Minutes of the Executive Committee Meeting
November 8, 2007
Hotel Monteleone
214 Rue Royale
New Orleans, Louisiana

I. Welcome and Introductions

Jan Goodwin, Chair of the Commission, called the meeting to order at 9:02 a.m. Central Time. The following individuals attended:

Name	Affiliation
Robyn Wilson	Alaska
Richard Moon	California BOE
Fred Campbell-Craven	California FTB
Bart L. Graham	Georgia
Ted Spangler	Idaho
Richard Cram	Kansas
Trish Vincent	Missouri
Dan Bucks	Montana
Jan Goodwin	New Mexico
Lennie Collins	North Carolina
Donnita Wald	North Dakota
Jack Ogami	Oregon
Nancy Prosser	Texas
Bruce Johnson	Utah
Chris Morris	West Virginia
Alan Gutierrez	Shell Oil Company

Name	Affiliation
Karen Boucher	Deloitte Tax LLP
Beth Cooley	COST
Stephen P. Kranz	COST
Todd Laird	COST
Dara Bernstein	NAREIT
Karen Setze	Tax Notes
Len Lucchi	Patuxent Group
Bruce Fort	MTC
Elliott Dubin	MTC
Joe Huddleston	MTC
Ken Beier	MTC
Les Koenig	MTC
Sheldon Laskin	MTC
Shirley Sicilian	MTC
Thomas Shimkin	MTC

II. Public Comment Period

There were no public comments at this time. Members of the public were invited to make comments during the discussion of specific agenda items as reflected in these minutes.

III. Approval of Minutes

The minutes of the Executive Committee open session of August 2, 2007 were approved as presented.

IV. Report of the Chair

The Chair appointed Cynthia Underwood, Acting Revenue Commissioner of the State of Alabama, to serve out the unexpired portion of the term of Tom Surtees as Commission Treasurer. The Executive Committee unanimously elected Ms. Underwood in accordance with the Commission's bylaws.

V. Report of the Treasurer

In the absence of a sitting Treasurer, the Treasurer's Report was delivered by Joe Huddleston, Executive Director. In addition, Mr. Huddleston delivered the Financial Report for the period July 1, 2007 through September 30, 2007. The Executive Committee unanimously approved the Financial Report. Finally, Mr. Huddleston distributed the independent auditor report of Commission operations for fiscal year July 1, 2006 – June 30, 2007.

VI. Report of the Executive Director

Mr. Huddleston reported on Commission activities since the annual meeting in Minneapolis in August.

The Joint Audit Program completed one income tax audit during the period and has partially completed three others. In addition, two sales tax audits were completed. Don Johnson resigned as auditor and was replaced, effective November 2007, by Joe Nowinski. Georgia and Illinois have joined the audit program, and the Commission is taking steps to add two additional auditors, one for income tax and one for sales tax.

Work continues on revising the audit procedures and manuals, with the initial rewrite to be completed in the second quarter of 2008.

The Nexus Program opened 18 new voluntary disclosure cases and distributed 1200 voluntary disclosure brochures to the states for further distribution to taxpayers. Thirty-six taxpayers concluded voluntary disclosure agreements with more than $26 million in tax being collected. A nexus school was successfully conducted in Nashville, Tennessee, in November 2007 and another nexus school will be conducted in Baltimore, Maryland, in April 2008.

The legal staff has continued its new bimonthly program of teleconferences for state revenue department and attorneys general to provide a forum for discussion of current state tax legal issues. The response from state attorneys, including attorneys general, has been very favorable. September's teleconference featured a discussion of sourcing receipts for futures contracts in the sales factor

Commission counsel continue to support the Uniformity Committee's ongoing projects, including the proposed statute and regulation on the taxation of Internet hotel intermediaries, the Model Uniform Statistical Sampling Statute and accompanying regulation, amendments to Model Uniform Regulation IV.18.(A), the Model Uniform Regulation for Apportionment of Income from Telecommunications and Other Services, and the Model Uniform Statute for Real Estate Investment Trusts. Possible additional uniformity projects were considered since the annual meeting, including the development of a uniform form for reporting federal tax adjustments to the states and model statutes for varying levels of centralized administration of telecommunications transaction taxes.

