

THIRD  
ANNUAL REPORT  
MULTISTATE TAX COMMISSION



For The Fiscal Year  
of  
July 1, 1969—June 30, 1970

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# TABLE OF CONTENTS

*Page*

TRANSMITTAL LETTER . . . . .	iii
GENERAL INFORMATION . . . . .	iv
THE MULTISTATE TAX COMMISSION LOOKS BACK – AND AHEAD . . .	1
I. Membership . . . . .	1
II. Congress Acts – The States Respond . . . . .	2
A. Public Law 86-272 . . . . .	2
B. State Organizations Meet . . . . .	2
C. The Compact Idea . . . . .	2
1. UDITPA . . . . .	3
2. Optional Feature . . . . .	3
D. Uniform Rules and Regulations . . . . .	3
E. Sales and Use Tax . . . . .	3
1. Credits . . . . .	3
2. Jurisdiction . . . . .	3
F. Some Proposed Solutions to Interstate Taxation Problems . . . . .	4
1. General . . . . .	4
2. The Ad Hoc Proposal . . . . .	4
3. The Commission's Response to the Ad Hoc Proposal . . . . .	5
a. General Approval . . . . .	5
b. Administrative Agency Question . . . . .	5
c. Combination; Hearings Board . . . . .	5
4. The States Re-examine Their Systems of Taxing Interstate Commerce . . . . .	6
a. General . . . . .	6
b. Drafting Team . . . . .	6
c. Possible Alternative . . . . .	6
III. The Commission Acts – Congress Responds . . . . .	7
A. Senate Bill S.2289 . . . . .	7
B. Senate Bill S.2044; H.R.10634 . . . . .	10
IV. Other Commission Activities . . . . .	11
A. Joint Audits . . . . .	11
B. Motor Fuel Tax . . . . .	11
C. Personal Income Tax . . . . .	12

**CONTENTS, Continued**

	<i>Page</i>
V. External Support . . . . .	12
VI. General Interest . . . . .	12
VII. Conclusion . . . . .	13
COMPACT ENACTMENTS . . . . .	14
ASSOCIATE MEMBER STATES . . . . .	15
COMMITTEES . . . . .	16
Arbitration . . . . .	16
Business Liaison . . . . .	16
Congressional Liaison . . . . .	16
Corporation Income Tax . . . . .	17
Joint Audits – Corporation Income Tax . . . . .	17
Joint Audits – Sales and Use Tax . . . . .	17
Motor Fuel Tax . . . . .	17
Property Tax . . . . .	17
Rules and Regulations . . . . .	17
Sales and Use Tax . . . . .	18
Special Committee – Personal Income Tax . . . . .	18
APPORTIONMENT OF 1970 – 1971 BUDGET . . . . .	19
BUDGET PERFORMANCE REPORT . . . . .	20
AUDIT REPORT . . . . .	21
Certification . . . . .	21
Statement of Receipts and Disbursements . . . . .	22
Summary of Changes in Cash and Temporary Investments . . . . .	23

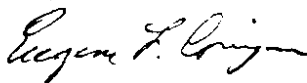
October 10, 1970

To the Honorable Governors and State Legislators of Member States of the  
Multistate Tax Commission:

I respectfully submit to you the third annual report of the Multistate  
Tax Commission.

This report covers the fiscal year beginning July 1, 1969 and ending  
June 30, 1970.

Respectfully submitted,

A handwritten signature in cursive script, reading "Eugene F. Corrigan".

Eugene F. Corrigan  
Executive Director

June 30, 1970

**GENERAL INFORMATION  
CONCERNING  
MULTISTATE TAX COMMISSION**

Chairman . . . . . James T. McDonald  
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Vice-Chairman . . . . . Charles H. Mack  
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State of Oregon

Treasurer . . . . . Roy E. Nickson  
Secretary, Tax Commission  
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State of Colorado

George Kinnear  
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State of Washington

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Terms of above officers end January 26, 1971.

Executive Director . . . . . Eugene F. Corrigan

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## THE MULTISTATE TAX COMMISSION LOOKS BACK . . . AND AHEAD

### I. MEMBERSHIP

The fiscal year which ended June 30, 1970, has increasingly demonstrated:

- 1) The need for the Multistate Tax Commission;
- 2) The potential which it offers toward improving state and local tax administration in this country; and
- 3) The willingness and desire of the states to participate in, and to support, its efforts.

The effective date of the Multistate Tax Compact was, under its terms, August 4, 1967, the date on which the seventh state enacted it. By June 30, 1968, a total of 13 states had joined the Compact. By June 30, 1969, 18 states had done so, the last two enactments becoming effective July 1, 1969. By June 30, 1970, the number had risen to 20, the last two enactments becoming effective July 1, 1970.

During this period, the governors of all other states were invited to have their states participate in Multistate Tax Commission activities as associate member states. Many governors have done so and the contributions which their tax administrators have made to Multistate Tax Commission activities have been highly significant. The last six states to become regular member states of the Multistate Tax Commission have previously been associate member states. This fact demonstrates the importance of the increase in the number of associate member states. Participation as an associate member state increases a state's understanding of the Multistate Tax Commission and increases the likelihood of its eventually becoming a regular member.

On June 30, 1970, associate member states numbered 12. By the time this report went to press, that number had increased to 14, making a total of 34 regular member and associate member states. In addition, tax administration personnel of several other states have been participating in Multistate Tax Commission activities.

The Multistate Tax Commission has every reason to anticipate a continuation of the increase in its membership. As its membership increases, the significance of the results of the efforts of the Commission can also be expected to increase.

## II. CONGRESS ACTS – THE STATES RESPOND

### A. Public Law 86-272

In 1959, in a precipitate reaction to the decisions of the United States Supreme Court in the *Northwestern and Stockham Valves* cases<sup>1</sup> and to the denial of certiorari in the *International Shoe*<sup>2</sup> and *Brown-Forman*<sup>3</sup> cases, the United States Congress enacted Public Law 86-272. That statute specifies that the mere presence of salesmen in a state for the purpose of soliciting sales of tangible personal property (if all orders are accepted, and the property is sent from, outside the state) does not constitute sufficient nexus (i.e., contact) in that state to confer upon that state jurisdiction to impose a net income tax upon the seller. That statute also provided for the creation of a special congressional subcommittee to make a study of the entire field of state and local taxation of income of multistate business. During the following year, the field of study was enlarged to all taxes by Public Law 87-17. The primary reason for broadening the study to cover sales and use taxes was the ruling in the *Scripto*<sup>4</sup> case.

