



MULTISTATE TAX COMMISSION

**Minutes of the Executive Committee Meeting
July 29, 2010
Hood River, Oregon**

I. Welcome and Introductions

The Executive Committee commenced its meeting at 8:30 a.m. Pacific Time on July 29, 2010. The meeting was chaired by Cory Fong of North Dakota. The following individuals participated, either in person or *via telephone*.

Name	Affiliation	Name	Affiliation
Mike Mason	AL	Private Sector/Other	
Robynn Wilson	AK	Dan Schibley	CCH
<i>Danny Walker</i>	AR	Todd Lard	COST
Ben Miller	CA FTB	Damian Hunt	Expedia
Roxie Huber	CO	John Allan	Jones Day
Phil Horwitz	CO	<i>Ferdinand Hogroian</i>	<i>PricewaterhouseCoopers</i>
Royce Chigbrow	ID	Diann Smith	Sutherland
Donna Donovan	MI		
Jack Mansun	MN		
Wood Miller	MO		
Dan Bucks	MT		
<i>Rebecca Abbo</i>	NM	MTC Staff / Consultants	
Lennie Collins	NC	Ken Beier	Greg Matson
Cory Fong	ND	<i>Roxanne Bland</i>	Shirley Sicilian
Donnita Wald	ND	Joe Huddleston	Elliott Dubin
Ryan Rauschenberger	ND	Les Koenig	Bill Six
Elizabeth Harchenko	OR	Thomas Shimkin	Bruce Fort
Nancy Prosser	TX	Jim Rosapepe	<i>Len Lucchi</i>
Cindi Holmstrom	WA		

II. Public Comment Period

Todd Lard commented on the proposed model withholding statute, noting that COST has been involved in discussions with the MTC on this over the last year. He commended the MTC staff for working with COST and other external stakeholders and coming up with a good work product. However, he expressed concerns that the recent Montana proposal puts a damper on the ability of COST to support the proposal.

III. Approval of Minutes of Executive Committee Teleconferences on December 3, 2009, May 24, 2010, and July 1, 2010

Approval of the minutes from the December 3, 2009, May 24, 2010, and July 1, 2010 meetings was moved by Oregon. This was approved by unanimous voice vote.

IV. Report of the Chair

Cory Fong commended the Oregon Department of Revenue for hosting the meeting in such a lovely location.

V. Report of the Treasurer

Donna Donovan presented the Treasurer's Report, explaining that it provides a snapshot of the past fiscal year. She noted that the MTC staff has done well in controlling expenses, Wyoming has downgraded its membership role, and Hawaii and Rhode Island have reduced their participation. She also noted that training revenue and expenses are less than expected, and that return on reserves was as expected. Approval of the report was moved by Montana and approved by unanimous voice vote. Mr. Bucks then complimented Ms. Donovan on the thoroughness of her report.

VI. Report of Executive Director

Mr. Huddleston stated that he had nothing to add beyond the reports that were made to the Commission on the previous day, July 28th. The committee chairs and MTC staff in the room confirmed that they did not have additions to the previous reports.

VII. Other Reports

A. Reports by Committees & Programs Not Covered in Their Annual Report to the Commission

Wood Miller, Chair of the Uniformity Committee and Acting Chair of the Income and Franchise Tax Subcommittee brought up an item related to the mobile workforce issue that came up at the meeting of the Income and Franchise Tax Subcommittee. At this meeting, the Montana Department of Revenue made a presentation of a computer-based tool that would allow individuals to determine individual income tax filing requirements.

The recommendation from the Uniformity Committee to the Executive Committee is that Commission explore the development and possible implementation of a non-resident calculator. Following this explanation, Mr. Bucks added that the charge from the Executive Committee to the Uniformity Committee was to work on the withholding issue. Following an explanation of the calculator, Mr. Bucks emphasized that the computer-based tool could work either as a substitute or in tandem with the uniformity proposal.

Elizabeth Harchenko then summarized the three areas of concern relating to the uniformity proposal:

1. Where withholding requirements vary, the tool could help.
2. Taxability question
3. Compliance issues related to withholding and taxability.

In response to a question from Michael Mason, Mr. Miller reported that the drafting group for this proposal consists of staff members from California, New York, Idaho, Montana, and Colorado.

B. Other Business

There were no other reports.

VIII. Uniformity

A. Uniformity Proposals before the Committee for Action

Shirley Sicilian noted that there is one proposal before the Executive Committee for approval for public hearing, but no hearing officer reports for consideration at this time.

1. Uniformity Recommendations for Review

Proposed Model Statute for Disallowance of Deductions for Certain Payments to Captive Real Estate Investment Trusts

Ms. Sicilian referred to the passive REITS memo from Bruce Fort. Mr. Fort identified Executive Committee options on this: move the proposal to a public hearing, reject the proposal, or continue discussion at a subsequent meeting.

Sending the recommendation to a public hearing was moved by California and approved by unanimous voice vote.

2. Hearing Officer Recommendations for Consideration

There were none at this meeting.

B. Other Uniformity Matters

Proposed Model Statute on the Tax Collection Procedures for
Accommodations Intermediaries

Ms. Sicilian noted that the Uniformity Committee had worked on this proposal for a number of years and that the Executive Committee approved the hearing officer's report in January, 2010, and moved the proposal to a bylaw 7 survey. The proposal did not receive support of a majority of the states in the survey, and in accordance with our bylaws, it is now up to the Executive Committee to decide how it would like to move forward with this.