Commission counsel filed *amicus* briefs in the United States Supreme Court in *Davis v. Kentucky Department of Revenue* and *CSX Transportation v. Georgia State Board of Equalization*. The Commission is currently working on amicus briefs for Illinois in *Meadwestvaco Corporation v. Illinois Department of Revenue*, currently pending in the United States Supreme Court, and for Indiana in the *Miller Brewing Company* case. The Commission is considering involvement in the *Sigma Aldrich* case before the California Board of Equalization

Finally, the legal staff provide ongoing legal assistance to the joint audit program and general legal assistance to the Commission and reviews federal bills that could impact state tax administration.

The policy research staff provided estimates of compliance costs in support of the Model Uniform Regulation for Apportionment of Income from Telecommunications and Other Services

The training staff provided ongoing contact with state training programs.

The Commission's information sharing program with the IRS continues to develop. As of November 2007, 21 executed state information sharing agreements have been returned to the MTC. These agreements have been approved by the IRS for compliance with federal tax information sharing requirements.

Traffic to the Commission's website is down for third quarter, compared to the activity during the summer in advance of the annual meeting; it declined 16% in September. The Uniformity Committee portions of the site gets the most traffic as meetings approach.

Ted Jutras and Michelle Lewis have joined the Nexus Program as paralegals. Alice Kelly resigned her position as website content manager on November 2. The Commission is recruiting a replacement.

Architectural drawings have been completed for expansion of the Commission's headquarters offices. Staff is awaiting cost estimates from contractors.

VII. Report on Tax Sheltering Compliance Project

Tom Shimkin reported on the now completed Tax Shelter Compliance Project. Twenty-three states participated. New York, California and Illinois provided guidance to the project based on their individual state projects. Taxpayers were offered waivers of applicable penalties in return for their agreement to unwind various tax shelters. Thirty-seven taxpayers filed amended returns in three states and additional taxpayers separately filed amended returns in individual states upon receipt of an informational letter from the Commission; staff sent approximately 7,200 letters to taxpayers. Participating taxpayers were largely individuals who reported $27 million in back tax due. Lessons learned included how to better gather information on tax sheltering and how states can better coordinate compliance activities regarding tax shelters.

VIII. Report on Commission *Amicus Curiae* Participation Process

Discussion of this item was deferred to the closed session.

IX. Report on Revamping the Commission's Audit Process

Greg Matson reported on the status of the project. The project is currently in hiatus, due to Mr. Matson's parental leave due to the birth of his daughter. Mr. Matson has received a working draft of the first three chapters for both audit manuals (sales tax and income tax) and he will be editing them. He indicated that the project has engendered a lot of thinking about the nature of the joint audit program, especially the audit selection process. The Council on State Taxation (COST) has polled its members who have been audited by the MTC for their impressions of, and suggestions for improving, the MTC audit program.

Mr. Huddleston indicated that review of the existing audit process will be comprehensive. How audit staff communicates with participating states to reach decisions during audits will be reviewed as well as how audits are conducted. COST and others have provided input to the review, with the objective beginning to improve the quality of MTC audits.

In response to a question from Ted Spangler, Mr. Huddleston indicated that the states will also have an opportunity to offer suggestions to improve the audit process.

X. Committee and Program Reports

A. Reports

1. Audit Committee

Mr. Matson summarized the Audit Committee's written report.

