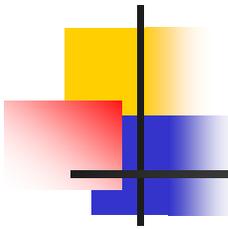




MULTISTATE TAX COMMISSION

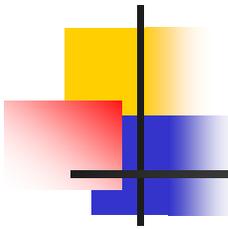
National Nexus Program

Information System Replacement Project



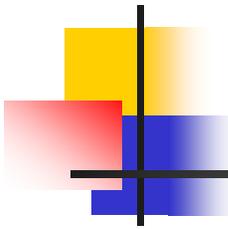
Introduction

- Two-phased project to re-write and improve voluntary disclosure database
- Technology Committee and staff are currently evaluating vendor proposals
- Phase I completion: December 2008 (aspirational)



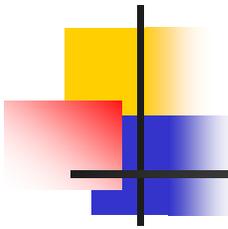
Background

- Beginning in 1999, Nexus staff built the database using Access 2000.
- Primary staff tool to track hundreds of open cases
 - Records: Actions, Communications, Contacts, Revenue
 - Generates reports



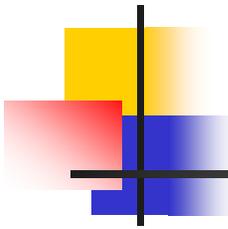
Background

- Complete re-write necessary for continued technical reliability
- Current operating deficiencies:
 - Increasingly slow processing as records increase
 - Restricted capacity to expand, add features
 - Maintenance impeded by non-standard structure, designer no longer a Commission employee



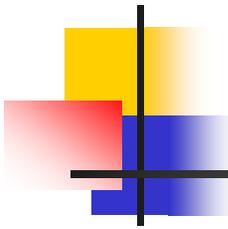
Phase I

- Data to a stable environment
- Preliminary automation
- Improved alerts
- Improved reports
- Flexibility to change vol. discl. process
- Durability to survive technology upgrades



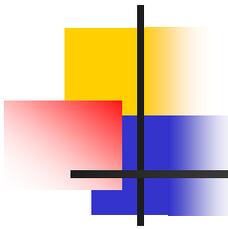
Phase I & States

- Faster processing, responses, & cetera
- Moderately increased revenue and number of disclosants



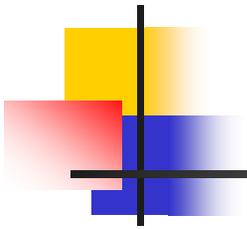
Phase I and the Commission

- Short term: many staff hours to implement
- At completion:
 - More time for higher-level services
 - Improved data collection and reports will allow staff to quickly identify overdue items and other problems



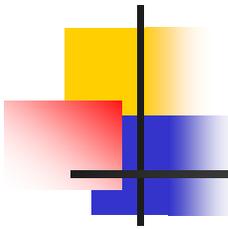
Phase I & Taxpayers

- Short term:
 - Limited or no diminution of processing speed and quality
 - Implementation staff have reduced responsibility for processing vol. discl.
- At completion:
 - Moderately faster processing time, response to inquiries & cetera



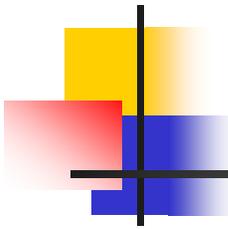
Phase II Vision

- Automation to speed processing with existing staff level
 - Taxpayers, states, Commission communicate and process the disclosure in an online account. Think E-bay.
 - Allows transparency (states and Commission may limit data), easy status check, electronic application via web, online forms
- Taxpayers control “negotiations”
 - Desirable when stakes are high
 - Assures taxpayer that Commission’s terms are same as state’s



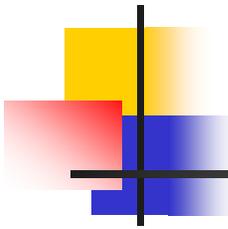
Phase II

- Secure communication
- More automation
- Online contract editing
- Possibly electronic signatures (legal research needed)
- All documents electronic (except signed final contract)



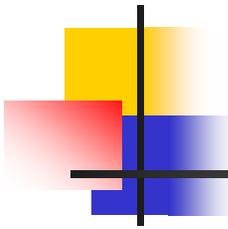
Phase II and Commission

- Short-term: many staff hours to implement
- At completion:
 - Easier file tracking
 - Greater efficiency overall
 - More time to provide higher level services



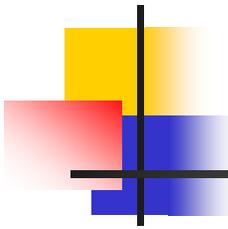
Phase II & Taxpayers

- Procedure:
 - Create online account
 - Apply via interactive questionnaire (think interviews in tax preparation software)
 - Review and edit contracts online
 - Track status online
 - Send secure messages to Commission and states



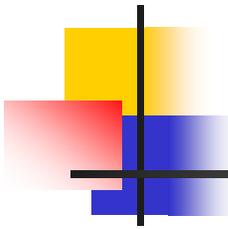
Phase II & Taxpayer

- Primary Benefits
 - Substantially faster processing
 - Assurance of best vol. discl. deal
- Some Additional Benefits:
 - Technologically sophisticated interface with the Commission and states
 - Greater convenience
 - Improved security



Phase II & States

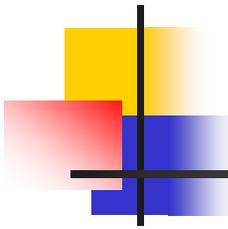
- Process:
 - State logs in securely to account
 - Track open vol. discl. files directly, if desired
 - Perform other functions directly, if desired
 - Communicate with taxpayers directly, if desired
 - Taxpayer and state have option to be anonymous



Phase II & States

- Primary Benefit:

Greater Taxpayer Compliance



Phase II & Nexus Committee

- Phase II is proposed to be a fundamental re-working of your multi-state vol. discl. program
- It's only a vision – we can do it, not do it, or do it differently
- Nexus Committee input is critical. If we proceed, committee input will ensure that we design a system that states and taxpayers want to use and that reflects the best possible voluntary disclosure business process



MULTISTATE TAX COMMISSION

REQUEST FOR PROPOSAL (“RFP”)

RFP # 2008-101

National Nexus Program

Proposals Due Not Later Than:

March 10, 2008, 4:00 p.m. EST
at the Commission’s headquarters office,
444 North Capitol St., N.W., Suite 425
Washington, D.C. 20001

Postmarks will not be considered.

SECTION I

The Commission has issued this request for proposals (RFP) because it desires to transfer the current National Nexus Program database and associated application into a new database and application structure that will maintain much of the current functionality. Simultaneously this project aims to add efficiency, fix existing glitches, and add features, while being flexible enough to easily incorporate the Commission's longer-term goals for the system (such as linking to a secure web interface). Further information about the scope of services required can be found in SECTION IV, *Information Regarding Proposal*.

Please refer requests for additional information or clarification of requirements to Tom Shimkin, National Nexus Program Director, (202) 508-3869

The Commission will notify all recipients of the RFP of any substantive clarification provided in response to any inquiry. The Commission may extend the closing date and time if such information significantly amends this solicitation or makes compliance with the original proposed closing date impractical. All recipients will be notified of any amendments of the closing date or time for proposals.

All proposals must be received by the at the Commission's headquarters office on or before March 10, 2008, 4:00 p.m. EST ("closing date and time"). **Postmarks will not be considered.**

Office hours for receipt of proposals are Monday through Friday, 9:00 a.m. to 5:00 p.m. EST

Commission's headquarters mailing and delivery address:

Bill Six
Director of Administration
Multistate Tax Commission
444 North Capitol St., N.W., Suite 425
Washington, D.C. 20001

SECTION II

Content of Proposal

1. Proposal Procedures

- 1.1 Proposals shall be prepared by word processor and shall be signed by an authorized representative of the proposer. Alterations or erasures shall be initialed in ink by the person signing the Proposal Statement. No oral, telegraphic, or telephone proposals will be accepted.
- 1.2 Proposers shall submit two (2) sealed copies of their proposal, and this Request for Proposal (RFP), with the Proposal Statement completed and signed.
- 1.3 All envelopes in which the RFP, Proposal Statement, and your proposal are submitted **MUST** be clearly marked **PROPOSAL**, noting the RFP number, and closing date and time.
- 1.4 Proposals shall include the business name, address and telephone number of the proposer, and a cover letter summarizing the proposal.
- 1.5 Proposals shall set forth the qualifications of the proposer to perform the contract. This should include a description of the proposer's experience performing contracts of this type, as well as resources at its disposal to perform the project. The Commission reserves the right to request that prior to awarding this contract the successful proposer supply a certified copy of its financial statement for review. Proposals shall verify that the proposer has any and all licenses (including, but not limited to, software licenses) necessary for the work contemplated under this RFP, as applicable.
- 1.6 Proposals shall include examples of similar projects undertaken.
- 1.7 Proposals shall include a list of clients and their contact information for whom similar projects have been completed by the proposer. These clients may be contacted by the Commission for an evaluation of the proposer's performance.
- 1.8 Unless proposers are specifically authorized by this RFP to take exceptions or to leave terms open to negotiation, proposals shall be a complete offer and fully responsive to this RFP, and must include all information required herein to be evaluated and considered for award. Failure to do so may be deemed sufficient cause for rejection of the proposal.

