



Minutes of Annual Business Meeting
August 17, 2006
 Capitol Plaza Hotel
 1717 SW Topeka Boulevard
 Topeka, Kansas

I. Roll Call of the States

The meeting convened at 1:30 P.M. Central Time. The Executive Director called the roll of the states. A quorum was present. The following persons attended the meeting.

Name	Affiliation	Name	Affiliation
Robynn Wilson	AK	Bruce Johnson	UT
Michael Mason	AL	Rod Marelli	UT
Danny Walker	AR	Mike Grundhoffer	WA
Richard Moon	CA BOE	Private Sector	
Ben Miller	CA FTB	Diann Smith	COST
Carl Joseph	CA FTB	Don Hoffman	Fast Enterprises
Lynn Chenoweth	ID	Dustin Hubbard	PricewaterhouseCoopers
Ted Spangler	ID	David Clauser	Sprint-Nextel
Bruce Larkin	KS	Karen Setze	State Tax Notes
Joan Wagnon, Chair	KS	MTC Staff	
Cynthia Bridges	LA	Joe Huddleston	
Dan Salomone	MN	Greg Matson	
Don Trimble	MN	Shirley Sicilian	
Trish Vincent	MO	Ken Beier	
Wood Miller	MO	Roxanne Bland	
Dan Bucks	MT	Elliott Dubin	
Lennie Collins	NC	Les Koenig	
Jan Goodwin	NM	Sheldon Laskin	
Charlie Rhilinger	OH	Thomas Shimkin	
Elizabeth Harchenko	OR	Bill Six	

II. Public Comment Period

The public comment period was deferred until after the report of the Executive Director report and comments are reported at the end of Section IV.

III. Approval of the Minutes of the July 29, 2005 Annual Business Meeting

Oregon moved and California seconded the motion to approve the minutes of the meeting of July 29, 2005. The motion carried unanimously.

IV. Report of the Chair

Joan Wagnon deferred to the Executive Director for comments. (See Section VI.)

V. Report of the Treasurer

Jan Goodwin (NM) informed the Commission that the Treasurers' Report was filed for audit.

VI. Report of the Executive Director

Mr. Huddleston reviewed highlights from his written report, including the following Commission activities.

Staff Activities

MTC training programs have received plaudits for all classes. In addition, Andrew Nicholas, the Policy Research Intern, will begin working next month. His major focus will be on telecommunication tax issues.

Administrative

The Commission's banking functions have been consolidated into Wachovia bank accounts. Dan Bucks noted that MTC had its bank accounts in Colorado because of Colorado's strong public depository protection laws.

Employee health insurance coverage is now with Guardian Insurance. Overall costs are projected to be \$80 - \$90 thousand per year, including self funding some liability with stop loss provisions.

MTC staff lines of authority have been restructured along functional lines. Position responsibilities and functions have not been changed.

Other

California won both the GM and MICROSOFT cases.

Work continues on the new MTC website and secure communications platform.

At the conclusion of the Executive Director's report, Greg Matson demonstrated the new website's functionality.

Following presentation of the report of the Executive Director, Oregon moved and Montana seconded the motion that all actions taken by the Executive Committee in the last year be ratified. The motion carried unanimously.

[Public comment period occurred at this point in the meeting.]

Diann Smith (COST) focused her remarks on the “51 State Spreadsheet” aspect of the Model Reportable Transactions Statute. She cited several factors in COST’s opposition to the requirement:

- The implementation should be delayed until 2009.
- Software alone is not the answer to complexity.
- COST members doubt that the states will be able to benefit from the information.
- Information contained on the spreadsheet will not be useful to auditors for spotting inconsistent filing positions because auditors cannot know all states’ requirements.
- It would be impossible to identify “nowhere” income or income that may be taxed more than once because of the existence of non-income tax states.
- States have different definitions of what constitutes a unitary group.
- Different definitions of apportionment factors among the states complicate the ability of businesses to complete the spreadsheet.

Karen Nakamura (AICPA) stated the position of the AICPA that the scope of an audit in one state should be limited to that state only. The filing positions of that company in other states should be irrelevant to the state which is conducting the audit.

Dan Bucks (MT) noted that MTC staff worked with TEI staff on the proposal, but COST did not participate in this effort. TEI informed MTC staff that at least one software development firm has software that can assist in writing these reports.

Ben Miller (CA FTB) noted that only the really important items that come up will draw the attention of state investigators. Dan Salomone (MN) offered an alternative--a state agency could request copies of other state returns adding that this alternative would not resolve comparability issues.

VII. Committee and Program Reports, Commission Action

There were no committee reports that required Commission action.

VIII. Unfinished Business

A. *Proposed Model Affiliate Nexus Statute*

Utah moved and Oregon seconded the motion to adopt this statute.

Yes	No	Abstain	Absent
AL, AK, AR, ID, KS, MN, MO, MT, NM, OR, UT, WA	CA	TX	CO, DC, HI, MI, ND, SD

The motion was not passed because the states voting for the model statute contain only 33 percent of the population of the Compact states.

B. *Proposed Model Combined Reporting Statute*

Ms. Sicilian reported that a technical amendment had been added regarding the definition of income that was to be combined. California moved and Oregon seconded approval of the technical amendment. The motion was passed unanimously. California moved and Oregon seconded the motion to accept the model statute as amended.

Yes	No	Abstain	Absent
AL, AK, CA, ID, KS, MN, MT, MO, NM, OR, UT, WA		AR, TX	CO, DC, HI, MI, ND, SD

The motion carried with 62 percent of the states, by population, voting yes.