### B. State Organizations Meet

By 1965 the voluminous product of that study and the resulting recommendations had been completed. Included among the recommendations were restriction of state jurisdiction to tax, and federalization of the states' sales tax system. These and several other less far-reaching recommendations caused various state organizations to meet together in 1966 for the purpose of discouraging the enactment of those recommendations into law by the Congress. Participating in the meeting were representatives of the Council of State Governments, the National Association of Tax Administrators and the National Association of Attorneys General.

### C. The Compact Idea

A major result of that meeting was the development of proposed uniform state legislation to be known as the Multistate Tax Compact. The final draft was completed late in 1966; and its enactment among the various states has proceeded with a rapidity unmatched by any other proposed uniform state legislation in the history of the nation.

The proponents of the legislation were fully aware that mere opposition, by the states, to federal legislation would have little long-range effect in discouraging Congress from enacting the recommendations in question. They knew that the only effective deterrent would be a cooperative effort by the states themselves to resolve the problems which were disturbing the Congress. The enactment of the Multistate Tax Compact in and of itself constituted a major step in this direction. Lack of uniformity among the business income tax statutes of the various states was the basis of a major business complaint to Congress. The enactment of the Multistate Tax Compact has substantially increased that uniformity in that bodily incorporated into the Compact is the Uniform Division of Income for Tax Purposes Act (UDITPA).

<sup>1</sup> *Northwestern States Portland Cement Co. v. Minnesota; Williams v. Stockham Valves and Fittings, Inc.*, 358 U.S. 450 (1959).

<sup>2</sup> *International Shoe Co. v. Fontenot*, 359 U.S. 984 (1959).

<sup>3</sup> *Brown-Forman Distillers Corp. v. Collector*, 359 U.S. 28 (1959).

<sup>4</sup> *Scripto, Inc. v. Carson*, 362 U.S. 207 (1960).

## 1. UDITPA

The latter Act was itself devised as proposed uniform legislation by the National Conference of Commissioners on Uniform State Laws (NCCUSL) in 1957. Only a handful of states had adopted that Act by 1967. The rapid enactment of the Multistate Tax Compact has, however, raised to 26 (plus the District of Columbia) the number of income tax states which have adopted UDITPA verbatim or in slightly modified form.

## 2. Optional Feature

The Multistate Tax Compact makes UDITPA available to each taxpayer on an optional basis, thereby preserving for him the substantial advantages with which lack of uniformity provides him in some states. Thus a corporation which is selling into a state in which it has little property or payroll will want to insist upon the use of the three-factor formula (sales, property and payroll) which is included in UDITPA because that will substantially reduce his tax liability to that state below what it would be if a single sales factor formula were applied to him; on the other hand, he will look with favor upon the application of the single sales factor formula to him by a state from which he is selling into other states, since that will reduce his tax liability to that state. The Multistate Tax Compact thus preserves the right of the states to make such alternative formulas available to taxpayers even though it makes uniformity available to taxpayers where and when desired.

## D. Uniform Rules and Regulations

The Multistate Tax Commission, which is the administrative vehicle of the Multistate Tax Compact, has recognized the fact that uniform interpretations of UDITPA are a necessary prerequisite to the accomplishment of uniformity in applying its provisions to taxpayers who opt for UDITPA. Consequently, the Commission has assigned to a committee the task of drafting uniform rules and regulations. After more than a year of effort on this highly technical assignment, the Committee will soon be submitting several key proposed regulations for approval by the Commission.

## E. Sales and Use Tax

### 1. Credits

The enactment of the Multistate Tax Compact has solved two other problems in the sales and use tax field. In 1959, when the Congressional Subcommittee was created, several states were not giving full credit, against their use taxes, for sales tax previously paid on the same transaction; and there was some question as to whether some states would honor exemption certificates accepted in good faith by out-of-state vendors from in-state vendees. Every state which has enacted the Multistate Tax Compact has, in doing so, granted the sales tax credit and agreed to honor good faith exemption certificates.

### 2. Jurisdiction

The Multistate Tax Commission has also pursued uniformity with respect to jurisdiction. It codified, for the first time, a proposed uniform sales and use tax jurisdictional standard for adoption by the states. In doing so, it has



eliminated much of the basis for complaints from the business community that there is uncertainty as to the jurisdictional reach claimed by the states. The standard has been accepted and acknowledged as a limitational one by all of the 17 regular member states which have sales and use taxes, by 10 of the 14 associate member states having such taxes and by 4 of the 14 non-member sales and use tax states; and two other non-member states have acknowledged that they do not seek to extend their jurisdiction beyond the standard. Thus all but 12 of the 45 sales and use tax states have responded affirmatively to the standard; and it is doubtful that any of those 12 seek to extend their jurisdictional reach beyond that set forth in the standard.

## **F. Some Proposed Solutions to Interstate Taxation Problems**

### **1. General**

Certain sectors of the business community still are not satisfied. They are less interested in uniformity than they are in absolute relief from any responsibility for collecting and remitting use taxes of states into which they make sales. Even here the Commission has displayed a willingness to consider reduction of vendor responsibilities provided that alternative approaches can be devised to ensure continued or improved collection of the use taxes in question.

The Commission has not even rested on its laurels insofar as UDITPA is concerned. Rather it has shown a willingness to consider the possibility of recommending amendments to the Compact which might produce results more satisfactory to the business community\* *provided that they are balanced by improved enforcement tools for the states.*

That willingness was clearly reflected in the attitude of the many tax administrators and other state delegates who attended the first Special Session of the Commission late in July of 1970. Twenty-eight states were represented at this meeting, which was called for the specific purpose of considering the so-called Ad Hoc Proposal.

### **2. The Ad Hoc Proposal**

This Proposal was the result of more than a year of work by a sixteen-man committee which became known as the Ad Hoc Committee. While this was not a Multistate Tax Commission committee, roughly half of its membership consisted of personnel closely associated with the Commission and member states of the Commission. The balance of the committee's membership consisted of tax representatives of various business corporations.

The purpose of the committee was to explore the possibility of developing an agreement among business and the states as to federal legislation which might be less objectionable than the interstate taxation bills pending in Congress. The Ad Hoc Proposal was the product of the resultant compromises. Major elements of the Proposal were:

- 1) It proposed a body of federal substantive law to affect state and local taxation;

\* The "business community", as used here, is largely an illusory generic term. Various sectors of that "community" have substantially different interests which shift according to considerations such as type of business, size of business, geographic distribution of the taxpayer's business activities, and type of tax. Although it may be safe to say that the entire business community of the nation would like to see changes in the manner in which state and local taxes affect multistate business, there is widespread disagreement as to the form which those changes should take, depending primarily upon how each proposed change would affect the taxpayer in question.