2. Litigation Committee

Ms. Sicilian reported that forty Litigation Committee representatives attended the July committee meeting, during which New York made an excellent presentation on sourcing receipts for futures contracts in the sales factor. The Litigation Committee approved the Paull Mines Award. Administrative details are being worked on for the initial presentation of the award during the Commission's annual meeting in July 2008. Ms. Sicilian thanked Marshall Stranburg, Florida, for his work as Committee Chair. In addition, Ms. Sicilian also acknowledged Clark Snelson and Mark Wainwright, Utah, for their contributions to the Committee's work. Ms. Sicilian also reported that participation at litigation committee meetings has increased.

3. Nexus Committee

Mr. Shimkin reported that, during the period July-October 2007, 110 voluntary disclosure contracts resulted in collection of $3.5 million. During the July meeting, the Committee decided not to pursue a "duration of nexus" project. The Committee also reaffirmed the Nexus Program's primary emphasis on the voluntary disclosure program. Mr. Shimkin indicated that the program's long term goals include developing systems for faster processing of disclosures and increasing taxpayer ability to directly participate in the processing of disclosures with individual states, while retaining the Commission's central role in the process. The Nexus Program is working with the technology Committee and Commission IT staff to improve the Nexus Program's automated systems technology and to increase communications directly between taxpayers and individual states.

4. Technology Committee

Mr. Matson refer to the Technology Committee's written report and expressed the Commission's appreciation of the Technology Committee's work and input and for the states for sharing their excellent IT staff through participation on the committee. Mr. Matson also commended Chris Lane for recent completion of several long-term initiatives described in the report.

5. Uniformity Committee

Ted Spangler highlighted certain features of the Committee's written report. As Chair of the Committee, Mr. Spangler commended the Committee subcommittees and their chairs, Richard Cram, Kansas, and Wood Miller, Missouri, for their work. He reported that the Committee's new drafting groups are actively working on developing new uniformity proposals. The Committee has previously referred proposed Telecommunications Apportionment and REIT provisions to the Executive Committee, which approved those matters for public hearing. The Committee is now working on a proposed RIC (Regulated Investment Company) provision. Mr. Spangler indicated that the financial institutions interested parties group will meet at the Hotel Monteleone on November 9, 2007, with Lennie Collins chairing the group. The Committee is exploring amendments to UDITPA Section 18 model regulations. The Committee unanimously decided not to take on developing a uniform form for reporting federal tax adjustments to the states as they did not believe that any practically useful product could come out of such a project. The Uniformity Committee Sales and Use Tax Subcommittee is considering two alternatives for a model statute for hotel intermediaries. The subcommittee approved a revised draft model statistical sampling statute, which was dramatically simplified from the previous draft. The subcommittee continues an ongoing project to develop a telecommunications transaction tax provision. The Income Tax Subcommittee declined a request from the Nexus Committee to initiate a project to develop a uniform duration of nexus rule.

Bruce Johnson asked if the Committee felt that a uniform form to report federal tax adjustments would be too cumbersome. Mr. Spangler indicated that the concern most often expressed was that state adjustments to federal taxable income — that is the state tax base as opposed to state apportionment provisions — differ so much from state to state that a uniform form would not be useful at the state level.

6. Training Committee

Mr. Matson referred the written report of the training program. He added that Shirley Sicilian and Ben Miller recently taught a combined reporting training course in West Virginia. Mr. Huddleston indicated that the Commission's training programs are almost always oversubscribed.

B. Other Committee & Program Business (if any)

There was no additional committee and program business.

