Multistate Voluntary Disclosure

Part of the committee’s responsibility is to oversee, work toward uniformity, and establish significant policies for the multistate voluntary disclosure program. The committee has discussed reversing its previous decision to limit multistate disclosures to those with an estimated amount due per state of at least $500 over the lookback period. The idea is to make the program more useful to taxpayers and therefore more useful to states that may want to join. Please recall that the National Nexus Program at the committee’s direction stopped processing new disclosures on behalf of non-member states on July 1, 2014. The committee has made no decision regarding the $500 minimum. It has not considered reversing its policy to not provide multistate voluntary disclosure service to non-members.

This year has started off well and signs point to a good year overall for disclosure revenue. Staff has at least one in-process disclosure that is expected to recover several million dollars (not reflected below). The average value of each disclosure to date has increased substantially from last fiscal year, although this too is subject to variation from year to year.

- Nexus states’ collections: $8,041,067 ($13,850,712 in all FY 2015)
- All states’ collections: $8,060,244 ($15,392,887 in all FY 2015)
- Nexus states’ executed contracts: 189 (551 in all FY 2015)
- All states’ executed contracts: 203 (628 in all FY 2015)
- Nexus states’ average contract value: $42,545 (FY 2015: $25,137)
- All states’ average contract value: $39,706 (FY 2014: $24,510)

These amounts include only funds actually received by the Commission before the Commission closes its File. Interest on back tax paid and the value of a new taxpayer, both substantial revenue producers, are not included. The difference between Nexus states’ collections and all states’ collections has narrowed from the previous year because the NNP stopped accepting applications on behalf of non-member states on July 1, 2014. The small
amount collected on behalf of non-member states to date in FY 2016 comes from disclosures begun before July 1, 2014.

*Fiscal year end June 30, 2015
Executed Contracts by FY*- 10 yr

*Fiscal year end June 30, 2015
Strategic Planning

The committee devoted most of its attention to strategic planning since July 1. It formed two project teams, one for each of the two projects it was working on.

A. The committee has nearly completed work on the strategic planning project to improve the multistate voluntary disclosure process. The project team will issue its report to the Nexus Committee, which will approve, amend, or reject it at its meeting on December 9 in Charleston, South Carolina. If approved, the Nexus Committee will forward it to the Strategic Planning Committee. The report identified a number of ways to decrease the time to process a multistate voluntary disclosure. These include facilitating direct taxpayer / state communication when non-routine issues arise, and periodic meetings with auditor-level state personnel to explain the Commission’s voluntary disclosure process. Factors leading to delay include amending agreements to meet specific taxpayer needs and delay by the taxpayer in submitting returns. The project team identified an idea for a future project; it may choose to discuss at its December meeting the desirability of pursuing this project.

B. The committee finished its work at its July 2015 meeting on its project to increase membership. There are currently thirty-seven member-states.
The work consisted primarily of determining what changes the program could make to attract non-members (barriers to participation) and what aspects of the program current members value the most. Members of the project-team surveyed a sample of member and non-member states.

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

2. The committee learned from the project-team’s conversations with non-member states that barriers to participation are primarily financial. States that do not participate do not see a sufficient benefit to justify their cost. This means that they probably view the primary activity of the National Nexus Program as running the multistate voluntary disclosure service (this is an accurate assessment). Expanding to services beyond that may entice non-members to see value despite low returns on investment from multistate voluntary disclosure.

**Nexus Schools**

The committee has discussed the possibility of requesting that staff develop an advanced nexus school as a way to increase value to non-members and members alike. The committee has taken no action on this idea.

**Compliance**

The committee recommended an audit to the Audit Committee based on its belief that there was reasonable cause to believe that a particular entity was likely non-compliant. The Audit Committee declined to add the audit to its inventory.

The committee will consider information about potential non-compliance of another entity at its December meeting. An option available to the committee is to refer it to the Audit Committee for consideration as an addition to its audit inventory. Because the Audit Committee meets before the Nexus Committee in December 2015, the Nexus director and Chairman Collins will make a brief presentation of the information to the Audit Committee before the Nexus Committee considers the matter.

**Roundtable Discussions**
An ample amount of time at the July meeting was devoted to a roundtable discussion in closed session about leads for nexus audits, discovery techniques, compliance initiatives in the area of nexus, and other matters related to compliance. The meeting was closed to the public because all members had appropriate information exchange agreements in place and specific taxpayer names were used. The committee intends to devote significant time to a similar roundtable discussion at its December meeting and future meetings. Committee members find these exchanges of information and opportunities to make contacts with colleagues in other states to be among the best services that the Commission’s periodic meetings offer.