



Working together since 1967 to preserve federalism and tax fairness

To: Executive Committee
From: Joe Huddleston
Date: December 21, 2007
Subject: Update to November 2, 2007 Report of Executive Director

This report is a summary of the Commission's organizational and staff activities for the period July 1, 2007, through December 21, 2007. Items added since the November 2d report appear in **bold**.

I. Programs & Activities

A. Joint Audit Program

Audit Program completed one income tax audit and parts of **five** other income tax audits. The Audit Program also completed **three** sales tax audits. There are 20 income and **26** sales tax audits in progress.

Don Johnson, a senior income tax auditor, resigned in August 2007. Joe Nowinski, an auditor for Georgia, has been hired to fill this income tax auditor position and started on November 1, 2007.

Since Georgia and Illinois have joined the MTC Audit Program, the Audit Program has been authorized to add an additional income and an additional sales tax auditor, and recruiting for these two positions will begin shortly.

Several members of the Joint Audit Program along with the Commission's deputy director continue to work on revising the Joint Audit Program Income and Sales Tax Audit manuals and processes, a project that should be completed early in 2008.

The entire Joint Audit Program staff met in Chicago the week of November 12, 2007, for training. Illinois and Wisconsin provided much of the training, which we greatly appreciate.

B. National Nexus Program

The Voluntary Disclosure Program opened **27** new cases and collected **\$5,401,944** of revenue on behalf of member states. Marketing of the program consisted of the distribution of **approximately 1,500** brochures by member states to taxpayers who may have multi-state nexus issues. The program also uses Google to get referrals; Google displays an advertisement for the National Nexus Program to those who search using certain terms, such as “voluntary disclosure.”

The program conducted a nexus school in Nashville, Tennessee and **has scheduled one in Baltimore, Maryland, April 8-9, 2008. Plans are underway for schools in Idaho, Nebraska, and Iowa.**

There has been some turnover of staff in the voluntary disclosure program within the past year. We recently hired a paralegal to work on voluntary disclosures, which brings our paralegal staffing level to three.

Nexus staff is working with the Nexus Committee on issues such as a possible project to offer guidance to states on the duration of nexus; research on nexus compliance issues; and improvements to the voluntary disclosure program, such as greater uniformity of procedure. Nexus staff is also working with the Technology Committee and Commission technology staff to improve automation of the voluntary disclosure process.

The Nexus staff also supported the tax shelter voluntary compliance program, a separate project of 23 states which ended October 1, 2007, resulting in 36 taxpayers coming forward and collecting \$21,033,366 for the participating states.

C. Legal

In addition to staffing the Uniformity Committee and the Litigation Committee, legal staff hosted bi-monthly teleconferences for state tax attorneys. These teleconferences generally involve two presentations on topics of current interest to the states and allow time for discussion. All state tax attorneys are invited to attend. The last teleconference was held in September and included a presentation and discussion on sourcing receipts from futures contracts in the sales factor. Plans are underway for the next teleconference.

Legal staff support for the Uniformity Committee over this period included staffing the July meetings and work on the following projects:

- Proposed Amendments to UDITPA sec. 17, Multistate Tax Compact Art.IV.17 (under development at Executive Committee and in coordination with NCCUSL)
- Proposed Amendments to MTC Model Financial Institutions Apportionment Rules (**under development at the Executive Committee**)

- Proposed Model Regulation Regarding Statistical Sampling (**pending action at the Executive Committee**).
- Proposed Model Statute addressing RICS (Under development at Uniformity Committee)
- Proposed Model Regulation Regarding Hotel Intermediaries (under development at the Uniformity Committee).
- Proposed Amendments to Regulation regarding Section 18 (under development at the Uniformity Committee)
- Possible New Projects including Telecommunications Transaction Tax Administration and Reporting Federal RARs (white papers under development)

Also, legal staff served as hearing officers for public hearings for the proposed model statute addressing REITS and the proposed model rule for telecommunications apportionment.