MULTISTATE TAX COMMISSION

RFP #2008-101, *National Nexus Program Information System Replacement Project*

- 1.9 Unless expressly authorized in this RFP, proposers shall not make their proposals contingent upon the Commission's acceptance of specifications or contract terms that conflict with or are in addition to those set forth in this RFP.
- 1.10 Although the general criteria to be used for final evaluation have been provided, it is not intended to limit imagination or creativeness in preparing a proposal that will accomplish the same goals and expectations.
- 1.11 Questions from and answers to any one proposer not addressed in the pre-proposal meeting, if one is held, will be forwarded to all recipients of this RFP (as soon as resolved and before the submission deadline if feasible).
- 1.12 Proposals may be withdrawn at any time prior to the scheduled closing date and time. Withdrawal can be accomplished by written notification on company letterhead signed by an authorized representative or in person upon presentation of appropriate identification. Envelopes must be clearly marked **PROPOSAL WITHDRAWAL**, the RFP number, and proposal closing date and time.
- 1.13 Modifications to a previously submitted proposal which are made prior to the closing date and time will be considered by the Commission, if received prior to that scheduled closing date and time. Envelopes must be clearly marked **MODIFICATION**, the RFP number, and the proposal closing date and time. Oral or telephone modifications or corrections will not be recognized or considered. Electronic Data Interchange (EDI) or Facsimile modifications will be accepted only if such acceptance is specifically set forth in this RFP.
- 1.14 If the Commission deems it necessary to amend this RFP, an Addendum will be prepared and issued to all recipients of this RFP. Proposers shall be required to sign and attach a copy of the Addendum to their proposal. If the proposer has already submitted a proposal, the proposer shall follow the instructions set forth in Section II, 1.13 above.
- 1.15 The Commission reserves the right to inquire in writing, and meet with individuals or representatives of proposing firms, for the purpose of clarification of points made in their proposal.
- 1.16 The Commission reserves the right, at its option, to reject any or all proposals. Notification of proposal rejection will be made in writing. The Commission reserves the right to waive minor informalities and irregularities in proposals.
- 1.17 The Commission is not responsible for any costs incurred by proposers in preparing

and submitting proposals and all proposers who respond to solicitations do so solely at their own expense.

- 1.18 Proposers agree that the Commission shall have the right to review and require modification of any terms or definitions used in the final contract. Failure to agree upon acceptable contract definitions or terms may result in cancellation of the proposal award.
- 1.19 The Commission plans to award this contract to the firm or individual who best meets the selection criteria as detailed in Section III. **Notification of Institution's decision will be mailed to the winning proposal no later than April 7, 2008.**

2. Working Relationship

Proposer shall:

- 2.1. Designate a Project Manager to be responsible for coordination of services with the Commission's Executive Director, Joe Huddleston.
- 2.2. List names, titles, and qualifications of individuals who will be assigned to this contract. This should include their areas of expertise, and their experience with projects of similar scope and nature. Please include projected increases in staff during the contract period. Also, the firm that wins the bid will not reassign personnel while the contract is active without the consent of the Commission.
 - 2.3.1. Include a detailed description of your project management methodology as well as the working relationship and interaction expected between the Project Manager and other members of the vendor's staff and Commission management and staff.

The persons designated pursuant to 2.2 above may, at the Commission's discretion, be designated key persons subject to a key persons clause in the final contract.

SECTION III
Award Procedures

1. Proposals will be evaluated by the Commission’s Technology Committee and Commission staff.
2. Proposals will be evaluated for completeness and compliance with the requirements of this RFP.
3. Those proposals which are incomplete, which do not meet all requirements of this RFP, or otherwise deemed by the Commission to be “non-responsive,” may be rejected.
4. Proposals considered complete, or “responsive,” will be evaluated to determine if they comply with the requirements of this RFP. If the proposal is unclear, proposers may be asked to provide written clarification.
5. At the option of the Commission, the proposer may be required to demonstrate proposed products or services.
6. The committee will evaluate each proposal received, as follows:

Selection Criteria

Organizational experience and success building and maintaining databases and associated applications as well as experience working with similar organizations	20 points
Staff qualifications & experience	20 points
Initial plan and systematic process to achieve Commission’s objectives	20 points
Fees and costs	20 points
Client References	15 points
Financial condition	<u>5 points</u>
TOTAL	100 points

The point total will be the primary factor considered in awarding a contract. *The proposer earning the highest number of points will not necessarily be the proposer selected.*

7. **Award Notice.** Prior to contract award, the successful proposer will be notified in writing of its winning proposal, and a contract will be drawn that may include by reference this RFP, the proposer’s proposal, and any additional contractual language that may be required by the Commission or by law. All other proposers will be notified that a winning proposal has been selected.
8. **Confidentiality Agreement.** Due to the sensitive nature of the data involved in this project,

all team members who may come into contact with this project must sign a confidentiality agreement to be provided by the Multistate Tax Commission.

9. **Intellectual Ownership & Copyright Agreement.** It should be understood by all parties that any work completed as part of, or related to this project is the sole property of the Multistate Tax Commission.

SECTION IV Information Regarding Proposal

1. General Information:

This RFP is being executed to acquire a replacement system for a critical application that has been running in the MTC for several years. This application has ended its useful life cycle and must be replaced with a more robust business application using more modern technology tools to provide better ongoing support and administration. The Commission desires to transfer the current database into a new database structure, most likely a Microsoft SQL Server environment. The new application development language should probably be a form of Microsoft Visual Studios suite. It is expected that the new system will be easier to maintain, have more additional functionality than the current system, and be capable of expansion to include additional functionality in the future. Future design considerations include, but are not limited to a web enablement for outside users (tax payers and state representatives in this application) to automatically sign up for the Voluntary Disclosure Program, and to track the progress of active cases.

The current application database serves a number of related functions. It contains all contact information for state contacts and for taxpayers. It contains records for each voluntary disclosure case and for each file related to that case. The staff uses this information as a means of tracking progress and the status of these cases and files as well as recording all communications between MTC staff and taxpayers or state representatives as it relates to each of these cases. The current environment this application runs in is a closed environment inside the MTC with approximately four to five MTC staff having access to the system.

Given the nature of the data contained within the database, the Commission is not interested in a hosted solution. Security and password protection should limit access to authorized staff members, but should also keep in mind the long-term goals of creating secure access to accounts created by taxpayers and state representatives. All privacy and security considerations must comply with the Commission's Secure Communications Plan.

The current database is written in Microsoft Access 2000. It contains about 45 tables consisting of approximately 200,000 records. It also interacts with eight to ten Microsoft

Word templates which will also need to be replaced with new correspondence templates. The new system will have an easy correspondence template development environment to manage correspondence from the system. Currently, all initial data is entered into the database through the application by Commission staff. However, in the future these templates may be used to create documentation back to the user as they fill out the web-enabled portion of the application and set up State to State Agreements. The Commission will provide a full list of the current templates and the needed alterations/additions to the document templates to interested bidders. A copy of the current application database with mock data is available from the Commission upon request, and a more detailed list of requirements to be viewed in conjunction with the application database can be found in the Appendix. The Commission will consider other suggested proposals on programming languages and the database environment as long as it fits with the current and long-term goals and is compliant with MTC technology standards.

1.1 Administrative Functionality: Reports

Definitions:

File: the aggregation of all state-specific subfiles that are part of a taxpayer's unique voluntary disclosure application. For example, "MTC 06-100".

Case: the combination of a File and a State. For example, MTC 06-100 NJ.

Open: A File is Open with respect to a state and a tax type, until Closed, on and after the day that the Commission receives a writing from the taxpayer or its representative requesting voluntary disclosure for that state and that tax type. This date is recorded in Column 1 on the Status Sheet.

Unless otherwise indicated, each numbered section, subsection, sub-sub-section, and so forth is a separate report. They are grouped by section and subsection for convenience because they are related. A database designer may also wish to preserve these groupings on the screen layout.

1. List of Files by paralegal
 - a. Sortable by dates, e.g., all Diane's Files Opened¹ in 2007, all Michelle's Files opened from Jan. 4, 2007 through February 6, 2008.
 - b. Sortable by Status Sheet location, e.g., those Cases that have a date in a selected Column on the Status Sheet.
2. List of Files by Status Sheet Location (date in a selected Status Sheet Column)
 - a. Sortable by paralegal
3. List of Cases that have not progressed to the next Status Sheet Column within X days, where X is a number chosen by the user. This report ignores Status Sheet sub-entries (e.g., reminders sent). It reports Cases that have not progressed, without regard to the reason.

¹ "Opened" date is a term of art that MUST receive consistent treatment throughout the database. It is the date in the first column of the Status Sheet.

- a. Sortable by paralegal, e.g., all Diane's delayed Cases.
 - b. Sortable by length of delay
 - i. Ordered from greatest to least delay.
 - ii. Including only Cases that are delayed by X through Y days, where X and Y are user-selected endpoints on a numerical range.
 - c. Sortable by both paralegal and length of delay, e.g., all Ted's Cases that are delayed, ordered from greatest to least delay.
4. List of Cases that have not progressed to the next Status Sheet Column within X days of the present (where X is a number chosen by the user) AND do not have a sub-Column entry (e.g., date reminder sent) dated within X days of the present (where X has same value as before).
- a. Sortable by paralegal, e.g., all Diane's delayed Cases.
 - b. Sortable by length of delay
 - i. Ordered from greatest to least delay.
 - ii. Including only Cases that are delayed by X through Y days, where X and Y are user-selected endpoints on a numerical range. For convenience, the report should also allow user to indicate the range where one value is infinity as "on or before X date" or "on or after X date". The database should avoid the use of simply "before" and "after" because of the inevitable confusion about whether these words include the referenced date.
 - c. Sortable by both paralegal and length of delay, e.g., all Ted's Cases that are delayed, ordered from greatest to least delay.