- 2) It proposed that Congress designate the Multistate Tax Commission as the agency to administer that law, with the Commission continuing to be controlled by the states;
- 3) It proposed the use of certain presumptions based upon various percentages of ownership, "arm-length" transactions and flow of goods (and exclusion of certain types of corporations active in foreign trade) in determining whether combination of reports of affiliated corporations should be available as a means of determining the amount of income derived from within a state by a corporation;
- 4) It proposed the creation of a Hearings Board within the Commission to resolve disputes among states and taxpayers, it being expected that most disputes would arise out of the combination provision;
- 5) It proposed to preserve the current corporate income tax jurisdictional limitation set forth by Congress in 1959 in Public Law 86-272 but to extend the applicability of that limitation to gross receipts taxes and capital stock taxes;
- 6) It proposed to codify the current sales and use tax jurisdictional standard which has been established in case law by the United States Supreme Court; and
- 7) It proposed to make the Multistate Tax Commission's 3-factor formula available to taxpayers throughout the country with that formula apportioning all income except that derived from intercorporate dividends and so-called "subpart F" income. It proposed to make dividends taxable only by the state of commercial domicile.

### 3. The Commission's Response to the Ad Hoc Proposal

#### a. General Approval

At the July meeting of the Multistate Tax Commission, there was broad agreement that the states should participate in an attempt to devise a proposed alternative to the interstate taxation bills pending in Congress; and that the alternative should be in the form of an acceptable body of federal substantive law *even though there was a unanimous preference that no federal law at all be passed in this field*. Toward this end the representatives at the meeting made a detailed examination of the Ad Hoc Proposal.

#### b. Administrative Agency Question

There was some disagreement as to whether any agency would be necessary to administer any such proposed federal substantive law. Many of the Commission's members have affirmed the need for such an agency. If there is to be such a substantive law and such an agency, then all of the Commission's members would prefer the Multistate Tax Commission over any federal agency. They believe that only through the efforts of this state-oriented administrative vehicle, as opposed to a federal agency as an alternative, can the interests of the states and the continuation of a balanced state-federal government relationship properly be protected in the event that such federal substantive law is enacted.

#### c. Combination; Hearings Board

All representatives at the July meeting considered the compromise combination provision of the Ad Hoc Proposal to be an impractical one which the states could not expect to be able to administer. That provision had been devised to allay concern by certain corporations that combination might be used to increase their income tax base in all states to a total of more than

100%. The state representatives at the July meeting decided that artificial presumptions would not solve that problem. They preferred to protect affiliated taxpayers by making combination available to the taxpayers on an optional basis in all states. A flat 80% ownership rule was accepted as a basis for determining whether an affiliate relationship exists. Combination would be precluded if the relationship does not exist.

Since this approach appeared to have eliminated the major source of potential disputes in the Ad Hoc Proposal, the states found no further need for a Hearings Board of the type suggested by the Ad Hoc Committee.

#### 4. The States Re-examine Their Systems of Taxing Interstate Commerce

##### a. General

Having agreed to protect multistate taxpayers against multiple taxation, the states proceeded to consider the possibility of improved administrative tools to ensure that the states as a group could come nearer to receiving, from or through the business community, 100% of the tax revenues to which they are entitled under their statutes; and also to consider accepting certain income tax formula modifications for the purpose of furthering the cause of equity for taxpayers. Included among the possibilities still being considered are:

- 1) modified jurisdictional standards subject to *de minimus* considerations to afford protection to small taxpayers or taxpayers deriving minimal amounts of business from a state;
- 2) elimination of the UDITPA distinction between business and non-business income;
- 3) modification of the UDITPA treatment of dividends, interest, capital gains and sales to the federal government.

In short, the states are, through the Multistate Tax Commission, closely examining the entire nation's system of state and local taxation of income of multistate business. The purpose is to improve that system from the standpoint of both government and taxpayers. Among the goals being sought for this purpose are increased uniformity, reduced taxpayer compliance burdens and *improved tax administration efficiency*.

##### b. Drafting Team

In July, Chairman James T. McDonald appointed a drafting team which is currently engaged in seeking to incorporate into legislative form the directions which it has received thus far and to formulate various recommendations pertaining to the subject matter in question. When the states have arrived at a consensus, taking into account comments from representatives of the various sectors of the business community, the final product will be made available to Congress for consideration in connection with any action which Congress may ultimately take in the field of interstate taxation. The Multistate Tax Commission is optimistic that Congress will give warm consideration to that product. The willingness of the representatives of the various states to apply their expertise in constructive attempts to cope with problems which plague Congress and with which these experts are better qualified to deal than are most congressmen is a quality which cannot but be encouraged by all advocates of good government.

##### c. Possible Alternative

There is no certainty, of course, that Congress will necessarily enact any legislation on this subject or that, if it does, it will comply with all of the recommendations of this Commission. Many state tax administrators believe

that all federal legislation can be avoided if the states can reach agreement to enact, at the state level, the type of uniform corrective legislation which will dispose of business demands for federal legislation. The representatives of the states and the Commission itself will continue to explore possibilities along this line. It goes without saying that *the states would prefer to produce, to the extent possible, their own solutions rather than have Congress impose solutions upon them.*

### III. THE COMMISSION ACTS — CONGRESS RESPONDS

Congress has already indicated its willingness to give serious consideration to positions taken by the states through the Multistate Tax Commission.

#### A. Senate Bill S.2289

A bill (S.2289) was introduced into the Congress in 1969 for the purpose of making it illegal to assess certain properties in interstate commerce at a different level of value or at a different tax rate than other property generally. The bill was of prime interest to railroads. Similar bills had been introduced during each of several prior terms of Congress; but all had failed largely as a result of the flat opposition of many states to certain objectionable features in the bill.

In 1969, however, the Multistate Tax Commission recognized the fact that the railroads had a legitimate complaint. Instead of turning its back on the bill because of its objectionable elements, the Commission sought to help to modify those bad features. The Commission's then Chairman, George Kinnear, appointed a committee to meet and to work with railroad representatives in a constructive effort to suggest amendments to the bill. It was hoped that those suggestions would make possible the solving of the railroads' problems while eliminating or minimizing the effects of those features of the bill which would be detrimental to the states.