The following *amicus curiae* briefs have been filed:

- *Kentucky Dep't of Rev. v. Davis*, United States Supreme Court
- *Surtees v. VFJ Ventures, Inc.*, Amicus Opening Brief, Alabama Circuit Court of Appeals
- *CSX Transportation, Inc. v. Georgia State Board of Equalization*, United States Supreme Court
- *Surtees v. VFJ Ventures, Inc.*, Amicus Reply Brief, Alabama Circuit Court of Appeals
- ***MeadWestvaco Corp. v. Illinois*, United States Supreme Court**

We are currently working on a brief for Indiana in *Indiana v. Miller Brewing Company*

Legal staff provided input to states on issues in various legal contexts, including review of states briefs, draft state legislation, and draft and proposed federal legislation.

Legal staff continues to provide assistance to the Audit Division on several cases. They also provided legal assistance regarding general Commission administration — including filings associated with the Taxnet Governmental Communications Corporation, recovery of security deposit on a real estate lease, review of hotel contracts, and more. They also provided assistance for the Commission's alternative dispute resolution process. In addition, they contributed to review of bills before Congress.

D. Policy Research

Policy Research staff provided technical support for the Uniformity Committee's project on apportioning the net income of telecommunications service provider businesses. Currently, the staff work on telecommunications transactions taxes is focused on estimating compliance costs for telecommunications service providers.

The Policy Research staff worked with a member of the staff of the Indiana legislative fiscal committee on apportionment issues and measuring corporate income tax capacity. Staff also worked with members of the Utah Tax Commission staff on apportionment issues regarding one taxpayer, and with Illinois revenue estimators on possible methods to estimate revenue impact on individual states due to Internet Tax Moratorium extension.

The Policy Research staff's other activities include:

- Being a member of Nominating Committee of National Tax Association
- Assisting in organizing a session on State Revenue Estimating Methods for
- Conferred with U.S. Census Bureau staff on content and presentation of state and local government finance data to improve their website.
- Meeting with foreign visitors via the U.S. State Department program (Switzerland, Trinidad, **Isle of Man**)
- Edited two articles and wrote one article for the Winter 2007 issue and completed Summer/Fall 2007 issue, which will be published shortly.
- **Collaborating with Professor David Wildasin (University of Kentucky) for article for next issue of the *Review*.**
- **Organizing a session for National Tax Association's Spring (May) Symposium in Washington, D.C.**

E. Training

The training staff has ongoing contact with state personnel to ensure state training needs are being monitored and met.

Training staff organized the November 8 audit training session in New Orleans on FIN 48, Tax Disclosures, and Related Topics, and supported the MTC audit staff training in Chicago, **which was held during the week of November 12.**

In addition to an April 8-9, 2008 Nexus School in Baltimore, Maryland, we anticipate the following courses during 2008:

- **Nexus School in Boise, Idaho on October 21-22.**
- **Corporate Income Tax Course in Salt Lake City, Utah in the April-June, 2008 time period.**

- **Statistical Sampling—3-4 courses starting with an April 2008 course in Colorado.**

We expect that the April statistical sampling course, and subsequent statistical sampling courses, will be open to private sector participants.

Discussions are also underway for another FTA/MTC Audit and Computer Technology Workshop in October 2008.

II. Information Sharing with the IRS

The IRS endorsed a Memorandum of Understanding format for use by the MTC and the states to formalize information-sharing in away that would allow the Commission to handle federal taxpayer information directly. A copy of the agreement and background materials were sent to 24 states to complete and return; we have received **22** executed agreements back at this point.

III. Website

Overall traffic (as measured by the total visitors per month) for the third quarter was down from the second quarter by just over 4 percent. July was the busiest month on the website since January as users prepared for the annual conference, but the months following showed steady decline, with visitors down 16 percent by September. Not surprisingly, the Uniformity Committee section of the conference agendas is getting the most traffic prior to meetings. October visitors increased about 3.5 percent from September, most likely as users prepared for the Fall Committee Meetings.