IX. New Business

A. *Proposed Model Statute Requiring Add-back of Certain Intangible and Interest Expenses*

Ms. Sicilian noted that the Executive Committee wanted to include a “safe harbor” in the statute to protect taxpayers from possible multiple taxation. Utah moved and California seconded the motion to accept the amended language on page 4 of the model statute. The motion was passed unanimously. Utah moved and Montana seconded the motion to adopt this model statute as amended.

Yes	No	Abstain	Absent
AK, AR, CA, ID, KS, MN, MT, MO, NM, OR, UT, WAS		AL, TX	CO, DC, HI, MI, ND, SD

The motion carried with 60.62 percent of the states, by population, voting yes.

B. *Proposed Model Statute on Reportable Transactions and Filing Positions*

Amendments to delay the implementation of the state filing positions to January 1, 2009, create a uniform filing format, increase the time between filing a return to filing the “51 state spreadsheet” from 30 days to 60 days, and delete presumption and increased burden of proof, as suggested by MTC staff, were accepted by the Commission.

Elizabeth Harchenko (OR) moved and Ben Miller (CA FTB) seconded the motion that this proposed model statute on reportable transactions be moved forward without the section on state filing positions. Dan Bucks (MT) and Michael Mason (AL) commented on the relationship between inconsistent filing positions and reportable transactions. Don Trimble (MN) supported the separation of these issues. Montana moved and California (FTB) seconded an amendment to the motion to include the state filing positions with the proposal.

Yes	No	Abstain	Absent
AL, AK, AR, CA, ID, KS, MN, MT, NM, OR, UT, WA		MO, TX	CO, DC, HI, MI, ND, SD

The amendment to the motion was not passed because the states voting for the model statute contained only 59 percent of the population of the Compact states.

The vote on the original motion was not passed with the same votes by state as for the amendment to the motion.

Montana moved and Minnesota seconded that the proposed model statute be referred back to the Executive Committee for its recommendation. There was unanimous agreement by those voting.

C. Proposed Model Statute for Tax Avoidance Transaction Voluntary Compliance Program

California moved and Oregon seconded the motion to adopt this model statute.

Yes	No	Abstain	Absent
AL, AK, AR, CA, ID, KS, MN, MO, MT, NM, OR, UT, WA		TX	CO, DC, HI, MI, ND, SD

The motion carried with 64.6 percent of vote, by population, voting in the affirmative.

X. Action on Other Items Reported to the Commission by the Executive Committee

There were no other items reported by the Executive Committee to the Commission.

XI. Report of the Resolutions Committee

California moved that the following resolutions be adopted by the Commission. Missouri seconded the motion. The following Resolutions were adopted by the Commission

Uniformity Resolutions

Model Add-back Statute

Model Voluntary Compliance Program Statute

Model Combined Reporting Statute

Policy Resolutions

Policy Resolution 01-01 Resolution In Support of and Appreciation for the Work of the Congressional Budget Office

Policy Resolution 01-02 Renewing the Commitment of MTC Member States to Voluntary State Tax Uniformity

Policy Resolution 01-03 Resolution Maintaining the Integrity of State and Local Tax Appeals Processes

Policy Resolution 01-05 Resolution in Support of and Appreciation of the Uniformity and Interstate Cooperation Projects of the Federation of Tax Administrators

Policy Resolution 01-09 Resolution Regarding the Preservation of the Integrity of State Property Tax Systems

Executive Director's Application of Policy Statement

Honorary Resolutions

Honorary Resolution 2006A Appreciation of the Kansas Department of Revenue

Honorary Resolution No. 2006B Appreciation of Adina Christian

Honorary Resolution No. 2006C Recognition of Joe Thomas

Resolution No. 2006D Recognition of Ted Spangler, Adina Christian and Wood Miller

Resolution No. 2006E Recognition of Marshall Stranburg

Resolution No. 2006F In Recognition of Rich Schrader

Resolution No. 2006G Recognition of Tim Blevins

XII. Report of the Nominating Committee

Oregon moved that the nominations for officers be closed and that slate of officers reported to the Commission be elected. California seconded the motion. The motion carried unanimously.

XIII. Election of Officers and Executive Committee

The following will serve as officers and executive committee members, in accordance of the action of the Commission reported in Section XII of these minutes:

Chair: Joan Wagon, Secretary of Revenue, Kansas Department of Revenue

Vice Chair: Jan Goodwin, Secretary, New Mexico Tax & Revenue Department

Treasurer: Dan Salomone, Commissioner, Minnesota Department of Revenue

Executive Committee Members:

Dan Bucks, Director, Montana Department of Revenue

Robert J. Kleine, State Treasurer, Michigan Department of Treasury

Selvi Stanislaus, Executive Director, California Franchise Tax Board

Carole Keeton Strayhorn, Comptroller, Texas Comptroller of Public Accounts

Executive Committee Members, ex officio:

Timothy Leathers, Deputy Director, Arkansas Department of Finance and Administration

Elizabeth Harchenko, Director, Oregon Department of Revenue

R. Bruce Johnson, Commissioner, Utah State Tax Commission

XIV. Selection of Sites for 2008 and 2009 Annual Meetings

The site for the 2007 Annual Meeting is Minneapolis, MN at the Marriott Downtown. Jan Goodwin offered New Mexico as a site for the 2008 Annual Meeting.

XV. Other Business

There was no other business before the Commission.

XVI. Adjournment

The meeting was adjourned at 4:35 P.M. Central Time.