulings in favor of the states' position on the nature of the compact.

MTC General Counsel Helen Hecht said that first and foremost, the compact litigation affects the states where that litigation has been brought -- and obviously, there are substantial corporate tax refunds at stake in all five states where cases are pending.

"But after California's withdrawal from the compact and their court of appeals opinion in 2012, there were some who predicted that the litigation would have much broader implications and might even bring about the demise of the commission," Hecht said. "But we're still here. And not only has the commission continued to exist, we believe the states recognize the continuing relevance and usefulness of the MTC, and we have seen an increase in state participation in our programs recently."



Hellen Hecht

Generating almost as keen an interest has been the prospect of state revenue departments collectively financing top-flight transfer pricing studies and services to complement their own audit efforts. The MTC's Executive Committee in May approved the design for the Arm's-Length Adjustment Service (ALAS), developed by an advisory group of revenue officials from nine states, including seven with separate-entity reporting systems. Since then, corporate tax advisers have been closely monitoring whether enough states will commit to a four-year charter period.

"Cases like *Rent-A-Center East* in Indiana demonstrate how transfer pricing studies threaten to make the corporate audit programs of separate-entity states essentially obsolete," said MTC Executive Director Greg Matson. "ALAS is all about saving those audit programs from obsolescence."

Matson said the ALAS design effort produced plenty of evidence that state revenue departments have good remedies for related-party transaction issues. "They identified critical needs, however: economical access to expert analysis of related-party transactions and training that builds their capacity to handle these issues routinely," Matson said. "I hope that enough states are able to commit so that a commission ALAS program can help meet those needs."

The MTC in 2015 also formally adopted the last of the model statutory revisions to the UDITPA, the apportionment formula in Article IV of the Multistate Tax Compact. And for more than a year, work groups have been meeting weekly to draft the accompanying model market-based sourcing regulations.

Matson said revising UDITPA is an accomplishment for which full realization of the benefit will take years.

"But I think even now, as the major work on the model market-sourcing regulations project nears completion, the significance of those amendments to the cause of uniform state tax administration is starting to show," Matson said. "Those who spent hours and hours on the UDITPA

amendments -- and the states who allowed them to spend that time -- along with professor Rick Pomp, who served as the hearing officer, can be proud of what they accomplished."

In many ways, 2015 also marked the end of one era and the start of another for the MTC, when Joe Huddleston resigned 10 years to the day after taking the helm as executive director.

"Joe left us at the end of July, but his steady guidance and shrewd insight undergirds all that the commission accomplished during his tenure," Matson said. "He proved to be the right man, in the right place, at the right time."

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