Referrals from other state tax agency websites increased significantly in September, probably due to the upcoming October 1st deadline for applications to the Voluntary Compliance Program. After a reminder and request was sent to the participating states asking them to add links to the MTC program and website to their sites, September referrals from states rose almost 40 percent from the previous month. State referrals in September were 15 percent of total referrals, though that number is back down to 10 percent for October. About 30 states are now sending referrals from their websites (websites who refer less than 3 visitors are not listed discreetly, so there may be other states included in referrals that were not identified).

IV. Staffing

A. Personnel

The following are changes to the Commission's staff during this time:

Don Johnson of the MTC Chicago Audit Staff resigned effective August 17, 2007. **Joe Nowinski started as an auditor in the Chicago office on November 1,**

2007. Previously Joe had worked with both the Georgia Department of Revenue and the Ohio Department of Taxation.

Ted Jutras took a position as a paralegal in the National Nexus Program on August 22, 2007.

Michelle Lewis started as a paralegal in the National Nexus Program on October 1, 2007.

In addition, Allison Kelly, website content manager, resigned effective November 2, 2007. Planning and recruiting for her replacement has begun.

V. Facilities

Architectural drawings related to the acquisition of contiguous space have been reviewed, and we await an estimate of costs before approving the proposed reconfiguration of the Commission's headquarters office (acquisition of this additional space and subsequent build-out was programmed into the 2007-2008 budget).

We expect to sign the lease for this additional 565 sq. ft. of space between now and February 1, 2008 (SSO has been working to relocate the current occupants before finalizing the lease). Our architect is moving forward with the planning and design process and acquiring the permits to build out the 565 sq. ft. of new space to be acquired from SSO.

The total costs for this project have been estimated. Architectural fees are estimated at \$16,800, and engineering services are estimated at \$6,500; the Commission has already committed to these costs. Direct construction costs are estimated at \$177,242, plus O&P of \$25,558. The total (fees plus direct construction) is \$227,100. The construction plan is attached to this report.

We programmed \$125,000 into the budget this year, planning to combine that with a \$53,360 construction allowance under the combined leases. This is \$48,740 short of the total costs of the project. There is sufficient current year budget surplus to cover this shortfall; with Executive Committee consent, we recommend moving forward with the project.

VI. Presentations

The following are the programs, conferences, and other events of outside organizations at which members of the staff represented the Commission during the reporting period:

JULY

- SEATA Annual Conference, Orlando, Florida (Huddleston)

AUGUST

- NCSL Annual Meeting, Boston, Massachusetts (Huddleston)
- TEI State & Local Tax Course, Indianapolis, Indiana (Fort)
- MSATA Annual Conference, Omaha, Nebraska (Huddleston)

SEPTEMBER

- NESTOA Annual Conference, Washington, D.C. (Huddleston, Matson)
- Kansas Interim Tax Committee, Topeka, Kansas (Sicilian)
- WSATA Annual Conference, Santa Fe, New Mexico (Huddleston, Fort)
- FTA Revenue Estimating Conference, Raleigh, North Carolina (Dubin)
- ABA Tax Section Meeting, Vancouver, British Columbia (Huddleston)
- MTC Update Presentation for Sprint Corp., Kansas City, Missouri (Sicilian)

OCTOBER

- Presentation to Massachusetts Governor's Commission studying Combined Reporting, Boston, Massachusetts (Sicilian)
- SEATA Compliance and Attorneys' Workshop, Atlanta, Georgia (Huddleston, Shimkin)
- AFT-Public Employees Program and Policy Council Meeting, Washington, D.C. (Huddleston)
- Paul J. Hartman State & Local Tax Forum, Nashville, Tennessee (Huddleston, Sicilian, Fort)
- The Broadband Tax Institute Annual Conference, Scottsdale, Arizona (Huddleston)
- National Association of State Tax Bar Associations, Washington, D.C. (Fort)
- Multistate Tax Commission Alternative Dispute Resolution, Birmingham, Alabama (Sicilian)
- Eastern States Working Group, New York, New York (Matson)