Following comments from California and Alaska on their votes on the survey, Corey Fong expressed his understanding that Streamlined Sales Tax was also working on this and we should try to coordinate with their efforts. Shirley Sicilian then commented that it is appropriate, under the Compact, for state representatives to gather information from their political subdivisions, when they are considering their vote on a bylaw 7 survey. MTC staff could look at the "affected state" situation, quickly confer with Streamlined Sales Tax staff on involvement of that organization in this issue, and talk with those states that voted "No" on the proposal. Corey Fong stated that without further objection, he would send the proposal back to the Uniformity Committee with the expectation that staff will consult with the states and Streamlined Sales Tax.

IX. Discussion on Strategic Planning Process

Joe Huddleston noted his discussion with tax administrators about strategic planning over the past several months and the importance of keeping in touch with state concerns during difficult times. He invited committee members to suggest ways to proceed with an in depth strategic planning process and how we lay the ground work for this effort.

Corey Fong cited the opportunity for the states to look at the mission of the Commission and suggested that an outside, contracted party could be very helpful in this process. Michael Mason of Alabama suggested that Bill Neubauer of the Continuum Group is excellent with this type of support. Donna Donovan also supported use of an outside facilitator, noting Michigan's positive experience with a strategic planning effort.

Cindi Holmstrom cited the need to speak clearly about goals and mission. Following on this, Mr. Fong cited the need to involve other organizations and stakeholders, such as the business community and MTC staff. This perspective was supported by Robynn Wilson, who also suggested possibly involving legislators as well.

Elizabeth Harchenko noted that the timing of this effort is very good, and that the need is to focus on where we go next and how we leverage our resources. She added that it's important to recognize changes in the world that are impacting tax administration leadership. Michael Mason added that committee missions or job descriptions were drafted several years ago.

Ben Miller cited some specific areas of the Compact that may need attention, such as taxpayer elections and revisions to Article IV.

Dan Bucks cited Montana's use of videoconferencing technology and SharePoint, and the advantages of using technology to support the strategic planning effort. He also noted that a major aspect of Jerry Goldberg's success in California was his ability to look at changes in the environment that impact tax administration. He also recalled that Quentin Wilson, who supported a previous strategic planning session for the Executive Committee, was a real spark plug in this type of effort.

Corey Fong suggested that Steve Cordi could convene a working group on this and provide some initial direction on this at the December meeting. In response to this, Ms. Harchenko urged that the group move more quickly on this, so that new tax administrators could become involved in a process that is already defined and underway. Mr. Bucks supported this sentiment and Mr. Fong indicated that the group could also move forward with this as soon as possible, and possibly add a session to the December meeting.

X. Federal Issues with State Tax Implications

Jim Rosapepe reviewed the current federal legislative environment; noting the current polarized political situation, and the recent focus on health care and financial reform. The Deficit Reduction Commission is likely to receive a lot of attention with release of its report in December. He also expects the focus will change when Congress returns in September, when there will be a lot of attention to tax issues, including expiring individual income tax cuts and major changes to the federal estate tax.

Dan Bucks cited the recent Joint Committee on Taxation report on income shifting, and in response to a question from Mr. Bucks, Jim Rosapepe said that Senator Carl Levin and some in the administration are paying attention to this issue.

Len Lucchi then provided an overview of current legislation:

- H.R. 1019 State Video Tax Fairness Act - not much activity
- H.R. 1083 Business Activity Tax Simplification Act - not much activity
- H.R. 1521 & S. 1192 Cell Tax Fairness Act - there are 200 sponsors, but no serious interest in the bill
- H.R. 1560 & S. 43 Permanent Internet Tax Freedom Act - this could get appended to the Main Street Fairness Act

- H.R. 1956 Crime Victim Restitution and Court Fee Intercept Act not much activity
- H.R. 2110 Mobile Workforce State Income Tax Fairness & Simplification Act this is on hold
- H.R. 2303 State Tax Administration Assistance Act this could see some action early next year
- H.R. 2600 Telecommuter Tax Fairness Act not much activity
- H.R. 4175 End Discriminatory State Taxes for Automobile Renters Act Representative Cohen of Tennessee has become a sponsor.
- H.R. 4173 Wall Street Reform and Consumer Protection Act there are implications for taxation of surplus lines insurance coverage.
- H.R. 5649 Digital Goods and Services Fairness Tax Act this would affect many online offerings.
- H.R. 5660 Main Street Fairness Act Representative Delahunt, the sponsor of the bill, is retiring.
- Internet Travel Tax Fairness Act (not introduced yet) publicity is picking up on this.

Dan Bucks suggested that the MTC gather perspectives from state attorneys on the extent of the tax exemption in the internet travel tax legislation, since there are many who think that the entire travel package is preempted.

Nancy Prosser commented that she will be getting information to the MTC on the likely effect of H.R. 4172 on surplus lines insurance taxation. She also noted that there are several potential internet travel tax bills, so there is not a specific bill to assess.

XI. Upcoming Meetings & Events

Donna Donovan offered Michigan as a host for the 2012 annual meeting, which could be held in Traverse City or Dearborn.

The Executive Committee then went into closed session to discuss items relating to pending litigation, Commission personnel matters, the National Nexus Program and Joint Audit Program.

XII. Resumption of Public Session and Reports from Closed Session

There were no reports from the closed session.

XIII. Adjournment

The meeting was adjourned at 11:40 am.