Within six months after its appointment, the committee had accomplished its purpose insofar as it was possible to do so. In October of 1969, its report recommended the incorporation of five principles into the bill. The Commission unanimously approved the recommendation. The five principles were:

- 1) The uniform assessment between carrier property and other property generally should be within each local assessment jurisdiction (i.e., county, city, township, etc.) rather than within each taxing district.
- 2) The basis of comparison with respect to assessment ratios should be between transportation property and other taxable property generally, i.e., a policy decision by the state to grant such partial exemptions as those for veterans, senior citizens, homesteads, and "green belts", etc., should not be used to reduce the ratio derived for other taxable property generally.
- 3) The "tax rate" should be the rate of tax on taxable property generally levied by each taxing district, and not the combined levy of all taxing districts in which the property is located.
- 4) A reasonable area of deviation in the average assessment level for other taxable property generally be allowed before relief be granted under the bill.
- 5) In view of the stated position of the carriers that they have never supported the bill in the hopes of using it to bring a pure valuation

case in the federal courts, the question of true market value of carrier property should not be a subject for federal court action under the bill.

Information concerning the Commission's action was immediately conveyed to the Senate's Surface Transportation Subcommittee, which was considering the bill. The Senate's response was a significant indication of Congress' receptiveness to constructive advice from the states as a group. Two of the suggestions (numbers 1 and 4) were soon incorporated into the bill by the Committee on Commerce.

The Senate then passed the bill as amended. Also, suggestion number 2 was incorporated into the comments of that Committee. The bill is now pending in the House.

In the event that the bill passes, the Commission has reason to expect that principle number 3 will be adopted generally in interpreting the bill; and that the railroads will abide by principle number 5.

## **B. Senate Bill S.2044; H.R.10634**

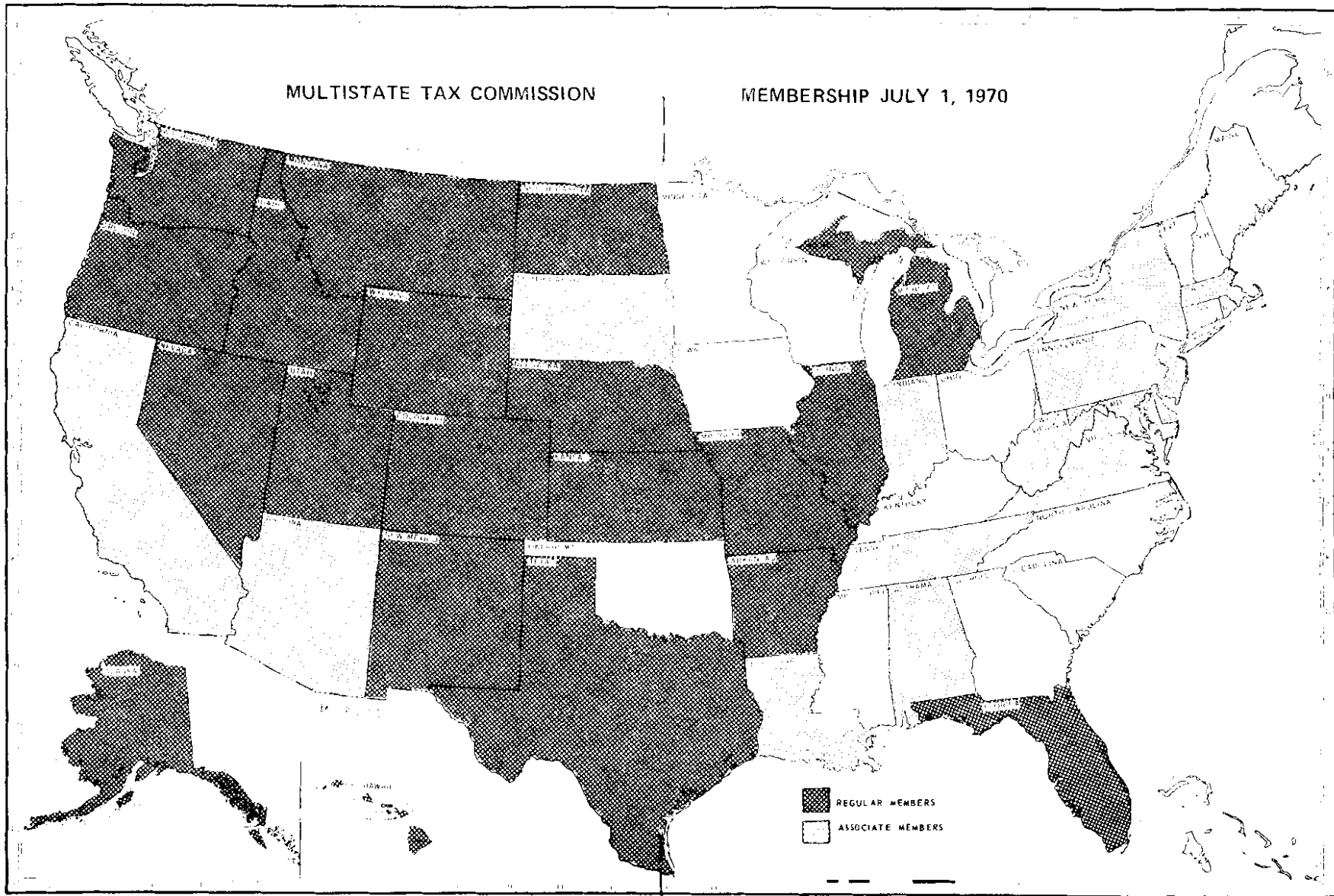
The recent response of the Senate Commerce Committee to Multistate Tax Commission actions in another area constitutes additional evidence of the respect which Congress accords to the Commission. That action pertains to Senate Bill S.2044 and its counterpart in the House, H.R.10634.

The bills sought to relieve interstate carriers from multiple withholding requirements with respect to operating employees working in interstate commerce. They would have required withholding only for the state of residence of each of such employees. Similar bills had been introduced during prior terms of Congress but had failed. The allegedly increasing need for relief on the part of the employers was producing substantially increased support for the bills, however.

George Kinnear, who was then Chairman of the Multistate Tax Commission, appointed a Special Hearing officer to conduct a formal hearing, on behalf of the Commission, at which representatives of several interstate carriers testified concerning the need for legislation in this field. The hearing took place in Houston in June of 1969. Shortly thereafter, Mr. Kinnear appointed a committee to formulate a position for the Commission to adopt with respect to the subject matter of the bills. The committee met several times and then submitted its recommendation to the Commission in June of 1970.