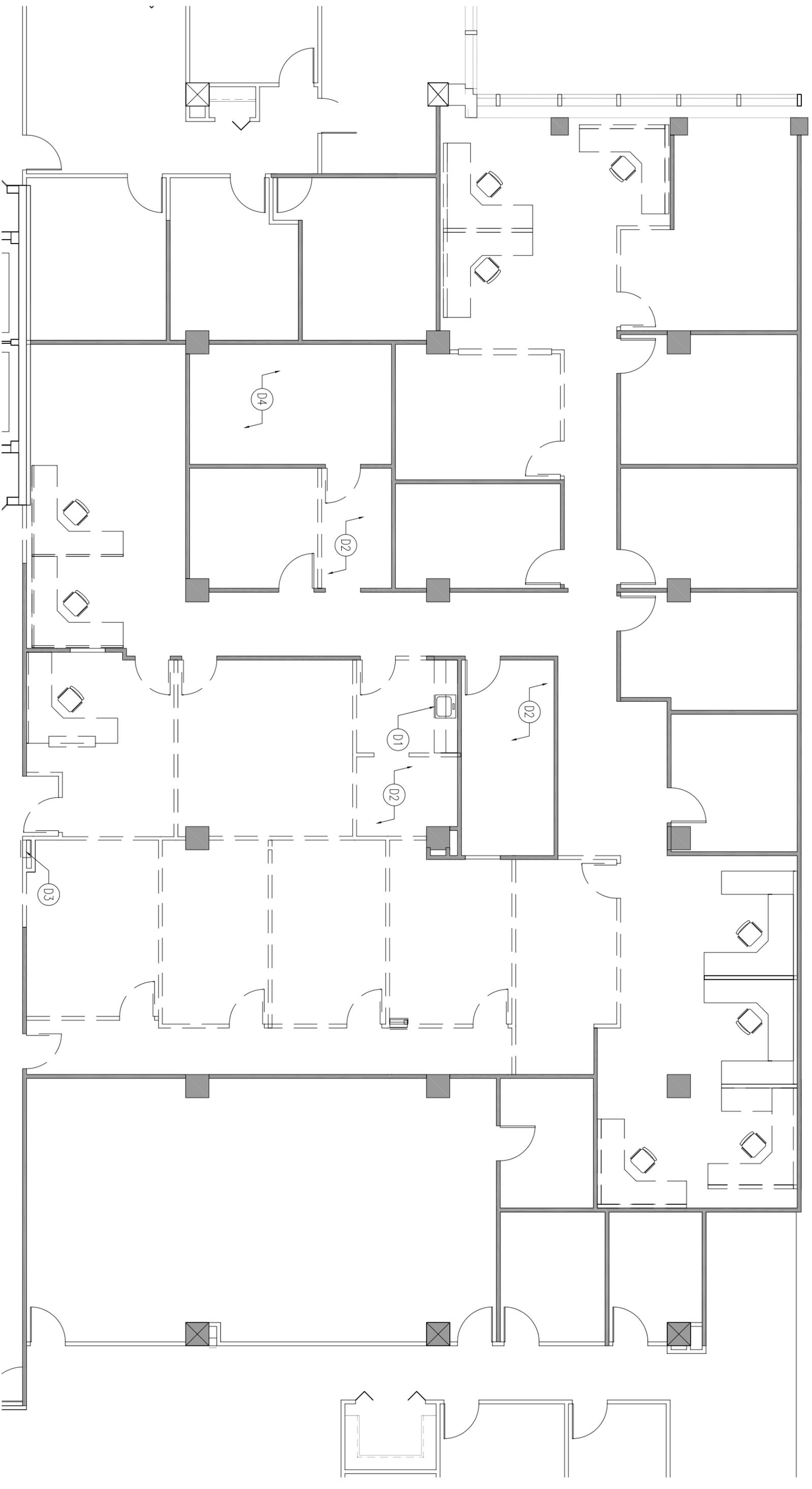
NOVEMBER

- **Chicago Tax Club's 54th Annual Fall Seminar, Chicago, Illinois (Huddleston)**
- **National Tax Association's Annual Meeting, Columbus, Ohio (Dubin, Huddleston)**
- **New Jersey Society of CPAs' Multistate Conference, Iselin, New Jersey (Shimkin)**