XI. Uniformity Projects

A. Report on UDITPA Revision Project

Ms. Sicilian reported on the Commission's recommendation to NCCUSL that it initiate a project to review UDITPA Sec. 17 (sourcing of the sales factor numerator for transactions other than sales of tangible personal property). The Commission noted to NCCUSL that states are in various stages of moving away from the UDITPA Sec. 17 provision and doing so in a non-uniform manner. The Commission also recommended to NCCUSL that it review four other UDITPA provisions. Ms. Sicilian noted that although

States may be moving away from these provisions, at least they are doing so in a uniform manner. The four provisions include the definition of business income (the trend has been to define business income as all income that can be apportioned to the extent allowed by the US Constitution), weighting of the three factors (the trend has been to overweight the sales factor), definition of gross receipts (the trend has been to define gross receipts to exclude returns of principle), and application of section 18 (which has been interpreted to allow industry-wide rules). Ms. Sicilian stated that although almost every provision of UDITPA would benefit from some level of review, these benefits may not be enough to overcome the cost of slowing down progress on these key areas. NCCUSL voted in July to initiate a UDITPA revision project and to appoint a drafting committee to start work in February 2008. The Commission will work to provide model uniform amendments for the Compact at the same time. While NCCUSL voted to review the entire statute, the MTC proposes to concentrate on Section 17 and the other four provisions it has identified as most in need of review. A drafting group will submit a report to the Executive Committee in January.

B. Proposals before the Executive Committee

1. Uniformity Recommendations for Review

There were no uniformity recommendations presented for Review by the Executive Committee.

Ms. Sicilian reported that the Uniformity Committee has approved a revised Statistical Sampling statute and regulation. Ms. Sicilian recommended resubmitting the statistical sampling provision to public hearing because of extensive changes made in Uniformity Committee from the original proposal. She indicated that the Executive Committee can do that now or in January. Mr. Spangler suggested that each state speak with its representative to the Sales and Use Tax Subcommittee as to why this simplified approach has been taken. Mr. Bucks asked about public comment on when sampling should be used. Ms. Sicilian replied that the Uniformity Committee's original proposal required sampling to be used when it is "reasonable" to do so. Taxpayers expressed concerns that the amount of tax involved in an audit would determine reasonableness. Instead, taxpayers want objective criteria used to determine when sampling should be used. The Hearing Officer recommended this be remedied by including mathematical confidence levels to determine reasonableness. Mr. Spangler indicated that the Sales and Use Tax Subcommittee felt the confidence levels imposed inappropriate restrictions on state audits. He reminded the Committee that the original reason for the project was because some states lacked statutory authority to audit by sample. These states wanted a simple model statute to give them the necessary authority. He also pointed out that the current proposal is not limited to sales and use tax. In view of that original purpose, the Uniformity Committee decided to remove all reverence to "reasonableness" and simply state that the state has the authority to use sampling. The Committee voted unanimously to defer further consideration of this item to its January 2008 meeting.

2. Hearing Officer Recommendations for Consideration

a. Model Telecommunications Apportionment Regulation

Hearing Officer Sheldon Laskin presented a written report of the status of the Model Telecommunications Apportionment Regulation.

b. Model REIT Statute

Hearing Officer Bruce Fort reported on the model REIT statute. The Model REIT statute applies to captive REITS as defined in federal law. Members felt action is needed this year, because states are moving fast on the issue. Ten states disallow the dividend paid deduction that is allowed by federal law. In combined reporting states, a dividend is paid to non-unitary affiliate, such as an insurance company. Disallowing the dividend paid deduction fixes the problem for combined reporting states. Separate entity states may also need to amend their addback statutes to include payments to REITs.

Mr. Fort received comments from the Australian Property Council and National Association of Real Estate Investment Trusts (NAREIT). NAREIT is generally supportive. The Australian group has two concerns, one of which Mr. Fort recommends be adopted. There is a potential for "double taxation" if the dividend is taxable in the hands of the shareholder. Mr. Fort feels the potential for "double taxation" is remote, as the definition of a captive REIT is so narrow. But states might want to enact a credit for taxes paid to address the issue. The Australian Property Council notes there is a huge amount of foreign investment in US real property. The investors are largely Australian listed property trusts, because the income is not taxable in Australia. The Council wants to expand the model statute's exemption to "qualified REITS" to include these trusts. Mr. Fort recommends adopting this suggestion. Also, although the trusts are not required to distribute 80 percent of trust income, they often do. So Mr. Fort recommends striking "required to distribute" and substituting "distributes" so that these trusts can qualify for the exemption and take the deduction. Wisconsin is concerned about allowing "incubator REITs" to take the deduction. Mr. Fort would address this through requiring retroactive filing if the entity did not become a true public REIT after 1½ years.