Several states had expressed concern that the bills' "state of residence" provisions did not give proper consideration to the interests of the states from which earnings are derived. The committee sought to give due weight to that concern but also to seek reduction of the possibility of multiple withholding requirements. Its recommendation suggested that the Commission adopt, as proposed uniform legislation for enactment by the states, a proposal that withholding be required only for the state in which the employee earns more than 50% of his compensation during a calendar year *or*, if there be no such state, for the state of his residence. Thus, the employer's withholding liability would still be restricted to one state. The committee further recommended that the actual tax liability of each such employee be limited to no more than two states, namely the state in which the employee earns more than 50% of his compensation during a calendar year, if there be any such state, *and* the state of his residence.

At its regular meeting in June, the Commission adopted the recommendation, with only one dissenting vote, as proposed uniform state legislation. Informed of this action, the Senate Commerce Committee



proceeded to incorporate the philosophy of the adopting resolution into S.2044. Having done so, it reported the bill out in early October for action by the Senate. The bill is pending at the time of this writing. There remains the possibility, indeed the likelihood, that some states may object strenuously to any attempt by Congress to limit the power of a state to tax income earned within that state. Although the bill would affect only interstate carrier employees, some tax administrators fear that it might set a precedent for similar legislation affecting other types of wage earners, including salesmen, athletes and even commuters. Those administrators maintain that it is one thing for the states to agree to promote self-restraining tax policies; but that it is an entirely different matter for Congress to impose such restraints. Congress will undoubtedly take such considerations into account before taking any final action on the bills in question.

#### IV. OTHER COMMISSION ACTIVITIES

##### A. Joint Audits

In enacting the Multistate Tax Compact, the various states have been deeply interested in the possibility of promoting joint audits. This could increase their total audit capabilities and decrease the administrative burdens of audits for both states and taxpayers. Except for a couple of pilot joint audits in 1969, the Commission has refrained from moving into this field pending attending to other matters such as those described above.

At the time of this writing, however, an Audit Coordinator has just been added to the Staff and is embarking upon the creation of a program in this field. *There is a real possibility that constructive results of these activities may soon overshadow all other Commission activities in furthering the causes of equity, uniformity and tax administration efficiency among the states.*

##### B. Motor Fuel Tax

Late in 1969 the Commission's staff was invited to participate in several meetings dealing with motor fuel taxes. Despite widespread similarity in the types of motor fuel tax applicable among the states to interstate motor carriers, technical statutory differences plus lack of uniformity in administrative procedures limit the states' administrative efficiency and create apparently unnecessary compliance burdens for carriers. Participation in these meetings by representatives of the Midwest Conference of the Council of State Governments and of the North American Gas Tax Conference made available the results of the research and experience of those organizations in this field.

The meetings indicated that there was substantial state interest in a cooperative venture to improve the system. It appeared that the Multistate Tax Commission offered the only available administrative vehicle for this purpose.

Accordingly, in January the Commission authorized a feasibility study to be performed by a consultant firm. The results of the study were submitted to the Commission in June.

The conclusion was that any "central clearing house" approach to motor fuel tax administration is not presently feasible because "the lack of uniformity is staggering". There is not even uniformity in the manner in which a single taxpayer is identified by number from state to state. The report recommended that the Commission promote the use of a standard identification number. This is currently being pursued.

The report also noted that several "model" statutes exist but that even they lack uniformity. It suggested that some common denominator might be

found among them which could then receive recognition as "the" model statute.

The North American Gas Tax Conference has been working toward the development of such a statute and expects to complete that project in the fall of 1970. The Commission hopes that the product will be the type of model statute which the Commission can encourage all states to adopt.

Once reasonable uniformity in statutes and in identification number systems has been achieved, then the way will be open for the states to take advantage of the cooperative administrative facilities available through the Commission should they care to do so.

Thus the motor fuel tax field is another area in which the Multistate Tax Commission offers an opportunity to improve tax administration and to decrease taxpayer compliance burdens.

### C. Personal Income Tax

In the summer of 1970, the tax administrators of Washington and Oregon requested assistance from the Multistate Tax Commission. They sought resolution of a disagreement between their states with respect to the manner in which Oregon imposes its income tax on personal income earned within its borders by Washington residents. Chairman James McDonald immediately appointed a Special Committee to study the matter and to report back to the Commission. Its report is expected early in 1971.

## V. EXTERNAL SUPPORT

The Multistate Tax Commission was created as a result of the efforts of several state-oriented organizations which began in 1966. They included the Council of State Governments, the National Association of Tax Administrators and the National Association of Attorneys General. Significant added support has been forthcoming in recent years from the National Governors' Conference, the Advisory Commission on Intergovernmental Relations, the National Tax Association and the American Bar Association. The National Governors' Conference recently specifically reaffirmed its support.

The passage of the resolution by the American Bar Association at its annual meeting in September marked the culmination of years of effort by proponents of the Compact. It constituted a signal victory over opposition members who sought ABA support for restrictive federal legislation. The Commission continues to seek cooperation from those members and from all interested parties in seeking out constructive approaches to state and local multistate tax administration problems.

## VI. GENERAL INTEREST

That interest in the Commission's efforts is broad was attested to in April, 1970. At that time, the Tax Foundation conducted a seminar on "Taxation of Interstate Business" in cooperation with several organizations, including the Multistate Tax Commission. Participating in the program were many men who had been active in Commission activities over a long period of time. This was to be expected since the subject matter of the Seminar is the subject matter of all Multistate Tax Commission activities. Some 450 tax experts from across the nation attended the several sessions in which the subject of the Commission and its activities was prominent.



Furthermore, continued heavy attendance at regular meetings of the Multistate Tax Commission, not only by representatives of the states but also by those of the business community, indicate widespread belief that the Commission offers the best real possibility of resolving multistate tax problems. Such continued participation in Commission activities by so many leading tax experts augurs well for the success of the Commission.

## VII. CONCLUSION

Congress is concerning itself with problems which multistate business faces in seeking to cope with the heterogeneity which exists among the various types of taxes in the 50 states and their subdivisions. Congress should be equally concerned with the states' problems in coping with increasingly complex business organizations and business operations. That Congress is trying to take such a balanced look at the problems of both groups is readily apparent. It is to be hoped that constructive attitudes on the part of the states and of the business community can help to resolve the problems of both. The desirable end result would be more efficient and less burdensome state and local tax administration throughout the land. The Commission has found that its member states and the business community are highly responsive to such a constructive approach.