DECEMBER

- **Tennessee Society of CPAs' Tax Conference, Franklin, Tennessee (Huddleston)**
- **Tax Executives Institute Advanced State and Local Tax Conference, New Orleans, Louisiana (Huddleston, Sicilian)**

- **European Commission's Common Consolidated Corporate Tax Base Conference, Brussels, Belgium (Huddleston)**
- **Florida Institute for CPAs' State & Local Tax Institute, Orlando, Florida (Matson)**
- **NYU State & Local Tax Institute, New York, New York (Huddleston, Matson)**



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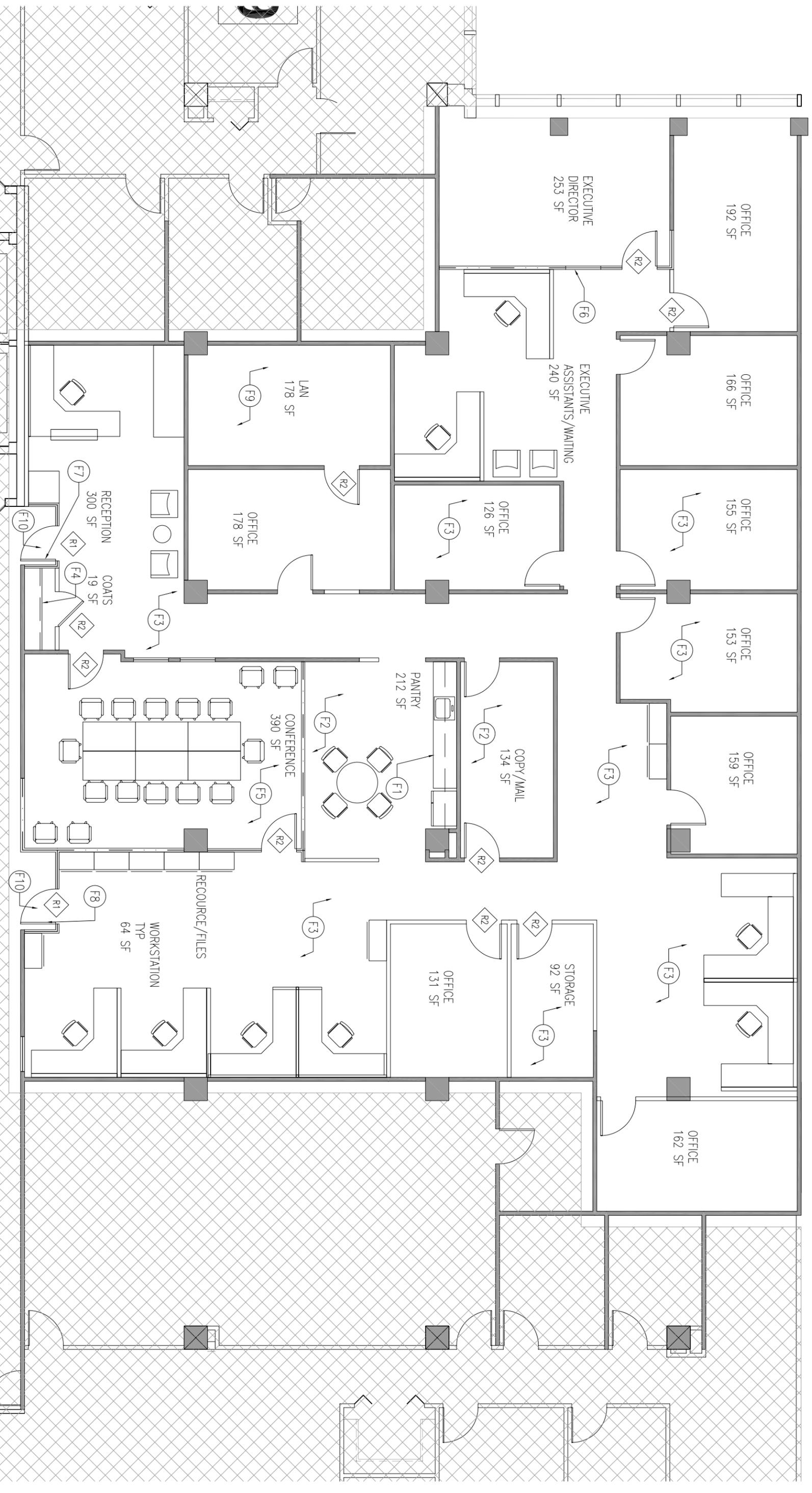
Demolition Plan-Preliminary Pricing
1/8"=1'-0"