Mr. Bucks moved to defer consideration of the Model REIT statute to the Executive Committee meeting in January 2008. Bart Graham expressed concern about delaying action, as Georgia would like to have the benefit of an MTC proposal as soon as possible. Ms. Sicilian noted that the earliest the Commission would normally be considering any proposals for adoption would be at its annual meeting in July 2008, and waiting until January would not delay consideration at that time. Among the members eligible to vote, the motion carried unanimously.

XII. Discussion with COST Regarding Joint Audit Program Participant Survey Results

Mr. Matson introduced the discussion. At its meeting in May 2007, the Executive Committee initiated a discussion regarding overhauling the audit program's internal processes. Mr. Matson subsequently attended COST's Audit Conference and gave a presentation with Rebecca Paulson of US Bank regarding MTC audit procedures. COST then surveyed its members who had been audited by the MTC and prepared a white paper in early September. On October 18th, Les Koenig, MTC field audit supervisors, and Mr. Matson met with COST to discuss the paper.

Steve Kranz of COST, expressed the view that there has always been some level of taxpayer frustration with MTC audits, while recognizing its efficiency in conducting multistate audits for multistate businesses.

COST's white paper identified topics and issues that taxpayers note regarding MTC audits, made an attempt to quantify them and recommended changes to the program.

First, taxpayers recommend that auditors should apply a state's law only to that state. Industry believes MTC auditors pick a state's law and apply it to all the states. COST recommends that the MTC eliminate multi-state templates. Mr. Koenig advised that it is a misperception that the auditors apply laws of one state to any other state. COST further recommends that MTC audit manuals should include state-specific templates to be populated by each state as to its laws. MTC auditors should be trained on each state's tax laws. Mr. Koenig says such training would be difficult to do, but there are audit contacts in each state to advise on that state's laws. Mr. Matson indicated that better communication is needed as to MTC procedures. Mr. Kranz stated that the MTC should increase involvement of state auditors in MTC audit process. Mr. Koenig replied that in every major income tax audit, there is contact with each state's contact on a regular basis. Mr. Huddleston stated that the MTC has recognized a core need to know what the law is in each of the multiple jurisdictions involved in the audit. He indicated that the technological platform must be improved to allow communication between auditors and states on a real time basis during an audit. Mr. Johnson stated that he has hard time envisioning what the template proposed by COST would look like. Mr. Kranz indicated that the MTC should design a 51 state spreadsheet and have states populate it with state specific information on how the tax would be calculated in each state. Mr. Matson said the purpose of the template would not be to duplicate CCH or other commercial charts, but to explain how workpapers were calculated in each state. Mr. Koenig said that the MTC uses templates that are audit workpapers for each state, not the laws that are used to calculate the tax.

Mr. Bucks commented on Mr. Kranz's statement that the MTC applies one state's law to another state. He questioned whether this really a question of a company tax manager's perception that state interpretations vary, not that the law varies (i.e., same definition of business income, but definition interpreted differently). Alan Gutierrez stated that state specific laws govern his industry and questions whether a uniform approach to these issues is appropriate. Mr. Bucks replied that an MTC audit should facilitate equitable settlement of apportionment issues as per the Compact. Therefore, each individual state cannot be viewed in isolation, although of course each state's laws must be used. Where possible, uniformity in apportionment is a goal of any MTC audit.