The Multistate Tax Compact is, like all compacts, making it possible for states to accomplish cooperatively that which they cannot do severally. The Multistate Tax Compact is uniquely ambitious, however, in its purpose of attacking problems which affect *all* states rather than only a limited few. The willingness of the states to participate in these efforts will largely determine the extent to which Congress will refrain from interfering with the states' control of their own revenue systems. The failure of the states to exert such efforts in other fields in the past may well account for a history of federal encroachments upon state sovereignty in those other fields.

Enactment of the Multistate Tax Compact and intensive participation by the states in the activities of the Multistate Tax Commission afford the states an unparalleled opportunity: to improve their total administrative efficiency with respect to state and local taxation of multistate business; and to demonstrate anew the vitality of, and the value of states to, the distinctively American federal system.

## MULTISTATE TAX COMPACT ENACTMENTS

The Multistate Tax Compact has been enacted as a uniform law by the twenty states as shown below:

<i>State</i>	<i>Effective Date</i>
Kansas	April 20, 1967
Washington	June 8, 1967
Texas	June 13, 1967
New Mexico	June 19, 1967
Illinois	July 1, 1967
Florida	August 4, 1967
Nevada	August 4, 1967
Oregon	September 13, 1967
Missouri	October 13, 1967
Nebraska	October 23, 1967
Arkansas	January 1, 1968
Idaho	April 10, 1968
Hawaii	May 7, 1968
Colorado	July 1, 1968
Wyoming	January 24, 1969
Utah	May 13, 1969
Montana	July 1, 1969
North Dakota	July 1, 1969
Michigan	July 1, 1970
Alaska	July 1, 1970

## ASSOCIATE MEMBER STATES

The Commission has made provision for associate membership by Section 13 of its bylaws, as follows:

### 13. Associate Membership.

(a) Associate membership in the Compact may be granted, by a majority vote of the Commission members, to those States which have not effectively enacted the Compact but which have, through legislative enactment, made effective adoption of the Compact dependent upon a subsequent condition or have, through their Governor or through a statutorily established State agency, requested associate membership.

(b) Representatives of such associate members shall not be entitled to vote or to hold a Commission office, but shall otherwise have all the rights of Commission members.

Associate membership is extended especially for states that wish to assist or participate in the discussions and activities of the Commission, even though they have not yet enacted the Compact. This serves two important purposes: (1) it permits and encourages states that feel they lack knowledge about the Commission to get an education through meeting with the members and (2) it gives the Commission an opportunity to seek the active participation and additional influence of states who are eager to assist in a joint effort in the field of taxation while they consider or work for enactment of the Compact to become full members.

The following are associate members at this time:

Alabama*	New Jersey
Arizona	New York
California	Pennsylvania
Indiana	South Dakota
Louisiana	Tennessee
Maryland	Virginia
Massachusetts	West Virginia

\* Compact enacted in Alabama but not effective unless and until the United States Congress enacts legislation specifically giving its consent for the States to enter into this Compact.

# MULTISTATE TAX COMMISSION COMMITTEES

## EXECUTIVE COMMITTEE

Chairman:	JAMES T. McDONALD, Kansas
Vice-Chairman:	Charles H. Mack, Oregon
Treasurer:	Roy E. Nickson, Nevada
Members:	John H. Heckers, Colorado George Kinnear, Washington George E. Mahin, Illinois James E. Schaffner, Missouri

## ARBITRATION

F. NOLAN HUMPHREY, Arkansas  
Charles B. Bayly, Jr., Columbia  
Broadcasting System, New York  
Owen Clarke, Massachusetts  
Leo J. Ehrig, Washington, D. C.  
Elmer R. Hermes, Nebraska  
David M. Jones, Missouri  
Wardlow Lane, Texas  
Melvin Soong, Hawaii

## BUSINESS LIAISON

BYRON L. DORGAN, North Dakota  
Charles B. Bayly, Jr., Columbia  
Broadcasting System, New York  
F. Frank Buehler, The Kroger  
Company, Ohio  
James F. Devitt, Montgomery  
Ward & Company, Illinois  
Herbert F. Freeman, California  
Allison Green, Michigan  
Robert Hampton, New Mexico  
John E. Hogan, Jr., U. S.  
Gypsum Company, Illinois  
Kenneth I. Kimbro, Texas  
George Kinnear, Washington  
Charles H. Mack, Oregon  
Paul E. O'Brien, Coca Cola  
Co., Georgia  
James H. Peters, American  
Tel. & Tel., New York  
James E. Schaffner, Missouri  
Michael Seltzer, Kansas City  
Power & Light Co., Missouri

## CONGRESSIONAL LIAISON

CHARLES H. MACK, Oregon  
Lee Agerton, Louisiana  
Thomas D. Benson, Tennessee  
Stuart W. Connock, Virginia  
Warner M. Depuy, Pennsylvania  
L. Waldo De Witt, Arizona  
Byron L. Dorgan, North Dakota  
Herbert F. Freeman, California  
Sidney Glaser, New Jersey  
Louis L. Goldstein, Maryland  
Allison Green, Michigan  
Charles H. Haden II, West Virginia  
John H. Heckers, Colorado  
Elmer R. Hermes, Nebraska  
Francis Hillard, Wyoming  
Paul Holt, Utah  
Bruce Hughes, Texas  
F. Nolan Humphrey, Arkansas  
Cleo F. Jaillet, Massachusetts  
Franklin Jones, New Mexico  
George Kinnear, Washington  
Ralph W. Kondo, Hawaii  
Clyde Koontz, Idaho  
Howard H. Lord, Montana  
George E. Mahin, Illinois  
James O. Mathis, Indiana  
James T. McDonald, Kansas  
George A. Morrison, Alaska  
Roy E. Nickson, Nevada  
Harvey L. Rabren, Alabama  
James E. Schaffner, Missouri  
Lowell Schmidt, South Dakota  
Lloyd E. Slater, New York  
J. Ed Straughn, Florida