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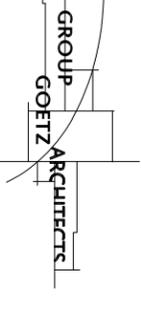


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Floor Plan- Preliminary Pricing
1/8"=1'-0"

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DEMOLITION PLAN NOTES

D1. REMOVE EXISTING WALL AND BASE CABINETS, P. LAM. COUNTERTOP, SINK AND GARBAGE DISPOSAL. SALVAGE GARBAGE DISPOSAL AND PLUMBING FOR REINSTALLATION.

D2. REMOVE EXISTING VINYL TILES.

D3. REMOVE EXISTING STAND PIPE. CAP PLUMBING AT SOURCE (BRANCH).

D4. EXISTING VINYL TILES TO REMAIN.

DEMOLITION GENERAL NOTES

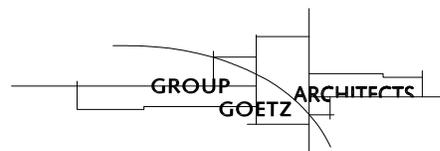
1. PROVIDE ALLOWANCE FOR PARTIAL DEMOLITION OF THE CEILING TO ACCOMODATE NEW LAYOUT.
2. PROVIDE ALLOWANCE FOR REMOVAL OF EXISTING LIGHTS (STORE AND SALVAGE FOR RELOCATION) TO ACCOMODATE LIGHTING FOR NEW PARTITION LAYOUT.
3. REMOVE ALL FINISHES THROUGHOUT THE SUITE UNO (CEILING TILES AND GRID TO REMAIN THROUGHOUT UNO, FLOOR VINYL TILES AND WALL BASE AT LAN ROOM TO REMAIN).
4. REMOVAL OF FURNITURE BY TENANT.
5. ALL DOORS SCHEDULED TO BE REMOVED SHOULD BE SALVAGED FOR RELOCATION.

DEMOLITION LEGEND

 EXISTING PARTITION TO REMAIN

 EXISTING DOOR, FRAME AND HARDWARE TO BE REMOVED AND SALVAGED FOR RELOCATION

 EXISTING PARTITION TO BE REMOVED



GENERAL FLOOR PLAN NOTES

1. PROVIDE ALLOWANCE FOR RELOCATION OF EXISTING FLUORESCENT LIGHT FIXTURES TO ACCOMODATE NEW LAYOUT AND 10 NEW 2X2 FLUORESCENT LIGHT FIXTURES TO MATCH EXISTING.
2. NEW PAINT IS EGGSHELL FOR WALLS, SEMI-GLOSS FOR DOORS AND FRAMES.
3. PROVIDE ALLOWANCE FOR NEW SPRINKLER WORK TO ACCOMODATE NEW LAYOUT.
4. PROVIDE ALLOWANCE FOR NEW MECHANICAL DUCTWORK TO ACCOMODATE NEW LAYOUT.
5. PROVIDE ALLOWANCE FOR NEW AUDIO/VISUAL ALARMS, EXIST SIGNS AND OTHER LIFE SAFETY DEVICES TO ACCOMMODATE NEW LAYOUT. ALL NEW LIFE SAFETY DEVICES TO MATCH EXISTING. PROVIDE ALLOWANE FOR RELOCATION OF EXISTING LIFE SAFETY DEVICES AS REQUIRED.
6. PROVIDE ALLOWANCE FOR NEW POWER AND TELE/DATA OUTLETS AS REQ'D:

NEW OFFICES

- 1 QUAD POWER OUTLET, 1 TELE/DATA OUTLET
- 1 DUPLEX CONVENIENT OUTLET

CONFERENCE ROOM

- 3 NEW DUPLEX POWER OUTLETS AND 3 TELE/DATA OUTLETS

NEW WORKSTATION AND RECEPTION

- 1 QUAD POWER OUTLET AND 1 TELE/DATA OUTLET (OR ONE J-BOX FOR SYSTEM FURNITURE)

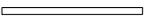
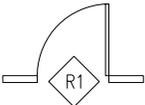
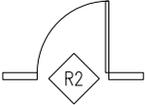
PANTRY

- 2 NEW DEDICATED CIRCUIT POWER OUTLETS AND 1 PHONE OUTLET

PROVIDE TWO CONVENIENT POWER DUPLEX OUTLETS IN CORRIDORS.

7. REUSE DOORS, FRAMES AND HARDWARE IF POSSIBLE (VERIFY CONDITION OF EXISTING DOORS, FRAMES AND HARDWARE)
8. PROVIDE ALLOWANCE TO REPAIR EXISTING CEILING TILES AND GRID AFFECTED BY CONSTRUCTION.

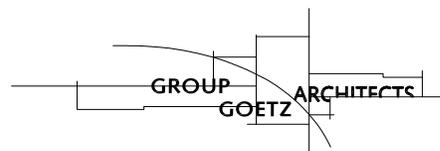
FLOOR PLAN LEGEND

-  EXISTING PARTITION TO REMAIN
-  NEW FLOOR TO CEILING PARTITION WITHOUT INSULATION
-  NEW SLAB TO SLAB PARTITION WITH INSULATION
-  RELOCATED SUITE ENTRY DOOR, FRAME AND HARDWARE (SEE NOTES AND ALLOWANCES)
-  RELOCATED INTERIOR DOOR, FRAME & HARDWARE (SEE NOTES AND ALLOWANCES)

Multistate Tax Commission

Washington, DC

10.24.07
Floor Plan Notes
NTS



FLOOR PLAN NOTES

F1. NEW P. LAMINATE BASE AND WALL CABINETS, P. LAMINATE COUNTERTOP, EDGE AND BACKSPLASH; NEW REFRIGERATOR WITH ICE MAKER, RELOCATED GARBAGE DISPOSAL, RELOCATED COFFEE MAKER. PROVIDE 2 COLD WATER LINES.

F2. NEW VCT AND COVE VINYL BASE BASE.

F3. PROVIDE NEW CARPET THROUGHOUT UNO, ALLOWANCE \$40 PER YARD INSTALLED, NEW VINYL 2-1/2" HIGH STRAIGHT BASE, UNO.

F4. PROVIDE NEW COAT ROD AND SHELF. PROVIDE BLOCKING IN WALL AS REQ'D.

F5. PROVIDE NEW BUILDING STANDARD DOWNLIGHTS (10, LIGHTOLIER OR EQUAL) ON DIMMER SWITCH.

F6. PROVIDE NEW TEMPERED GLASS SIDE LIGHT (FULL HEIGHT, 3/8", CLEAR, 3' WIDE).

F7. RELOCATED EXISTING SUITE ENTRY DOOR WITH GLASS INSET, EXISTING FRAME AND HARDWARE.

F8. RELOCATED EXISTING SUITE ENTRY DOOR FROM SUITE 427.

F9. EXISTING VINYL TILE AND BASE TO REMAIN.

F10. REPAIR CORRIDOR FINISHES. PROPERTY MANAGER TO PROVIDE SPECS.

* FURNISHINGS SHOWN ARE OWNER FURNISHED/OWNER INSTALLED AND ARE SHOW FOR INFORMATION ONLY *

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Floor Plan Notes
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