Mr. Kranz would distinguish audit function from policy development. Audit function should be limited to determining state tax liability under existing law. Mr. Bucks stated that he does not disagree, but there are many matters in an audit that are subject to interpretation. Where possible under state law, those interpretations should be uniform. Mr. Gutierrez feels uniformity on audit is shading into areas where it does not belong. Mr. Matson said that state law can't be applied by rote if doing so would lead, for example, to taxing 250% of income. If possible, state law should be interpreted to avoid this possibility.

Mr. Kranz asked whether the role of the state could be expanded, so that the state's point of contact would be involved at the audit level. Mr. Koenig indicated that the contacts serve that role now. Bart Graham said that ideally, the contact needs to be at a high level to assure consistent state treatment of audit issues. He feels that MTC auditors sometimes wait too long to ask for help, exacerbating any disagreements that may have arisen. Mr. Spangler asked whether states are reporting whether MTC audits are consistent with state laws. Mr. Koenig stated that every audit is evaluated by the states, including an evaluation of compliance with state law. Most states reply to these post-audit surveys.

Second, COST suggests reducing the number of states participating in any given joint audit. As the number increases, quality declines. And audits take longer. COST feels 11 – 15 audits as is the case currently are too much, and should be reduced to 6 – 10. Mr. Koenig believes the size of audits will increase as program grows. He announced a procedural change for income tax audits; the new MTC auditor will be a floater to assist in ongoing audits instead of being assigned audits of his or her own. In essence, while the number of states participating in an audit won't likely be reduced, the number of states per auditor in an audit can be alleviated.

Third, Mr. Kranz notes that MTC audits take 2-3 years. Business wants the time frame reduced down to 1-2 years. COST recommends that a joint audit plan be developed at the beginning of the audit, including binding deadlines. Mr. Koenig stated that a general audit plan is developed at the beginning of the audit. Mr. Kranz suggested a binding audit plan, including taxpayer agreement on document discovery. Mr. Bucks asked what would happen if the auditor subsequently discovers a major issue, if there is a binding audit plan. In such cases, the taxpayer sometimes stops providing information and tries to get the MTC out of the audit. Mr. Kranz stated that the audit plan should not preclude MTC from proceeding if the taxpayer isn't cooperating. Mr. Gutierrez stated that the audit plan should be a good faith agreement to follow the plan in a routine audit. Mr. Johnson said that large audits can easily spin out of control as time goes by and more issues are discovered. Maybe there is an optimum number of states and tax periods that should govern each audit.

Fourth, COST recommends that the MTC obtain copies of state tax returns as filed form the states, rather than asking the taxpayer for them. Mr. Koenig noted that the Commission does ask states for this, but often get the filed returns from states. COST feels this should be a requirement of participating in MTC audit. Mr. Koenig said that states cannot always determine which affiliates have filed in each state. If the taxpayer were to provide a tax calendar listing which affiliates filed in each state, this would help the auditor obtain the state returns.

Fifth, COST expressed concerns that open audits are complicating reporting contingent tax liabilities under FIN 48. Business sees an urgent need to close open tax years. Many COST members will therefore not agree to extending limitations. COST recommends that an MTC audit should not start at or near the end of the limitations period. Again, a shorter audit period would help. Mr. Koenig reported little state enthusiasm for a two year audit cycle. Mr. Huddleston stated this is an active point of discussion with states, whose practices vary. Mr. Johnson noted one state statute precludes jeopardy assessments merely to preserve the statute of limitations. States need to look closely at this issue. Mr. Gutierrez noted that even when waivers are signed, contentious jeopardy assessments are nevertheless issued because the cases are so old and memories fade.