**CORPORATION INCOME TAX**

WILLIAM DEXTER, Michigan  
 John D. Bixler, Winston-Strawn-Smith  
 & Patterson, Illinois  
 Theodore deLooze, Oregon  
 James Devitt, Montgomery Ward  
 and Company, Illinois  
 Sidney Glaser, New Jersey  
 James Hamilton, California  
 Robert Hampton, New Mexico  
 A. R. Hausauer, North Dakota  
 Russell L. Hendricks, Procter  
 & Gamble Company, Ohio  
 John J. Hollis, Humble Oil  
 & Refining Company, Texas  
 Leonard Kust, Westinghouse  
 Electric Corporation, Pennsylvania  
 Thomas S. Miller, Gulf Oil  
 Corporation, Pennsylvania  
 Stephen C. Nemeth, Jr., Republic  
 Steel Corporation, Ohio  
 Paul E. O'Brien, Coca Cola  
 Co., Georgia  
 James H. Peters, American  
 Tel. & Tel., New York  
 Prof. William J. Pierce, University  
 of Michigan Law School, Michigan  
 Prof. Alan Polasky, University of  
 Michigan Law School, Michigan  
 Lloyd E. Slater, New York  
 Raymond Slater, United States  
 Steel Corporation, New York  
 James R. Willis, Colorado

**JOINT AUDITS —  
 CORPORATION INCOME TAX**

CLYDE E. KOONTZ, Idaho  
 Owen Clarke, Massachusetts  
 Ed Doran, New York  
 Sidney Glaser, New Jersey  
 Tomotaru Ogai, Hawaii  
 Howard Vralsted, Montana  
 Bruce Walker, California

**JOINT AUDITS —  
 SALES AND USE TAX**

HARRY JURY, Michigan  
 Herbert F. Freeman, California  
 R. H. Munzinger, Washington  
 Harry O'Riley, Kansas  
 Leon Postawko, Nevada  
 Forrest Strickler, Illinois

**MOTOR FUEL TAX**

ROBERT CUTLER, Illinois  
 John Bearden, Georgia  
 John K. Coleman, Maryland  
 Wayne J. Fullmer, Iowa  
 Leo Hawkins, Missouri  
 William Hurst, South Dakota  
 Myron C. McGinley, Colorado  
 Charles B. Williams, West Virginia

**PROPERTY TAX**

ROY E. NICKSON, Nevada  
 Kenneth Back, Washington, D. C.  
 Fairfax Brown, West Virginia  
 Joseph T. Burlingame, Arkansas  
 Thomas J. Dame, Peoples Gas  
 Company, Illinois  
 A. A. Hall, Colorado  
 Martin S. Handler, Southern  
 California Edison Co., California  
 John Hazelett, Arizona  
 Vernon L. Holman, Utah  
 Robert Kennedy, Arizona  
 H. A. Knudsen, Burlington Northern  
 Railroad Co., Minnesota  
 E. F. Koncel, Illinois  
 Willard Livingston, Alabama  
 Harry J. Loggan, Oregon  
 Vernon B. Miller, Montana  
 Arthur Roemer, Minnesota  
 Clyde Rose, Washington  
 David N. West, United Air  
 Lines, Illinois

**RULES AND REGULATIONS**

THEODORE W. DE LOOZE, Oregon  
 Louis Del Duca, Pennsylvania  
 Thomas C. Frost, Idaho  
 Russell L. Hendricks, Procter  
 & Gamble Company, Ohio  
 Franklin Jones, New Mexico  
 John J. Klee, Jr., California  
 Wardlow Lane, Texas  
 Stephen C. Nemeth, Jr., Republic  
 Steel Corporation, Ohio  
 Gary O'Dowd, New Mexico  
 William R. Reed, Kentucky  
 David B. Sarver, Illinois  
 Dennis G. Tischler, White  
 Consolidated Industries, Ohio

**COMMITTEES, Continued**

**SALES AND USE TAX**

TIMOTHY MALONE, Washington  
F. Frank Buehler, The Kroger  
Company, Ohio  
Stuart W. Connock, Virginia  
Louis Del Duca, Pennsylvania  
William Dexter, Michigan  
Sidney Glaser, New Jersey  
Chandler A. Hewell, Georgia  
Clyde E. Koontz, Idaho  
E. S. MacClean, Wyoming  
Murrell B. McNeil, Nebraska  
Harry O'Riley, Kansas  
Charles Otterman, California  
James R. Stanford, Washington  
James R. Willis, Colorado  
Brian L. Wolfberg, Illinois

**SPECIAL COMMITTEE ON ALLOCATION  
AND APPORTIONMENT OF NON-RESIDENT  
PERSONAL INCOME TAX EXEMPTIONS  
AND DEDUCTIONS**

DAVID B. SARVER, Illinois  
A. R. Hausauer, North Dakota  
George Kinnear, Washington  
Clyde Koontz, Idaho  
Charles H. Mack, Oregon  
Robert O. McDowell, Nebraska  
James R. Willis, Colorado

## APPORTIONMENT OF 1970-1971 BUDGET

<i>State</i>	<i>#Revenues under Compact</i>	<i>% to Total</i>	<i>*Appor- tioned Share of 10%</i>	<i>*Appor- tioned Share of 90%</i>	<i>Total Share of 1970 - 1971 Budget</i>
ALASKA	\$ 33,688,684	.3997	\$ 975	\$ 701.47	\$ 1,676.47
ARKANSAS	164,552,757	1.9525	975	3,426.64	4,401.64
COLORADO	275,347,148	3.2672	975	5,733.94	6,708.94
FLORIDA	595,059,528	7.0606	975	12,391.34	13,366.34
HAWAII	237,315,000	2.8158	975	4,941.73	5,916.73
IDAHO	88,680,459	1.0522	975	1,846.61	2,821.61
ILLINOIS	2,655,842,114	31.5126	975	55,304.61	56,279.61
KANSAS	240,518,242	2.8538	975	5,008.42	5,983.42
NEBRASKA	109,211,221	1.2958	975	2,274.13	3,249.13
NEVADA	42,260,621	.5014	975	879.96	1,854.96
NEW MEXICO	101,974,000	1.21	975	2,123.55	3,098.55
NORTH DAKOTA	51,632,463	.6127	975	1,075.29	2,050.29
MICHIGAN	1,517,092,386	18.0009	975	31,591.58	32,566.58
MISSOURI	481,436,629	5.7124	975	10,025.26	11,000.26
MONTANA	39,293,117	.4662	975	818.18	1,793.18
OREGON	250,415,000	2.9713	975	5,214.63	6,189.63
TEXAS	807,602,080	9.5825	975	16,817.29	17,792.29
UTAH	126,700,000	1.5034	975	2,638.47	3,613.47
WASHINGTON	579,761,750	6.8792	975	12,073.00	13,048.00
WYOMING	29,477,569	.3498	975	613.90	1,588.90
Totals	<u>\$8,427,860,770</u>	<u>100.0000</u>	<u>\$19,500</u>	<u>\$175,500.00</u>	<u>\$195,000.00</u>

#For fiscal year ended June 30, 1970

\*10% in equal shares; 90% on basis of tax revenue.