2. **Scope of Services Required:**

The following services are to be provided by the contractor as part of this initial phase. A breakdown of cost estimates for each item should be included in the submitted proposal:

- Work closely with Nexus Program staff to ensure that necessary and desired functionality is included throughout the database.
 - Provide an Entity Relationship Diagram (ERD) as an initial step before migrating data from the current database.
 - Create screen-flow diagrams for all applications (database application and/or web interface) for presentation to MTC staff before building the applications.
- Provide written manuals detailing the functionality of the application:
 - An administrative manual and complete documentation for use by IT/IS staff
 - User manual and operations guide
- Provide on-site training to MTC staff on use of the database.
- A warranty protecting the Commission against Application malfunction to extend at least

two years, and the vendor should produce a proposal for costs related to ongoing maintenance and expansion of the application extending three years beyond the completion date of this initial phase.

- In the course of the project the MTC and the company to which the contract is awarded may agree that work should be done that is outside the scope of the original contract. Please provide an estimated hourly rate for any work beyond what is provided in this proposal.
- If a bidding party has ideas for improvements to the plan put forth in this document any such ideas are encouraged and will be entertained as long as any and all costs are clearly described.

3. Payment:

The following is the proposed payment structure for the first phase of this project. Alternatives to this structure will be considered:

(1) Contractor may invoice 10 % of the contact price upon final execution of a contract between the Commission and the contractor, and the Commission will make payment within 30 days; (2) remaining payments under the contract may be invoiced upon completion of the following deliverables:

- 10% upon completion of ERD Database Design
- 10% upon completion of Application Design
- 5% upon completion of Reports & Administration Design
- 10% upon completion of the Database
- 10% upon completion of the Application
- 5% upon completion of all reports
- 10% upon completion of all correspondence templates
- 30% upon full completion of the project contingent upon the work meeting the criteria laid out in this document

As part of this proposal process, the Commission would like to entertain requests for the second phase of the project as well, as a means of gauging the pricing for the project as a whole. While the Commission would not be required to commit to this portion of the project until after the completion of Phase 1, this portion of the proposal will be considered under the “Initial plan and systematic process to achieve Commission’s objectives” and “Fees and Costs” portions of the selection criteria.

4. Long-term Goals:

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This section outlines features of the voluntary disclosure database that must be developed to ensure continued growth of the voluntary disclosure program. The features described in this section do not currently exist in any form. The Commission may decide to pursue this phase, either concomitantly with the first phase (the entirety of this proposal other than this section) or at a later date. The Commission may use the same vendor it used for the first phase or may choose another vendor.

The point of this exercise is to *achieve the business goals* identified below. The database features described below provide a general overview of how to do this, but it is not necessarily the *best* way to do so. It is expected that the vendor designing this product will use the features herein described as guidelines to achieve the business goals and will work in close consultation with Commission staff to propose new features and to improve the described features by suggesting alternative processes, technologies, and the like. The business goals are immutable; the technology and processes suggested herein are not.

The following description is an approximation. The final version of the process and associated automation will be determined through extensive additional design work. It is hoped that almost all of the design work will take place before the software is created, but a reasonable amount of adjusting will be required to the software product after its creation and during the early stages of its use. Although beyond the scope of this RFP, the MTC will seek to modify the software product periodically to improve it and to meet unanticipated challenges.

Business Goals

Because voluntary disclosure is *voluntary*, its success depends on the satisfaction of its customers -- taxpayers and states. The following business goals will improve that satisfaction:

- Increase speed of processing VDA files.
- Improve efficiency. Automate processes and give customers tools to get information and perform certain functions without action by Commission staff.
- Give taxpayers greater control. Especially, they need the ability to zealously represent their positions directly to state decision makers, but in an anonymous environment accessible to Commission staff. Among other benefits, this allows the taxpayer to assure himself that he has achieved the best deal possible.
- Project a more professional image through use of up to date technology.

Summary of Desire Process and Features

Taxpayer applies for voluntary disclosure via a page on the Commission website. Taxpayer answers a question only once, and the answer is inserted – as appropriate -- into the application of each state to which he wishes to apply. Application consists of text and multiple choice (e.g., by selecting from a drop down list or choosing a radio button). Communication with taxpayer

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should be secure from unauthorized interception; this means communications sent by Commission and communications received by Commission. Application includes contact information for taxpayer, which is stored for generation of emails, production of mailing labels, and voice communication.

Taxpayer saves the application and a computer account is automatically generated and a file number assigned. Taxpayer receives electronic receipt. Commission staff is notified electronically. Cursory information about policies applicable in each application state is then made available to the taxpayer via the account. Based on application and appropriate template, computer generates an electronic draft contract and notifies Commission staff to review it. Commission staff approves and by a single click notifies the taxpayer that it is waiting in the account for review. Taxpayer may send markups to Commission and vice versa a limitless number of times.

An application tailored to each state and draft contract tailored to each state are sent electronically and securely to state Voluntary Disclosure contact. States will receive notification to sign into their account to view and work with the application. In the computer account, information, communications and negotiations are exchanged among Commission, taxpayer, and state. Only Commission knows the identity of all parties. State knows only the file number of the applicant. Taxpayer knows only that it is communicating with the state, not who the state representative is, unless the representative or Commission chooses to disclose this.

State uses account to send questions to taxpayer and taxpayer answers by posting there. Questions and answers may also be directed to and answered by Commission staff. Commission can monitor all communications – computer notifies staff when communication happens and identifies the parties. Must have ability to send marked-up text back and forth, showing the markups.

Option: allow voice communication by means of computer via the account, like Skype.

All parties may check status of disclosure through the account. There are discreet, standardized steps to each disclosure – not the same for all states -- the computer will automatically note when each is accomplished. There must be a robust reminder system to bring cases to the attention of Commission staff that have not seen action in a certain number of days, which number must have an overridable default. Computer must be capable of sending automatic reminders to parties if so desired by Commission staff in certain cases.

State prints contract onto paper when terms are settled, signs and mails it to Commission (via USPS or common carrier of choice). Alternatively, it would be great to eliminate the paper contract and suggestions will be most welcome. There must be an option for Commission to print the signature copy and mail it to the state. Computer must generate one-click mailing

labels from database of taxpayer and state contact info.

The features above will naturally speed processing by removing many human-generated mechanical steps. Taxpayer direct access to its status information obviates the time and expense of requesting this information from Commission staff. Taxpayers will feel more in control of the process and will be assured of having negotiated the best possible deal because they “negotiated” (there is usually not real negotiation – terms are standard) with the state decision maker rather than the Commission, which has no power to agree to terms.

Detailed Outline of Process and Features

Preliminary note: the word *state* refers to the fifty states of the United States, the District of Columbia, and any U.S. possessions or political subdivisions to which the National Nexus Program offers services. At present service is offered only to forty-one states and the District of Columbia.

General:

- Appropriate use of color to improve readability and aesthetic appearance is encouraged but not required.
- *X* signifies a numeric value that will be defined for each state. This value is usually, but not always, an integer, usually 3 or 4. But in at least one case it is derived from a formula based on other information in the VDA Application and may be number other than a whole number, e.g., as 3.5. This value must also be capable of expression as a number of months (in whole numbers), e.g., 42 months. Non-technical Commission must be able to easily change this value.
- The taxpayer is promised initial anonymity, that its information will kept confidential, and that its information will not be used for audit purposes. The text and design of the software must reassure the taxpayer of the Commission’s and the states’ commitment to uphold this pledge.
- Non-technical Commission staff must be able without outside assistance to easily do all of the following: modify, add and delete questions and answer choices; and make other customizations from time to time.
- Questions and answer choices will not necessarily be presented in the order offered here.
- *Txt* means *text field*.

Taxpayer Applies:

- Taxpayer visits Commission website and fills out on-line voluntary disclosure agreement (VDA) application. Customized information about each state’s policies are available to the applicant at the website. States and MTC can change these.

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- Current VDA Application questions are attached as Appendix III. Software allows easy update of application contents by non-technical Commission staff.
- VDA Application will appear to the taxpayer in two formats: an interview format and a full set of questions format. This is patterned on personal tax software programs such as TurboTax.
 - Interview format
 - All questions in interview will have check marks to allow the taxpayer to specifically select the states to which the answer applies. Taxpayer must have ability to answer differently for each state. There must be a check box for All States. There must be ability for non-technical Commission staff to create subcategories for taxpayer selection, e.g., a check box for all of all single-entity states.
 - Introductory text (similar to current VDA Application)
 - What is form of entity? Choose from list, including natural person. Include text field for the unanticipated.
 - If pass-through -- how many members, partners or shareholders?
 - Has form of entity changed within X immediately preceding application? Yes or No. If yes -- state time periods and types of entities.
 - Has FEIN changed within X immediately preceding application? Yes or No.
 - What is current fiscal year end? (Probably text field)
 - Has FYE changed within X? Yes or No. If yes -- list all and state time periods. (Probably text field(s))
 - What are business activities in this state? If variable, state approximate periods of each activity. (Text field)
 - Is taxpayer a remote vendor? (Define) Yes or No.
 - If yes --
 - May customer return product? If yes -- describe how customer returns product.
 - Is taxpayer affiliated with an in-state brick & mortar retailer? (define all terms)
 - If yes -- Provide detail re: returns policy. Do affiliates share intellectual property? In-store advertising for remote affiliate? Joint gift certificate or awards program? (Text field)
 - Is taxpayer owner, lessor, or lessee of real, personal, or intellectual property located in, or used in, this state? If yes -- describe (text field).
 - Does taxpayer have personnel in this state? (define term) If yes -- describe activities (text field).