Sixth, COST recommends that the MTC should not advance MTC policy positions in joint audits. As an example, Mr. Kranz cited use of economic nexus where there is no supporting legal authority for a particular state. Mr. Gutierrez noted a case where the MTC auditor relied on MTC policy on not capitalizing royalties as rents and applied it to all states in audit, contrary to some states' laws. The issue is currently being litigated. Mr. Spangler suggested that this is a taxpayer perception problem. Mr. Huddleston said that, while auditors (MTC or state) may sometimes take a position that may not be supportable under a state law, that is not the same as saying the MTC has an audit policy of relying on Commission model rules or policies that are contrary to state law. Circumstances where this is a concern needs to be brought to the attention of the Commission's Director of the Joint Audit Program, Deputy Director, or Executive Director. Mr. Kranz said that an MTC audit should not be a vehicle for establishing new principles such as economic nexus. Individual states should establish any changes in legal principles, to give taxpayers notice of changes in law. Mr. Bucks noted there are many cases where the law is silent and either interpretation is reasonable; the Commission only pursues principles that the states want pursued.

At the same time, COST also recommends that auditors examine overpayment and refund issues because the purpose of an audit is to determine correct tax liability. Mr. Johnson would allow for a more flexible rule, because it isn't always reasonable for auditors to make overpayment and refund adjustments on audit. Mr. Koenig concurs, because of the time involved. Stat sampling would make this easier. Mr. Kranz noted by way of example that Louisiana rejected a stat sample that would have resulted in a refund, claiming the sample was unreliable. Mr. Koenig noted that the Commission had recommended the refund be granted.

Seventh, COST recommends the states should not be allowed to redo audit. Mr. Spangler said that sometimes there is a need to supplement MTC audit results in order to defend audit on appeal. Mr. Kranz said that isn't the issue: He's talking about raising new issues for the same audit period covered by the MTC audit. Mr. Johnson said that sometimes taxpayers only produce information after the MTC audit is complete and that in turn raises possible adjustments that need to be audited. Mr. Bucks concurred that this happens, but suggests the MTC should perform the supplemental audit. Mr. Kranz indicated that business is not concerned whether the MTC or an individual state is just rechecking on the same issues as in the original audit. COST's membership is concerned about raising new issues for same periods as covered in original audit. Mr. Koenig said that failure to initially produce sales and use tax exemption certificates is a good example of a case that requires a "do over."

XIII. Federal Issues with State Implications

Len Lucchi delivered the report.

A. Internet Tax Freedom Act (ITFA) Moratorium

The President signed ITFA signed into law, extending the moratorium 7 years. The new definition of access makes clear that ancillary services cannot be bundled with access. Also, the grandfather clause will continue. New gross receipts taxes are excluded from ITFA's moratorium, if non-discriminatory.

B. Business Activity Tax

No congressional action has been taken this session. No House bill is contemplated.

C. Sales Tax Fairness and Simplification

House Bill has been filed by Representative Delahunt. The bill may move next year even though it is an election year.

D. Other Federal Legislative Activity

The Alternative Minimum Tax — The House of Representatives "pay as you go" rule requires funding. The House would fund the AMT temporary "fix" by increasing income tax on hedge fund advisors. The Senate would not fund the fix at all.

Mobile Workforce — The mobile workforce bill has profound implications for the states. Individual must reside in state for 60 days before being subjected to tax. FTA testified against the bill due to difficulties in administering it. The bill would base taxability on days income earned within state, not days in residence. Mr. Huddleston noted that the statute is much broader than the original proposed withholding rules. Now the bill implicates the states' authority to tax.

Tod Laird commented on the business need for the statute to set minimum standards for state taxation of nonresidents.

Satellite vs. cable television — Satellite television service providers are seeking an exclusion from state tax.

XIV. Future Meetings and Event Plans

Mr. Huddleston referred to the calendar of events provided in the materials. He noted that there will be updates on NCCUSL's UDITPA project, FIN 48, and the MTC audit process concurrent with the MTC's January meeting.

XV. Resumption of Public Session and Reports from Closed Session

No members of the public were present.

Mr. Bucks moved that the Executive Committee thank COST for its work on the MTC Audit Program survey. The motion carried unanimously.

XVI. Adjournment

The meeting adjourned at 3:47 p.m.