



To: Multistate Tax Commission  
From: Lennie Collins, Nexus Committee Chair  
Re: Nexus Committee Activities FY2013

This annual report includes non-confidential activities of the Nexus Committee during fiscal year 2013 (July 1, 2012 through June 30, 2013).

The committee met at Grand Rapids, Michigan on July 31, 2012.

- Forty-three people attended (five by telephone):
  - thirty-four state representatives on behalf of twenty states,
  - four Commission staff,
  - four industry representatives, and
  - one member of the press.
- The director of the National Nexus Program made a report.
- Staff reported that in the just-closed 2012 fiscal year (July 1, 2011 – June 30, 2012) the Nexus Program recovered through multi-state voluntary disclosure \$12.5 million on behalf of Nexus-member states and \$2.7 million on behalf of states not members of Nexus. These amounts exclude interest and the future value of new taxpayers.
- The committee considered whether to continue offering the Commission's multi-state voluntary disclosure program to non-Nexus states. All non-member states may currently participate without charge; non-members Delaware, Ohio, Nevada, New York, and California (Franchise Tax Board only) do not participate.
- The committee reviewed certain proposed changes to the template contract used for multi-state voluntary disclosure and to the *Procedures of Multi-state Voluntary Disclosure*, which is the codified body of rules governing the Commission's disclosure program.

- The committee formed a work group to revise the National Nexus Program Charter. The charter sets forth the program's general goals and activities. It has not been changed for more than a decade and should be redrafted to reflect current practice.

The committee met at St. Louis, Missouri on March 7, 2013.

- Twenty-five people attended (six by telephone):
  - twenty-five state representatives on behalf of seventeen states,
  - four Commission staff, and
  - three industry representatives.
- Staff reported that in the period July 1, 2012 through February 22, 2013 the Nexus Program recovered \$3 million on behalf of Nexus states and \$1.3 million on behalf of non-Nexus states through multi-state voluntary disclosure.
- The committee approved a motion requesting that staff not open new multi-state voluntary-disclosure cases with non-Nexus states after June 30, 2014. The committee believes that it is unfair, and a disincentive to participate, that some states pay and some do not. The delayed implementation will allow non-member states time to join and pay if they want to continue receiving benefits.
- The committee reviewed certain changes to the template contract used for multi-state voluntary disclosure and to the *Procedures of Multi-state Voluntary Disclosure*, including an extension of the time for a taxpayer to accept or reject an offer from 28 days to 60 days.
- *The committee will ask that the executive committee approve Nexus' revised charter.* A work group presented a revised, draft Charter for the National Nexus Program and its committee. The committee recommends that the Executive Committee approve it to replace the current Charter. The current Charter was created as part of a strategic planning process in about 2002. The major revisions are:
  - it is more concise,
  - it defines the program's purpose and desired results more generally (this approach is more appropriate to a foundational document), and

- it removes reference to dormant functions:
  - developing a uniform nexus standard (the Nexus Program's purpose initially included development of nexus-related uniformity recommendations); and
  - sharing between states taxpayers' apportionment factors as reported in audits (only one state provided full data; taxpayers opposed the project; and states discontinued it in about 2003 after about two years of operation).
- The committee requested that staff explore the idea of moving from two meetings per year to three to allow more time for roundtable discussions and informal consultations about nexus policy and compliance strategies (the committee met thrice annually until about 2009, when the Commission cut the third meeting to reduce costs).