July 1, 2011 – April 15, 2012

Open Session
contains no confidential information

This report reviews Nexus Committee activity during the first three quarters of fiscal year 2012. It does not contain confidential taxpayer information.

Committee Activities

The committee met on July 26, 2011 in Whitefish, Montana. The committee spent most of its open session time at its July meeting participating in SWOT strategic planning. It met again in Nashville, Tennessee on March 8, 2012.

At each meeting the committee heard staff reports about activities of the National Nexus Program and offered general direction to Nexus program staff. Updates and discussion included oversight of the voluntary disclosure program, including on-going efforts to improve the process for states and taxpayers through technological advancements.

- The Commission’s National Nexus Program collected* during the first three quarters of fiscal year 2012:
  - $5,952,604 on behalf of Nexus member states
  - $7,418,048 on behalf of all states

The Commission has historically collected on behalf of non-member states in order to increase the multi-state voluntary disclosure program’s usefulness to taxpayers seeking a one-stop, uniform process.
Multi-state Voluntary Disclosure Rules of Procedure: the Nexus-Committee-approved uniform rules of procedure for multi-state voluntary disclosure have been in force for almost two years. They have improved consistency of treatment of similarly situated taxpayers as well as allowed taxpayers to order their affairs with advance notice of how the Commission and states address certain common situations, such as eligibility, confidentiality, and deadlines. They have decreased time to completion of disclosures.

The committee discussed and approved staff-suggested amendments to the rules, which were generally administrative and clarifying. The only substantive change was to bring the rules into compliance with most state laws that require information exchange among states. The rules formerly prohibited all information exchange related to the identity of a voluntary disclosant.

The committee also noted and discussed a staff report that voluntary disclosure staff (usually not the same person as the Nexus Committee member) are sometimes unfamiliar with the approved rules of procedure and request agreement terms that conflict with them. The rules bind all Nexus member states except when a state affirmatively requests different treatment, which is footnoted in the rules.

The committee discussed at its March 8 meeting staff’s background report on nexus issues related to cloud computing. Committee members discussed their states’ approaches and the relative merits of each.

* The annual collection amounts include only back tax actually collected (cash basis). They may also contain a trivial amount of penalty, interest, and miscellaneous fees if they were collected before conclusion of the voluntary disclosure. It does not include any tax, interest, penalty, or other thing of value collected after the voluntary disclosure process ended. States almost always collect substantial interest on back tax amounts after the end of the voluntary disclosure process, but the Commission does not include these amounts in its reports, nor does it include the value of future tax payments from a newly-compliant taxpayer, which is usually also substantial.