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- What other in-state activities, if any? (define, probably with a link) (Text field)
 - Why voluntary disclosure? (Text field)
 - Has taxpayer been contacted? Define term. Yes or No. If Yes -- describe (text field).
 - Has taxpayer applied for VDA before? Yes or No. If yes -- text field for detail.
 - Miscellaneous additional information (Text field).
 - Special terms sought (text field)
 - How did taxpayer learn of Commission's VDA program? (Choose from numerous choices by checking one or more boxes; see Appendix for questions, which list may be revised. Include text field for unanticipated answer.
 - What types of tax? (Check box and text field). Software must reject impossible answers, e.g., sales/use tax in Oregon. Software must refer to the correct name of each state's tax, but should group them under the common categories of SUT and BAT. Thus, under SUT would be Arizona's transaction privilege tax and under BAT would be Ohio's commercial activities tax.
 - If not both sales/use (SUT) and business activity (BAT), AND state selected has both types -- why not both types? Txt.
 - What is estimated amount of tax due? Select from pre-selected ranges.
 - If taxpayer checked a business entity above -- Is taxpayer organized under laws of this state? Yes or No. Txt.
 - If taxpayer checked natural person above -- is he or she a resident of this state? Yes or No. Txt.
 - If SUT selected above -- Ask pertinent portion of Question E from current VDA Application. Explain Yes in txt.
 - If BAT selected above -- Ask pertinent portion of Question E from current VDA Application. Explain Yes in txt.
 - If IA, MN, or UT selected -- in which fiscal year began in-state activities? Txt.
 - If LA selected -- describe all business activities in state after Dec. 31, 1997. Include link to explain this requirement to taxpayer.
 - UT or MN selected -- approximate number of sales per year in state. Txt or select from ranges.
 - If only UT -- estimate tax prior to lookback.
- Full set of questions format: this will be essentially as the document now appears -- a fill-in form with *all* questions appearing, sequentially numbered, without regard to whether a question applies to a particular taxpayer or state.

- VDA Application has text fields and multiple choice options as appropriate. For example, description of business activities will be a text field. States to which taxpayer wishes to apply will be noted by check marks in boxes next to each state's name. States to which application is not permitted will appear greyed out. U.S. possessions and political subdivisions other than the District of Columbia to which an application is not permitted need not appear.
- The information submitted by the taxpayer into the form will then be used to populate corresponding fields within the database, including contact information, states and tax types to be disclosed, and estimated offer amounts. This information will also automatically populate and the corresponding templates in order to create a draft contract(s) for the case.
- The application should then assign this case the next sequential File number and should delegate the case to a staff member on a rotating basis (MTC staff should have the ability to change or override this in order to transfer the case from one staff member to another). An alert should appear in the staff member's account indicating that a new case is active and ready for review. An alert should also appear in the Nexus Program Director's account for all new cases. The status section should be updated to reflect that the application had been received.

Draft Contract

- Upon approval by MTC staff (insert a way to enter initials and submit after reviewing the case) a cover letter should be generated and emailed to the taxpayer (the staff member should be able to preview this letter before sending) and the draft agreement(s) should then become available within the taxpayer's account. The status section should be updated to reflect that the draft has been sent to the taxpayer.
- The taxpayer should then be able to review and make comments about or request changes to the draft agreement, either directly on the draft agreement (with changes tracked) or in a separate comments field. Once all requested changes are entered the taxpayer should submit the draft agreement back to the MTC. The status section should be updated to reflect that the taxpayer has returned the draft.
- The MTC staff member handling the case should again be notified that the case once again requires her attention:
 - If the taxpayer has corrections or revisions to the document then the taxpayer and MTC staff member will correspond either by phone or through the website's secure messaging system to make sure that all parties understand the requested changes and how they may affect the process. If the messaging system is used, these correspondences will be stored for future reference regarding the case and should be sortable by relevant states and other criteria. Once the taxpayer and

MTC staff member have fully discussed the changes to the Agreement, then the process will continue on to the next step

Contracts to States

- Once the changes have been agreed upon or if the taxpayer does not request any changes to the original drafts the MTC staff member should then be able to prompt the software to create state-specific agreements for all states (including state-specific language, applicable time-periods, tax-types, and estimated payments). This should also prompt the creation of corresponding cover letters for the states, and an accept/reject letter for each state. The MTC staff member will then be able to review and edit these documents before submitting them to the states.
- The MTC staff member should be able to check the boxes next to each state in order select which states to submit. This will allow the staff member to send all, or some of the cover letters with attached draft agreements and accept/reject letters simultaneously. The status section for all selected states should be updated to reflect that the draft has been sent to the state. (Whether or not explicitly stated herein, all significant actions must be automatically recorded in the Status Sheet. The Status Sheet of several states will vary from that of the majority of states)
- Each state should have a secure account and should be able to log-in securely, similar to the accounts for the taxpayer and MTC staff. When the MTC staff member submits the voluntary disclosure application to the state an email should be automatically sent to the state contacts alerting them that a new case is awaiting their review in the secure area.

States Review Contracts

- State contacts should be able to review the draft contract online and submit their accept/reject/counter-offer response, or ask questions of the MTC or taxpayer, directly through the website. The state should also have the option of either printing out and signing the draft agreement or submitting the signature pages online using a pin number or electronic signature. [Some legal research needs to happen here to see whether these signature substitutes are legally adequate. Then some market research needs to happen to see whether taxpayers *believe* they are legally adequate, notwithstanding the truth. In any event, at this point taxpayers should at a minimum be permitted to choose as part of the application for voluntary disclosure whether a signature-free execution of the contract is acceptable.]
 - If the state has a question for the MTC staff or for the taxpayer it should be able to message either party securely through this system. In the case that the state is sending a message to the taxpayer, a copy should also go to the MTC staff, and should be copied into the communications log pertaining to the case, and be appropriately searchable and sortable.
- Upon receipt of the state's response:

- The status section should be updated to reflect that either the state returned the signed draft as accepted, as rejected, or as a counter-offer. These should be multiple choices to improve searchability and categorization, but a searchable text field should also be available to record the nature of the counter-offer and any related information. This state response should automatically go to the taxpayer and the MTC account and each should be automatically notified of its presence.
 - If the draft is rejected then the Case for that state should be Closed, and marked “rejected”. Communications related to that state should be retained, including the state rejection notice. (All communications, notes, and other data relating to the processing of a File should be retained indefinitely whether explicitly stated herein or not)
 - In the case of a counter-offer, for that state we return to the beginning of the process, in that the MTC staff and the taxpayer may, if they choose, discuss the changes requested. All parties should be able to message any other party securely, and all communications should be copied to the communication log in the MTC staff account. All communications at this point should also maintain the anonymity of the taxpayer to the state (the taxpayer should be identified only by the case number) and of the identity of the state personnel to the taxpayer if they so wish. The taxpayer should be able to negotiate back and forth directly with the state personnel, with MTC able to observe or participate, as appropriate. Ideally, the software should allow anonymous conference calling among the taxpayer, state and MTC or just the taxpayer and state -- like Skype, but anonymous to the state.

States Execute Contracts

- If the draft is accepted then the MTC staff should be able to include an electronic signature (a hard-copy of the signature from the MTC executive director will be kept on file with the Nexus Program), and submit the draft (signed by the state and the MTC) to the taxpayer. The status section should be updated to reflect that the signed draft has been submitted to the taxpayer. Alternatively, this step can be completed entirely through hard copy. In this case the MTC staff must manually update the status area. [Who has a way to get paper out of this process? How to move executed copies of the contract around may need additional design work.]

Taxpayer Executes Contract

- The taxpayer will execute the agreement, submitting all required payment, forms, and the signed agreement to the MTC. [Is there a way to track taxpayers who register for sales/use tax online directly with the state? Paper checks are rapidly giving way to paperless forms of electronic money transfer; can our software take that into account, e.g., permit taxpayer to directly transfer funds to the state in a manner that the MTC can

verify?] The taxpayer may submit any questions to the state or the MTC via the message system. Likewise, they may request an extension from the state via this system.

Extensions

- If the taxpayer requests an extension at this point or at any point in the voluntary disclosure process, an alert will be placed in the state's account asking the state to accept or reject the request. Alternatively, the software should permit MTC to have extension requests sent only to MTC for decision and not the state. Also, MTC should have the ability to set up universal rules for extension requests, e.g., all first requests are automatically approved (by the software --no human decision) for 30 days. States should be able to set up default rules in similar fashion. Requests may be made for any number of days. The state (or MTC) will accept or reject the proposed length of extension and be able to enter a number of days as a counter-offer, which may in turn be accepted, rejected, or counter-offered by the taxpayer. The deadline date for filing will be updated in the system appropriately (and all back and forth communications stored). This extensions procedure must be available at all stages of the voluntary disclosure process, not just when the taxpayer returns his signed contract.

MTC Processes Executed Contract

- Upon receipt of the finalized agreement and all related forms the MTC staff will update the status section of the case for that state, and will manually enter the following information into the system. Alternatively, the taxpayer should be able to enter this information itself within its own account:
 - Taxpayer name and tax ID number (if this is the first state returned for this case, otherwise this should be auto-filled for all subsequent states).
 - All financial information, by tax-type and year (these are the actual payments and will be the data used to fill in any reports which request payment information, rather than the estimated amounts entered by the taxpayer at the beginning of this process. The exception is the report reviewed by the MTC Director at the beginning of the process which outlines how much the taxpayer is proposing to disclose in each state).
 - The "final date" and the "effective date" for the agreement.
 - When this information has been entered the staff member will be prompted to confirm that this agreement has been "accepted". If so then the status section should be updated to reflect that this Case is "accepted" and the Case should be closed. (A Case is the state specific portion of a File, e.g., MTC 06-90 GA is a Case and MTC 60-90 is a File)
 - If this is the final state for the File then the MTC staff will also be prompted to confirm that case is "Closed". Information related to this case should be readily accessible forever.
- Upon entering the above information the system should generate:

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- A cover letter for the state
- A cover letter for the taxpayer
- An authentication form for internal MTC records
- A financial records form for internal MTC records
- Upon completion of all states, the taxpayer should automatically be sent a link to an online survey that will gauge his/her satisfaction with the voluntary disclosure process.
- In the case that there are any further questions or issues on the part of the state or taxpayer, this File should remain accessible to all parties forever (or a reasonable portion of it, at least).

