



MULTISTATE TAX COMMISSION

Reporting Federal Adjustments Issues List For MTC Income and Franchise Tax Uniformity Subcommittee

1. Should the MTC undertake a project to assist in reducing administrative burden associated with filing federal RARs in multiple states? Possible approaches include
 - a. MTC administration of a uniform RAR processing system (analogous MTC programs: the Nexus Voluntary Disclosure Program, the Multistate Tax Shelter Voluntary Compliance Program)
 - b. MTC development of a uniform form for taxpayer reporting of federal RARs (analogous to the uniform multijurisdictional sales and use tax exemption certificate)
2. Issues to consider regarding MTC administration of a uniform RAR processing system:
 - a. Should the MTC administer a uniform RAR processing system? (Analogous MTC programs: the Nexus Voluntary Disclosure Program, the Multistate Tax Shelter Voluntary Compliance Program). Subsidiary issues to consider:
 - i. Should the system be web based? If so, what security issues need to be addressed?
 - ii. What political issues might be raised by the MTC's administering such a system (recall the reaction to the attempt to have the MTC serve as the registration portal for Streamlined)? How should those issues be addressed?
 - iii. What costs will be incurred by implementing such a system? For example, will participation be limited to states that pay to play, as in the Nexus voluntary disclosure program? Or should the MTC membership dues structure reflect the administrative costs associated with the system?
 - iv. How would the system be staffed?
 - b. How should taxpayer payments be processed under an MTC uniform RAR processing system? Note: The Nexus voluntary disclosure program has successfully processed initial taxpayer payments since the inception of the program in 1992.
 - c. Do the states want to utilize the MTC administered RAR processing system to process changes to *state* income tax returns that would increase federal income tax liability? Are states currently obligated to report such changes to the IRS? Would the IRS accept the MTC as the states' agent for the purpose of reporting such changes?

- d. Should the MTC act as the states' agent for purposes of receiving any claims for refunds as a result of a change to a federal tax return? Or should the MTC's role be limited to receiving and processing the report of federal changes?
 - e. For purposes of any applicable limitations period, should the relevant measuring date be:
 - i. The date the MTC receives the report of federal changes and/or state amended return?
 - ii. The date each state receives the report of federal changes and/or state amended return from the MTC?, or
 - iii. The later (or earlier) of the two?
 - f. Should the MTC be delegated the authority to extend any applicable reporting period? Or should each such request for extension be processed by the affected state(s)? Should the delegation question be resolved on an "all or nothing" basis such that the MTC would not have the authority to extend the reporting period unless all participating states agree. (A contrary rule could lead to taxpayer confusion and litigation over whether the reporting deadline has been waived due to that confusion.)
 - g. If the MTC were to administer a uniform RAR processing system, would there be a resulting need to further define the term, "final determination?" What issues would be raised in doing so? What should the goal of the definition be in facilitating the timely reporting of federal adjustments under a uniform RAR processing system?
3. Issues to consider regarding a uniform form for reporting RARs. Would it be desirable for the MTC to design a uniform form for reporting federal tax changes, to be used by MTC member states? (Analogous MTC service: the MTC multistate resale certificate.) In addition, would it be desirable and feasible for the MTC Executive Committee to further encourage the states to adopt the Model Uniform Statute for Reporting Federal Tax Adjustments with Accompanying Model Regulation (adopted August 1, 2003)?
4. Can the Committee suggest possible other alternatives?