



Multistate Tax Commission Memorandum

States Working Together Since 1967. . . To Preserve Federalism and Tax Fairness

To: Uniformity Committee, Income and Franchise Tax Subcommittee

From: Sheldon H. Laskin

Date: October 26, 2007

Subject: Possible RAR Reporting Form Project

The purpose of this memo is to advise the Subcommittee of the background and current status of a possible RAR Reporting Form Project.

1. History of Prior MTC/AICPA Project to Develop Federal RAR Reporting Form

In 1998, the Commission initiated a uniformity project to develop a uniform statute to govern procedures for reporting federal tax adjustments to state tax authorities. This work culminated in the adoption of the Model Uniform Statute for Reporting Federal Tax Adjustments with Accompanying Model Regulation on August 1, 2003. (See http://www.mtc.gov/uploadedFiles/Multistate_Tax_Commission/Uniformity/Uniformity_Projects/A_-_Z/ReportingFederalTaxAdj.pdf)

As originally conceived in 1998, the project was to have included the development of a uniform RAR form. AICPA took on the task of developing the form while the MTC worked on developing the statute.

At some point, a draft Federal RAR Reporting Form was developed; a copy is attached hereto. However, in reviewing the minutes of Uniformity Committee meetings going back to 1998, the last reference I could find to the RAR form – as opposed to continuing references to the uniform statute – is in the minutes of the Uniformity Committee meeting in New Orleans, LA on March 15 – 16, 1999. According to those minutes, nothing had as yet been heard from AICPA regarding progress on the form. Staff was directed to ask AICPA about its progress on developing the form. Subsequent minutes do not reflect what, if anything, came of those contacts. In any event, it appears that the draft form was never submitted to the Uniformity Committee for its approval.

2. What is the Committee Currently Being Asked to Do?

Loren Chumley of KPMG has approached the Commission to ask for its help in simplifying the process of reporting federal tax adjustments to state tax authorities. Ms. Chumley made a presentation to the Committee in Minneapolis, MN in July 2007, but it was not clear at that time precisely what she was asking the Commission to do. Following her presentation, the Committee discussed the subject, but the discussion ended inconclusively. Subsequent to the July committee meeting, Ms. Chumley clarified that she is asking the Commission to launch a joint state/industry project to develop a uniform RAR form. Ms. Chumley is not asking the Commission to act as a clearinghouse for filing RARs.

3. What Do the States Currently Require in Order to Report Federal Tax Changes?

I conducted a survey of Uniformity Committee member states to ascertain what procedures the states currently use in order to report federal adjustments, whether determined on IRS audit or by taxpayer self-audit. Eleven states responded and the results are summarized in the attached spreadsheet.