Other Features:

- The state accounts should have a feature that emails them on a periodic basis requesting that a state representative log into the account to submit information into the “feedback loop.” When the state rep logs into the account there will be a section that lists all of the closed cases related to his/her state for a given time period (adjustable by the user). The state rep will then enter in the actual amounts of money collected by the state for each taxpayer for the requested time period. A reminder should be sent automatically to the state every X number of days (user can adjust value of X, including to zero) that this task remains outstanding. These data will be used for a number of different MTC reports.

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SECTION V
Proposal Statement

I have read all of the terms and conditions of this Request for Proposal, and I understand that if awarded the contract, I shall be bound by its terms and conditions, and by my response which is incorporated herein or attached hereto, and by this reference made a part hereof.

Business Designation (check one):

Corporation Partnership Sole Proprietorship Limited Liability Company

Tax Identification No. _____

(Above information must be provided prior to contract approval. If awarded the contract, this information will be reported to the Internal Revenue Service under the name and taxpayer I.D. number submitted.)

The individual signing this Proposal Statement warrants they have authority to bind the Proposer by their signature.

Signature: _____ Dated: _____

Name: _____ Title: _____

Firm: _____

Address: _____

City/State/Zip: _____ Phone: () _____

Appendix I
Detailed List of Additions/Alterations Requested to Application Database

General Thoughts

- Database is too slow, contains glitches and malfunctions especially pertaining to reports and templates, and lacks sufficient search capabilities.

Primary Company Records Page

Main tab

- Database should add “open” or “closed” notation when printing out case assignments.
- Be able to search by “open” or “closed” case.
- Create an advanced screen to hold functions for DE# and DEI#
- Delete alt number icon.
- Create Alt ID Key search
- Anonymous # lookup should have the option of MTC search function and STATE search function.
- Merge offer status with state offer field
- Send MTC Staff Assign to advanced page; rename MTC Staff Assign to Lawyer Staff Assign.
- Rename MTC Staff Assign 2 to MTC Staff Assign.
- Design interview format/questions for new files.
- Merge “Main” tab on “Primary Company Record” page and “Add/Delete Anonymous Number” page, into design interview format/questions for new files.
- Revamp drop down menu for how the taxpayer. Heard about the Voluntary Disclosure Program
- Missing mandatory fields should be highlighted to alert staff. Prompt for approval in order to continue without filling in all required fields.
- Tax type and agreement type (retroactive/prospective) should be linked to main Primary Company Record page and Add/Delete tab – shouldn't have to enter same information twice.
- Get rid of NNP Anonymous wording in label format if it doesn't have a state for it
- Create an “Advanced” page feature with hidden fields.
- Transfer “future filing years” to “advanced” section

Contacts Tab

- Design field format to be listed vertically
- Revamp Contact Information to include out of state taxpayer addresses.
- Diane’s computer doesn’t allow her to use the “find information” tool box
- Add search function to database for state and taxpayer contact information
- Create ability (drop-down feature) on contact information page to add all representatives involved w/ case, brief note field that allows you to see additional information about representatives, and phone number fields for all representatives
- Company field should have additional drop-down field for added representatives
- Eliminate gate-keeper function when linking to Outlook to send emails.
- Consolidate “Contacts” Page with the taxpayer contacts tab for one Contacts tab
- Fix email/phone list icon to update current state contact information

- Create independent backup for data storage
- Create separate server for data storage
- Create separate server and back-up function
- Use Microsoft Outlook for searching contacts (suggestion?)
- Remove “categories” section in Contact Information
- Generate report of all Vol. Disclosure’s associated with specific person’s: state, taxpayer, taxpayer representative, and MTC Staff
- Status/Notes Tab
- Status sheet should indicate intermediary actions taken (extensions, counter offers, reminders and info requests); create drop-down feature where you can see everything related to the case (See Appendix I.I)
- Revise scroll bars for sent and received on status/notes.
- Michelle had a problem adding all of the states all at once to a case number
- Link emails to notes
- Create drop-down menu for state selection on status sheet
- Reduce number of clicks required for “email states” icon on status notes page.
- Updates, Offers, Payments, Drafts Tabs
- Delete “Updates” Tab
- Remove AZ as an option anywhere in the database (should only be AZ Corp or AZ TPT)
- Delete “Effective Date” field on “Offers” Tab
- Make sure that “Offers” Tab and “Payments” Tab are visually distinguishable
- On “Drafts” Tab:
 - There should be an easy way to amend the template contract while keeping functionality in tact
 - Draft Agreement should work for all states including exceptions which use separate contracts. This should ideally derive from one template which is populated specifically for each state.
 - Generate Draft Agreement w/ *cover page* for both states and taxpayer.
 - Option to generate Agreement in .doc or .pdf format.

Add/Delete States Page

- Create a uniform procedure related to adding new case, adding states to existing case, adding tax type to existing state.
- Change “Date Initial Letter Received” to “Protection Date”
- Create a way for MTC Staff to easily change list of “member states”, “sales tax only states”, and “business activity tax states”
- *Throughout the Database* refer to taxes as:
 - Sales: SUT
 - Income: BAT
 - Other: Other
- Make sure that “other” will show up on the “Edit Offers” page when applicable
- Make sure any amounts collected for “other” taxes are recorded for all financial reports.

- Create a drop-down menu for “other” which the MTC staff should be able to edit. Options include “Personal Income”, “Withholding”, “Telecom”, and “Insurance Premium”. Other option is to just use a text field for entering tax type.
- Prospective Agreement Reporting needs to be incorporated into the database.
- Get rid of all estimates (including on all reports) throughout the database.
- “Select Project” dropdown: remove all but “Voluntary Disclosure”, and “Nexus Audit”. Create an easy way for MTC staff to edit the list.
- Remove “New Way to Create Case”

Data Entry/Edit

- Drop-down menu of cases sorted by open/closed (radio button to choose), tax type, estimated payment size (for open cases), actual payment amount (for closed cases).
- Select state contact person working on the case
- Remove edit functions from this page
- Contact management system that associates state contacts with the cases they are working on, contact type (correspondence, case worker, etc)
- Remove “Data by Anonymous #” Page

Generate Reports

- Remove estimated future payments from all reports.
- “Summary Without Estimates” change to include only MTC Recorded Amounts + State Recorded Amounts = State Total
 - Have member fees properly recorded.
 - Create an error message in red where Member Fees info is not available
- “Detail without Estimates” should have the information as in the “Summary...” but should have a breakdown by states and the number of back tax years.
- Rename “Tom’s Report” to “Committee Report”
 - “**From** January 1, 2007 **until** December 31, 2007”
 - Delete “future collections info”
 - Under Tom’s name, “Director, National Nexus Program”
- For “Executive Committee Meeting” make same changes as on the “Committee Report”
- For all reports use updated MTC logo
- Create report function that breaks down how the taxpayer heard about the Voluntary Disclosure Program.
- Create report showing missing mandatory field data in all cases. Create on/off button for this report (for each case).
- Reports should generate in Word format, and have an easily edited template.
- Create an “Inactive Report” for any cases that have not been acted upon in the appropriate amount of time (See Appendix I.II).
 - Alerts should be triggered when a case/state first becomes inactive and should pop up automatically, the first time the Database is opened by assigned staff member that day.
 - Unresolved alerts for that staff member should be listed on the main switchboard page.

- In all cases, use the default settings for the alerts, but these durations should also be editable for individual cases or states.
- “Extension” drop-down on Status/Notes page should automatically link to alerts and should push back the alert by the appropriate amount of time.
- Sort notes by state and allow them to be viewed sequentially on continuous sheets of paper or screens. In other words, read them without having to click, open, and close each one individually.

Most Recent Actions

-Delete Page-

Manage States

- Correct values in “Last Updated” field so that it reads more clearly (time of day in not necessary)
- Make lists of Member States, and tax types easily editable by MTC staff.

Appendix I.I

Default Status Sheet *(Dropdowns in italics)*

Application Received

Draft Sent to Taxpayer

**Info Requested*
**Reminder*

Draft Approved

**Draft Negotiation*
**Info Requested*

Draft Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

Signed Draft Returned

**Info Requested*

Signed Draft to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Final Agreement Received

**Info Requested*

Final Agreement to State

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

California FTB *(Dropdowns in italics)*

Receive Taxpayer Request

Forms to Taxpayer

**Reminder*
**Extension*
**Info Requested*

Receive Forms

**Info Requested*

Forms Sent to FTB

**Reminder*
**Info Request*
**Counter Offer*

Staff Rec Received

**Info Request*

Staff Rec to Taxpayer

**Reminder*
**Info Request*

Receive Returns/Payment from Taxpayer

**Info Request*

Sent Payments to FTB

**Reminder*
**Info Request*

Receive Draft Agreement

**Info Request*

Sent Draft Agreement to Taxpayer

**Reminder*
**Info Request*

Received Agreement from Taxpayer

**Info Request*

Sent Agreement to FTB

**Reminder*
**Info Request*

Final Agreement to FTB

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

California SBE *(Dropdowns in italics)*

Application Received

Forms Sent to Taxpayer

**Info Requested*
**Reminder*

Anon. Forms Received

**Info Requested*

Anon. Forms to State

**Reminder*
**Info Requested*

Staff Rec. Received

**Info Requested*

Staff Rec. to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Disclosed Forms Received

**Info Requested*

Disclosed Forms to State

**Info Requested*
**Reminder*

State Approval Received

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

Appendix I.I

Michigan Status Sheet *(Dropdowns in italics)*

Application Received

Forms Sent to Taxpayer

**Info Requested*
**Reminder*

Received Forms from Txpr

**Draft Negotiation*
**Info Requested*

Forms Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

State Approval Received

**Info Requested*

Approval Sent to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Returns/Payments Received

**Info Requested*

Returns/Payments to State

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

South Carolina Status Sheet

(Dropdowns in italics)

Application Received

Draft Sent to Taxpayer

**Info Requested*
**Reminder*

Draft Approved

**Draft Negotiation*
**Info Requested*

Draft Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

State Rec Returned

**Info Requested*

Unsigned Draft to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Disclosed Agreement and Payment Received

**Info Requested*

Disclosed Agreement to State

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

New Mexico Status Sheet

(Dropdowns in italics)

Application Received

Forms to Taxpayer

**Info Requested*
**Reminder*

Received Forms from Txpr

**Draft Negotiation*
**Info Requested*

Forms Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

State Rec. Received

**Info Requested*

State Rec. to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Disclosed Forms Received

**Info Requested*

Disclosed Forms to State

**Info Requested*
**Reminder*

Dollar Amount Confirmed

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

Appendix I.I

Maine Status Sheet *(Dropdowns in italics)*

Application Received

Draft Sent to Taxpayer

**Info Requested*
**Reminder*

Draft Approved

**Draft Negotiation*
**Info Requested*

Draft Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

Signed Draft Returned

**Info Requested*

Signed Draft to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Final Agreement Received

**Info Requested*

Final Agreement to State

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

Arizona TPT Status Sheet *(Dropdowns in italics)*

Application Received

Draft Sent to Taxpayer

**Info Requested*
**Reminder*

Draft Approved

**Draft Negotiation*
**Info Requested*

Draft Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

Signed Draft Returned

**Info Requested*

Signed Draft to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Final Agreement Received

**Info Requested*

Final Agreement to State

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

Arizona Corp. Status Sheet *(Dropdowns in italics)*

Application Received

Draft Sent to Taxpayer

**Info Requested*
**Reminder*

Draft Approved

**Draft Negotiation*
**Info Requested*

Draft Sent to State

**Reminder*
**Info Requested*
**Counter Offer*

Signed Draft Returned

**Info Requested*

Signed Draft to Taxpayer

**Extension*
**Counter Offer*
**Reminder*
**Info Requested*

Final Agreement Received

**Info Requested*

Final Agreement to State

**Final Cert (Accepted)*
**Final Withdrawn (Txpr)*
**Final Rejected (State)*
**Final Terminated (MTC)*

Appendix I.I

Louisiana Status Sheet

(Dropdowns in italics)

Application Received

Draft Sent to Taxpayer

**Info Requested*

**Reminder*

Draft Approved

**Draft Negotiation*

**Info Requested*

Draft Sent to State

**Reminder*

**Info Requested*

**Counter Offer*

Signed Draft Returned

**Info Requested*

Signed Draft to Taxpayer

**Extension*

**Counter Offer*

**Reminder*

**Info Requested*

Final Agreement Received

**Info Requested*

Final Agreement to State

**Final Cert (Accepted)*

**Final Withdrawn (Txpr)*

**Final Rejected (State)*

**Final Terminated (MTC)*

Appendix I.II

Default Status Sheet *(Alert Deadlines in italics)*

Application Received
7 Days

Draft Sent to Taxpayer
30 Days

Draft Approved
7 Days

Draft Sent to State
30 Days

Signed Draft Returned
7 Days

Signed Draft to Taxpayer
30 Days

Final Agreement Received
7 Days

Final Agreement to State

California FTB *(Alert Deadlines in italics)*

Receive Taxpayer Request
7 Days

Forms to Taxpayer
30 Days

Receive Forms
7 Days

Forms Sent to FTB
30 Days

Staff Rec Received
7 Days

Staff Rec to Taxpayer
30 Days

Receive Returns/Payment
from Taxpayer
7 Days

Sent Payments to FTB
30 Days

Receive Draft Agreement
7 Days

Sent Draft Agreement to
Taxpayer
30 Days

Received Agreement from
Taxpayer
7 Days

Sent Agreement to FTB

California SBE *(Alert Deadlines in italics)*

Application Received
7 Days

Forms Sent to Taxpayer
30 Days

Anon. Forms Received
7 Days

Anon. Forms to State
30 Days

Staff Rec. Received
7 Days

Staff Rec. to Taxpayer
30 Days

Disclosed Forms Received
7 Days

Disclosed Forms to State
30 Days

State Approval Received

Appendix I.II

Michigan Status Sheet *(Alert Deadlines in italics)*

Application Received

7 Days

Forms Sent to Taxpayer

30 Days

Received Forms from Txpr

7 Days

Forms Sent to State

30 Days

State Approval Received

7 Days

Approval Sent to Taxpayer

30 Days

Returns/Payments Received

7 Days

Returns/Payments to State

South Carolina Status Sheet

(Alert Deadlines in italics)

Application Received

7 Days

Draft Sent to Taxpayer

30 Days

Draft Approved

7 Days

Draft Sent to State

30 Days

State Rec Returned

7 Days

Unsigned Draft to Taxpayer

30 Days

Disclosed Agreement and
Payment Received

7 Days

Disclosed Agreement to State

New Mexico Status Sheet

(Alert Deadlines in italics)

Application Received

7 Days

Forms to Taxpayer

30 Days

Received Forms from Txpr

7 Days

Forms Sent to State

30 Days

State Rec. Received

7 Days

State Rec. to Taxpayer

30 Days

Disclosed Forms Received

7 Days

Disclosed Forms to State

30 Days

Dollar Amount Confirmed

Appendix I.II

Maine Status Sheet
(Alert Deadlines in italics)

Application Received

7 Days

Draft Sent to Taxpayer

30 Days

Draft Approved

7 Days

Draft Sent to State

30 Days

Signed Draft Returned

7 Days

Signed Draft to Taxpayer

30 Days

Final Agreement Received

7 Days

Final Agreement to State

Arizona TPT Status Sheet

(Alert Deadlines in italics)

Application Received

7 Days

Draft Sent to Taxpayer

30 Days

Draft Approved

7 Days

Draft Sent to State

30 Days

Signed Draft Returned

7 Days

Signed Draft to Taxpayer

30 Days

Final Agreement Received

7 Days

Final Agreement to State

Arizona Corp. Status Sheet

(Alert Deadlines in italics)

Application Received

7 Days

Draft Sent to Taxpayer

30 Days

Draft Approved

7 Days

Draft Sent to State

30 Days

Signed Draft Returned

7 Days

Signed Draft to Taxpayer

30 Days

Final Agreement Received

7 Days

Final Agreement to State

Appendix I.II

Louisiana Status Sheet

(Alert Deadlines in italics)

Application Received

7 Days

Draft Sent to Taxpayer

30 Days

Draft Approved

7 Days

Draft Sent to State

30 Days

Signed Draft Returned

7 Days

Signed Draft to Taxpayer

30 Days

Final Agreement Received

7 Days

Final Agreement to State

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About the Nexus Program

The National Nexus Program was founded in December 1990. It has been created by the Multistate Tax Commission in furtherance of the following purposes:

- Fostering increased state tax compliance by business that is engaged in multi-jurisdictional commerce.
- Establishing national cooperation in the administration of state tax issues arising in the nexus area, including possible development of a uniform nexus standard which satisfies requisite constitutional standards, the identification of businesses involved in multi-jurisdictional commerce which are not now in compliance with applicable state tax laws, the establishment of a national information network with uniform confidentiality standards, and similar activities.
- Facilitating taxpayer compliance through education as to a taxpayer's state tax reporting responsibility when it becomes involved in the systematic development of a market in a specific state and providing cooperative services to multistate taxpayers to reduce compliance burdens and to simplify the compliance process.
- Promoting fair, even-handed and consistent state tax enforcement in the nexus area.

About the Voluntary Disclosure Program

The Multistate Tax Commission's National Nexus Program assists businesses involved in multistate commerce to voluntarily resolve potential state sales/use tax and/or income/franchise tax liabilities where nexus is the central issue. Taxpayers benefit by resolving potential state tax disputes before States issue prior year assessment of taxes, interest and penalties. Multistate resolution saves time and money, and the Commission staff performs its work at no cost to the taxpayer.

Policies

- A taxpayer that volunteers to register and file with Program Member States may remain anonymous throughout the negotiation and agreement process. The taxpayer will be disclosed only after the States have executed the agreement and the taxpayer has returned the executed agreement and the taxpayer registration forms to the Program office.
- **It is the strict policy of the National Nexus Program Member States and the Multistate Tax Commission that neither the States nor the MTC will reveal the identity of the taxpayer to any State that does not accept the voluntary disclosure agreement.**
- National Nexus Program staff will forward any voluntary disclosure offer to the states as requested by the taxpayer's representative, so long as, in the staff's

Appendix II

opinion, the offer is likely to be accepted by a majority of the states to which it is offered.

- National Nexus Program staff will not process offers to States that are not National Nexus Program Member States, with some exceptions.
- The National Nexus Program will not present a voluntary disclosure offer to any state that has previously contacted the taxpayer or that has selected the taxpayer for audit or other investigation or review.

Application Process

- **Starting the process.** The taxpayer downloads the Application for Voluntary Disclosure in Word format from the MTC website. They answer the questions and submit via email one Application for every state in which they are applying for voluntary disclosure (14 states equals 14 separate Word documents, including large amounts of redundant information).
- The Nexus Program Director reviews the Applications and delegates the case to an MTC staff member. This staff member creates a directory on the MTC public drive into which all files related to this case will be saved. The Applications are saved into this directory, and the staff member then manually enters the following information into the MTC database application:
 - Assign new case number
 - States involved and related tax-types to be disclosed
 - Date Application was received
 - Estimated total tax to be filed for each state and tax type
 - Taxpayer and tax rep contact information
 - Business Description
 - How taxpayer heard about the Voluntary Disclosure Program
- **Preparing the voluntary disclosure offer.** After the Program staff has reviewed the taxpayer's facts and circumstances, the staff will advise the taxpayer's representative of voluntary disclosure policies generally acceptable in a majority of the states. Once the terms of the offer are finalized, Program staff will prepare a voluntary disclosure agreement for review and approval by the taxpayer. While old templates to automatically create these draft agreements exist, they are not currently functional so the staff member will manually edit these Word documents.
- **Taxpayer approval.** The staff member emails the draft agreement to the taxpayer. For states that have slightly different agreements (AZ, LA, and WA for example) the staff member will manually edit those templates as well and attach those files. The staff member will create a cover sheet that contains all of the lookback dates for each state, and will create a cover letter from a template that will include information on the process and lists any special information pertaining to any of the involved states. This information is currently either typed in manually or copy and pasted from other documents. The staff member will then update the status of the file in the status section of the database application.
- **Forwarding the offer to the states.** Once the taxpayer approves the draft contracts, staff will forward the voluntary disclosure offer to the relevant states. Each state is asked to sign two State Signature Pages within thirty days indicating

Appendix II

- acceptance of the disclosure agreement. Staff will send via email to the state:
- A state-specific agreement. This requires the staff member to manually edit the initial draft sent to the taxpayer with state-specific information.
 - An accept/reject form
 - A copy of the taxpayer Application (technically “Exhibit 1” in the contract)
 - A cover letter manually modified from a template.
- The staff member will then update the status of the file in the status section of the database application.
 - Program staff will work with the state’s and with the taxpayer's representative to negotiate acceptable terms for specific states, and will amend the agreement for a specific state accordingly, with the approval of the taxpayer’s representative. This process currently consists of emails or phone calls between MTC staff and the state, or the taxpayer. In order to maintain taxpayer anonymity, staff members often take the role of messenger, passing along messages from one party to the next. These conversations are tracked by staff by copying and pasting emails into the conversation log, or by writing summaries of phone conversations into the communication log.
 - When the state Agrees to a contract they will sign and send to the MTC hard copies of the signature pages and the accept/reject form, often with an attached cover-letter. The staff member will then update the status of the file in the status section of the database application.
 - MTC staff prints out a copy of the contract for that state, inserts one copy of the state signature page, and a copy of the MTC Director signature page. The staff member creates a cover letter by manually editing a template, makes a copy of all documents, and then sends a hard copy to the taxpayer. The staff member will then update the status of the file in the status section of the database application.
 - **Executing the agreements.** Once the signature pages have been received from a state indicating the state's acceptance or rejection of the offer, Program staff will forward the information to the taxpayer's representative. Program staff will forward the disclosure agreement, with the applicable registration forms for each accepting state, for the taxpayer's completion and execution. The taxpayer then has the opportunity to determine whether it will identify itself and complete the disclosure agreement. The taxpayer is requested to return the agreements to the National Nexus Program with the completed registration forms and any payments required under the agreement generally within thirty days of receipt of the agreements signed by the states. The taxpayer may request additional time.
 - Program staff will forward one copy of the agreement, the registration forms, and the payments to the states and one copy of the agreement to the taxpayer. An original agreement will be retained in the Program files. MTC staff then manually enters financial information into the MTC database application, and updates the status of the case in the database application to indicate that the contract was accepted. If this was the final state in the Agreement then the staff member will change the case status to “closed”.

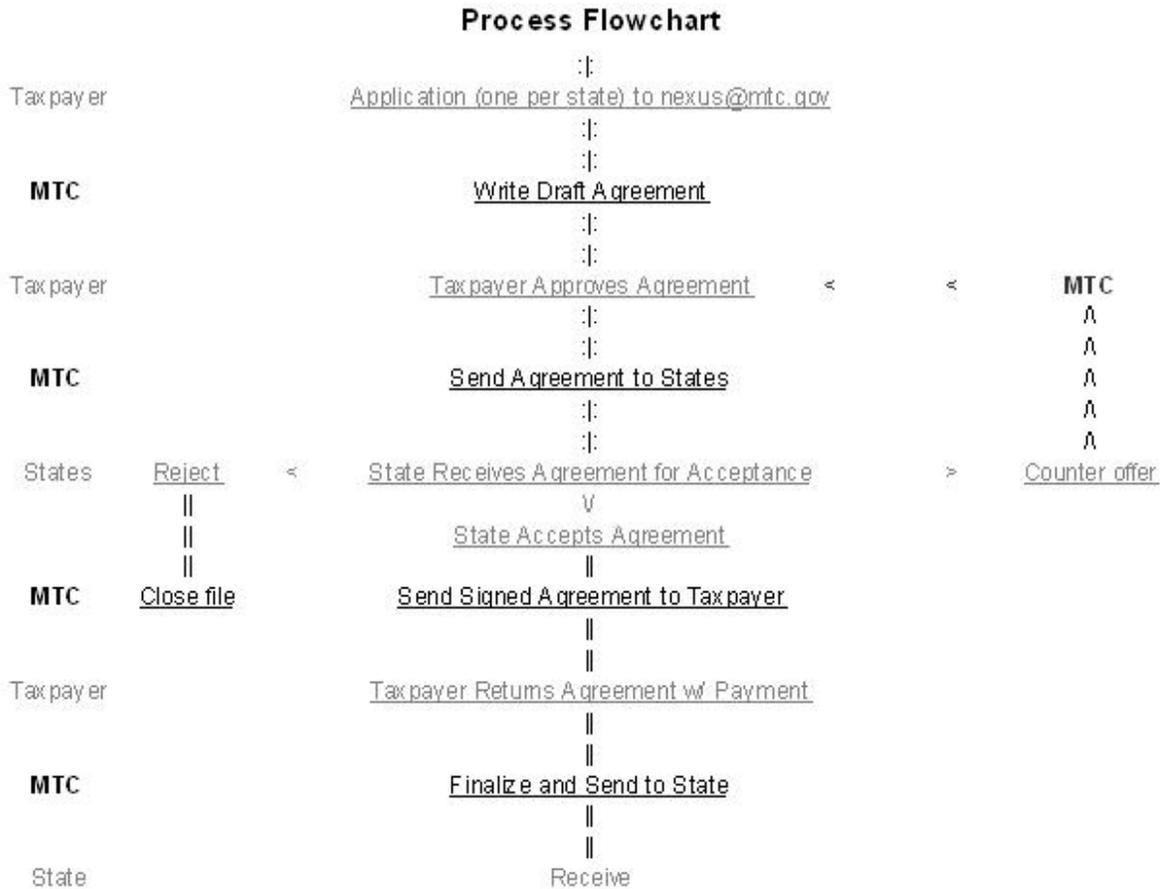
Appendix II

The Voluntary Disclosure Process

There are (roughly) eight steps involved in the Voluntary Disclosure process, four of which are the direct responsibility of the MTC. Throughout all of these steps MTC staff receives calls and emails from the state or the taxpayer requesting more information or checking on the status of the Agreement.

Overview

Below is an overview of what the process looks like:



Key:

-
- ⋮: Step completed via email. >> No transmission required
 - || Step completed via hardcopy

Application for Multi-State Voluntary Disclosure
Multistate Tax Commission
National Nexus Program

Instructions

Thank you for your interest in multi-state voluntary disclosure. To apply with respect to sales/use tax¹ or income/franchise tax², please provide an Application for Multi-state Voluntary Disclosure for each state to which you wish to apply. Please provide a separate Application for each state.

You may wish to prepare a template electronic version of this Word file, insert information common to all application states, then make copies of the template to create a separate file for each application state; insert the state-specific information in each state's file. The information you provide will be submitted to the appropriate states without alteration. It is therefore important to limit state-specific information to the applicable state only. Please do not put information regarding more than one state in the same document.

The states will rely upon the information in this Application to evaluate the request for voluntary disclosure. This Application attempts to elicit all material information, but it is the applicant's responsibility to ensure that all material information is provided. You may add additional information or memoranda of law as you wish. Providing the state a comprehensive understanding of the applicant's factual circumstances in this Application will speed consideration by preventing time-consuming requests for additional information.

Please send the completed applications in Word or PDF format to Nexus@mtc.gov. Alternatively, you may mail or deliver the applications on a computer diskette or CD to National Nexus Program, Multistate Tax Commission, 444 North Capitol Street, Suite 425, Washington, DC 20001. Please do not send paper documents. The telephone number for use of commercial delivery services is (202) 508-3800.

Do not make any filing or payment with respect to the type of tax intended to be disclosed to any state in which you intend to pursue voluntary disclosure. This includes filing a return, filing a request for extension, making a tax payment, and making an estimated payment. Doing so may disqualify you from voluntary disclosure. You will submit initial returns, registration form, and payment to the MTC at the conclusion of the voluntary disclosure process. All past due taxes and past due filings will be addressed within the voluntary disclosure process. Anonymous inquiries to customer service personnel of a department of revenue regarding filing requirements, how to compute tax, and similar general information issues are permitted.

¹ For Hawaii please substitute excise tax on sales for sales/use tax.

For Arizona please substitute transaction privilege tax.

² For Michigan please substitute single business tax for income/franchise tax.

For Washington please substitute business & occupation tax for income/franchise tax.

For Ohio please include commercial activity tax.

State Name:

Application for Multistate Voluntary Disclosure Multistate Tax Commission National Nexus Program

The information provided in this Application for Multistate Voluntary Disclosure is materially complete and materially correct through date:

By submitting this Application, the applicant acknowledges its obligation to supplement, revise, or replace this Application in the event that before execution of the voluntary disclosure agreement by all parties its material circumstances change, or in the event that it becomes aware at any time of any material omission or material error in the information contained herein.

Please note:

- With respect to income/franchise tax, unless the context clearly indicates otherwise, questions posed in the present tense include both the present and all periods during the previous four full tax years (six full tax years in the case of the California Franchise Tax Board).
- With respect to sales/use tax, unless the context clearly indicates otherwise, questions posed in the present tense include both the present and all periods during the previous forty-eight months.
- The “applicant” includes the present applicant and all its predecessors in interest for the previous four years (six years in the case of the California Franchise Tax Board), e.g., prior owners of substantially all the present applicant’s business assets.
- Because this Application will be forwarded without change to the state, please do not disclose the applicant’s identity. In the event the MTC otherwise comes to know the applicant’s identity, be assured that it will be kept strictly confidential.

Answers to the following questions will likely be the same for all states:

1. What is the applicant’s form of entity (e.g., C corp, Sub S, LLC, LLP, sole proprietorship)? If a pass-through entity (e.g., S Corp or LLP), please state number of shareholders, members, or partners. If the form of entity has changed during the four

State Name:

years immediately preceding the date of this Application, please state the form(s) of the predecessor entities and the approximate periods in which they existed.

2. Has the Federal Employer Identification Number (FEIN) changed during the past four years? Yes or No. Do not provide the FEIN. If yes, please briefly describe the circumstance that caused the change.
3. What is the applicant's fiscal year-end? If it has changed within the past four years, please list all fiscal year-ends and the applicable time periods.
4. What are the applicant's business activities? Example: "A manufacturer of tangible personal property that sells primarily to contractors who incorporate the material into buildings and landscape designs." Please provide as comprehensive an answer to this question as you feel is necessary to give the state the information it needs to make a decision; provide as much detail as possible without compromising anonymity.
5. Please answer the following question only if the applicant is a remote vendor (makes sales from outside the state to in-state customers by means of internet or other electronic communication, mail, or common carrier). May a customer return the applicant's product for refund, exchange, repair, or other value? If yes, please briefly describe how this is done, specifically stating whether an in-state person accepts returns on behalf of the applicant (exclude mail and common carrier).
6. Please answer the following bulleted questions only if the applicant is a remote vendor affiliated with an in-state bricks and mortar retailer (an in-state vendor that maintains a fixed place from which it makes sales to end users):
 - Please provide detail regarding the policy and practice of the in-state affiliate regarding acceptance of returns of merchandise sold by the applicant.
 - Do the affiliates share trademarks or other intellectual property?
 - Does the in-state affiliate engage in advertising or other promotion, whether active or passive, on behalf of the applicant, including but not limited to in-store displays of the applicant's web address and name?
 - Do the Applicant and the in-state affiliate operate a joint gift certificate or similar program in which a person may purchase stored value that may be credited toward a purchase from either the in-state or the remote affiliate?

State Name:

- Do the Applicant and the in-state affiliate share an awards points program or similar program, however denominated or structured, granting customers the ability to acquire goods or services for free or at discount prices based on prior purchases from Applicant or the retail affiliate? Include a description of any customer benefit program based on use of a private label credit card issued under the name of Applicant or any affiliate of Applicant.
7. Other than as disclosed above, is the applicant an owner, lessor, or lessee of property in the state? Please describe generally. Include both real property, personal property, and intellectual property (e.g., trademarks or patents used in-state).
 8. Other than as disclosed above, does the applicant have personnel in the state for any period of time, whether employees, independent contractors, or other representatives? Include all such contacts, even if transitory. Please generally describe their activities, their approximate amount of time spent in the state, and their relationship to the applicant, if not previously described.
 9. In what other activities does the applicant engage that potentially give rise to substantial nexus? “Substantial nexus” means the connection between the state and the applicant that arises from the applicant’s in-state activities, whether by means of a physical presence or otherwise, whether by employee, independent contractor or other representative, that *potentially* subjects the applicant to the state’s taxing authority. See *Complete Auto Transit v. Brady*, 430 U.S. 274, 279 (1977). Please disclose here all activities not previously disclosed in this Application, no matter how slight, even if they do not involve a physical presence in the state, even if performed by others on that applicant’s behalf, that *potentially* give this state jurisdiction (substantial nexus) to tax the applicant. Disclosure in this Application of potentially nexus-creating (jurisdiction-creating) activity is not an admission that substantial nexus (taxing jurisdiction) actually exists. Applications that fail to state an activity in this Application that potentially gives rise to substantial nexus (taxing jurisdiction) may be rejected by the state because applicants who have no potential substantial nexus, and therefore no potential tax liability, do not need voluntary disclosure.
 10. What facts give rise to this offer to enter into voluntary disclosure? Please include any facts relative to whether the failure to register, file or remit was due to reasonable cause and not due to negligence, intentional disregard of the law, or fraud. Examples include past reliance on erroneous professional advice, acquisition of a non-compliant entity, expansion of business activities, change in ownership, and a letter of inquiry from a state or its agent.

State Name:

11. Has the applicant contacted or been contacted by this state or by the Multistate Tax Commission on behalf of this state regarding its potential liability for the type of tax sought to be covered by this voluntary disclosure? If so, please give details. A contact includes, but is not limited to, with regard to potential liability for the type of tax in question: receipt of a nexus questionnaire, a telephone call, an audit or notice of audit, payment of tax, registration for tax, request for extension of time to file, making a payment of estimated tax, and filing of a return. Contact prior to commencement of the voluntary disclosure will generally disqualify the applicant from voluntary disclosure in the contact state.

12. Without regard to whether an agreement was reached, has the applicant applied for voluntary disclosure to this state, whether directly to this state or through the Multistate Tax Commission, during the previous ten years?

13. Please provide any information not already provided that you believe the MTC should have with respect to this application.

14. It is sometimes appropriate to include special terms in the voluntary disclosure contract to address an applicant's unusual circumstances. What special terms, if any, does the applicant request? Most applicants have no need of special terms and skip this question.

15. To assist the MTC in making its voluntary disclosure services available to as many potential taxpayers as possible, please tell us how you came to know of the Multistate Tax Commission's voluntary disclosure program. *Please answer this question from the perspective of the person handling this disclosure, i.e., the applicant itself if it is unrepresented, and the lawyer or tax advisor if the applicant is represented.* For example, rather than checking "Other source, please specify: the applicant learned of the MTC program from its tax advisor", please check the appropriate line or write how *the tax advisor* came to know of the MTC program. Select all that apply. Thank you!

Previous Disclosure

Another Practitioner

Internet search, which search engine: _____

MTC advertisement on the Internet, appeared where: _____ which search terms: _____

State Name:

- ___ Link from a state's web site, which state: _____
- ___ Referral from state, letter or brochure, which state: _____
- ___ Referral from state, verbal, which state: _____
- ___ Individual State Audit or Voluntary Disclosure Program, which state: _____
- ___ Publication, please specify: _____
- ___ Seminar or presentation, please specify: _____
- ___ MTC Brochure
- ___ Other MTC contact
- ___ Other source, please specify: _____

State Name:

STATE NAME:

Answers to the following 8 questions will likely vary state:

- A. Which type(s) of tax would the applicant like to disclose? The Multistate Tax Commission assists with disclosures for sales/use and income/franchise taxes. The following tax types are also included: transaction privilege (Arizona), excise on sales (Hawaii), single business (Michigan), business and occupation (Washington), commercial activity tax (Ohio), business privilege tax (Alabama).
- B. If the applicant does not propose to settle both sales/use³ and income/franchise⁴ tax obligations, what is the reason that a type of tax is excluded? Possible reasons include application of Public Law 86-272 and making only sales exempt from sales/use tax.
- C. What is the *estimated* amount of tax, by tax type and tax year, to be paid to this state under the applicable voluntary disclosure agreement? How much, if any, of this amount represents sales/use tax collected but not remitted? These amounts need only be *approximate*.
- D. Is the applicant organized under the laws of this state? If the applicant is a natural person, is the applicant a resident of this state?
- E. If this Application concerns sales/use tax, with respect to sales/use tax, has the applicant ever registered, filed a return, paid interest or penalty, or paid any tax to this state, other than in the capacity of a consumer paying sales/use tax to a vendor? If this Application concerns income/franchise tax or a similar business activity tax, including payroll withholding tax, with respect to that tax, has the applicant ever filed a return, filed a request for extension to file, paid any tax, or made any estimated payment?

³ For Hawaii please substitute excise tax on sales for sales/use tax.

For Arizona please substitute transaction privilege tax.

⁴ For Michigan please substitute single business tax for income/franchise tax.

For Washington please substitute business & occupation tax for income/franchise tax.

State Name:

- F. For Iowa, Minnesota, and Utah: please state in which fiscal year business activities began in the states to which a voluntary disclosure offer is to be made.⁵ [Question F applies only to applications made to Iowa, Minnesota, and Utah]
- G. For Louisiana: please describe all business activities in the state after December 31, 1997; if there were none for any portion of this period please so state explicitly. This information is requested to comply with state constitutional and statutory requirements related to voluntary disclosure; it does not mean that back tax must be paid from this date.⁶ [Question G applies only to applications made to Louisiana]
- H. With respect to Utah and Minnesota only, if the applicant makes sales to customers in the state, please indicate the *approximate* number of sales per year for the last three years and the *approximate* average value of each sale. It is not necessary to provide more than a general approximation. For purposes of this question, you may use a calendar year, a tax year, a fiscal year, a year based on the look-back date of this Agreement, or any other year so long as you identify the period that you choose to use. [Question G Applies only to Utah and Minnesota]
- I. With respect to Utah only, please provide an estimate of the amount of potential tax liability prior to the look-back period that the state would waive. Assume that the look-back period is three years from the date of this Application. For example, if the date of this Application were January 1, 2008, the lookback period would be the three years from December 31, 2007 back to January 1, 2005. The potential tax liability prior to the lookback period that the state would waive would be all potential liability of the type of tax at issue from December 31, 2005 back to the commencement of potentially taxable business activity in Utah. The amount may be approximate. [Question H applies only to Utah.]

Please feel free to bring any questions or concerns regarding this application to the attention of the National Nexus Program at (202) 508-3800 or nexus@mtc.gov

⁵ The answer to this question will not be construed to be an admission of substantial nexus.

⁶ The answer to this question will not be construed to be an admission of substantial nexus. This information is requested because Louisiana can only waive liability with respect to periods after this date to the extent that activities in the state during these periods is disclosed. This question and the answer to it do not mean that the applicant's tax obligation under this voluntary disclosure (the look-back period) begins on this date. The look-back date is stated in the voluntary disclosure agreement.