## BUDGET PERFORMANCE REPORT

For Fiscal Year

July 1, 1969 - June 30, 1970

	<i>Budget as Revised</i>	<i>Actual</i>	<i>Actual Over (Under) Budget</i>
Payroll	\$ 68,000.00	\$ 56,200.69	\$(11,799.31)
Payroll Taxes	3,000.00	1,573.46	(1,426.54)
Employees' Insurance	2,000.00	1,530.30	(469.70)
Employees' Retirement	5,000.00	— — —	(5,000.00)
Staff Travel	12,000.00	14,122.69	2,122.69
Commission Members' Travel	5,000.00	2,697.90	(2,302.10)
Relocation Expenses	4,500.00	4,100.08	(399.92)
Other Travel Expenses	1,500.00	897.47	(602.53)
Bonds and Insurance	200.00	350.00	150.00
Office Supplies & Expense	1,575.00	2,204.54	629.54
Freight and Postage	3,000.00	2,952.71	(47.29)
Printing and Duplicating	5,500.00	6,729.86	1,229.86
Telephone and Telegraph	2,600.00	4,045.50	1,445.50
Books and Periodicals	2,200.00	2,008.82	(191.18)
Advertising	— — —	41.80	41.80
Miscellaneous	250.00	258.79	8.79
Conferences and Committee Meetings or Hearings	1,200.00	1,223.28	23.28
Professional Fees and Other Contract Services Including Electronic Data Processing	12,700.00	11,639.02	(1,060.98)
Office Furniture	3,000.00	2,987.42	(12.58)
Office Equipment	7,000.00	3,999.46	(3,000.54)
Contingency Account	8,000.00	— — —	(8,000.00)
<b>TOTALS</b>	<u>\$148,225.00</u>	<u>\$119,563.79</u>	<u>\$(28,661.21)</u>



**JOHN M. BYRNE & COMPANY**  
CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN BUILDING • SUITE 560 • DENVER, COLORADO 80202 • 303/892-1841

MEMBER  
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS  
COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS  
NATIONAL ASSOCIATION OF ACCOUNTANTS

July 27, 1970

Multistate Tax Commission  
1200 Lincoln Street, Suite 325  
Denver, Colorado 80203

Gentlemen:

We have examined the statement of cash receipts and disbursements and the summary of changes in cash and temporary investments of the Multistate Tax Commission for the fiscal year ended June 30, 1970. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion the accompanying statement of cash receipts and disbursements and the summary of changes in cash and temporary investments present fairly the operations of the Multistate Tax Commission resulting from recorded cash transactions for the fiscal year ended June 30, 1970, on a basis consistent with that of the preceding year.

Respectfully submitted,

JOHN M. BYRNE & COMPANY

*Robert C. Schuehler*  
Certified Public Accountant

**MULTISTATE TAX COMMISSION**  
**Statement of Receipts and Disbursements**  
**For the Fiscal Year Ended June 30, 1970**

**Cash Receipts:**

<b>Membership Assessments:</b>		
Applicable to Year Ended June 30, 1969 . . . . .	\$ 25,200.24	
Applicable to Year Ended June 30, 1970 . . . . .	142,350.00	\$167,550.24
Interest and Gain on Sale of U. S. Treasury Bills . . . . .		<u>6,173.17</u>
Total Receipts From Assessments and Earnings on Investments . . . . .		173,723.41
Cost of U.S. Treasury Bills Matured or Sold . . . . .		<u>301,556.58</u>
Total Receipts . . . . .		<u>475,279.99</u>

**Cash Disbursements:**

(Net of Reimbursements and Refunds Totaling \$6,786.73)		
Purchase of U. S. Treasury Bills . . . . .	350,895.11	
<b>Operating Expenses:</b>		
Payroll . . . . .	\$ 56,200.69	
Payroll Taxes . . . . .	1,573.46	
Employees' Insurance . . . . .	1,530.30	
Staff Travel . . . . .	14,122.69	
Commission Members' Travel . . . . .	2,697.90	
Relocation Expenses . . . . .	4,100.08	
Other Travel Expenses . . . . .	897.47	
Bonds and Insurance . . . . .	350.00	
Office Supplies and Expense . . . . .	2,204.54	
Freight and Postage . . . . .	2,952.71	
Printing and Duplicating . . . . .	6,729.86	
Telephone and Telegraph . . . . .	4,045.50	
Books and Periodicals . . . . .	2,008.82	
Advertising . . . . .	41.80	
Miscellaneous . . . . .	258.79	
<b>Conferences and Committee</b>		
Meetings or Hearings . . . . .	1,223.28	
<b>Accounting Fees and Electronic</b>		
Data Processing . . . . .	2,240.00	
Other Consulting Fees . . . . .	8,236.12	
Other Contract Services . . . . .	1,162.90	
Office Furniture . . . . .	2,987.42	
Office Equipment . . . . .	3,999.46	
Total Operating Expenses . . . . .	<u>119,563.79</u>	
Less: Unpaid Employees'		
Withheld Taxes . . . . .	<u>840.03</u>	<u>118,723.76</u>
Total Disbursements . . . . .		<u>469,618.87</u>
Excess of Receipts Over Disbursements . . . . .		5,661.12
Cash in Bank, July 1, 1969 . . . . .		<u>(1,664.48)</u>
<b>Cash in Bank, June 30, 1970 . . . . .</b>		<u><u>\$ 4,016.64</u></u>

**MULTISTATE TAX COMMISSION**  
 Summary of Changes in Cash and Temporary Investments  
 For the Fiscal Year Ended June 30, 1970

	<i>Cash In Bank</i>	<i>Temporary Investments (At Cost)</i>	<i>Total</i>
Balances, July 1, 1969 . . . . .	(\$ 1,644.48)	\$ 83,726.58	\$ 82,082.10
Additions:			
Membership Assessments . . . . .	167,550.24		167,550.24
Interest and Gain on Sale of U. S. Treasury Bills . . . . .	6,173.17		6,173.17
Cost of U. S. Treasury Bills Matured or Sold . . . . .	301,556.58		301,556.58
Cost of U. S. Treasury Bills Purchased . . . . .		350,895.11	350,895.11
	<u>473,635.51</u>	<u>434,621.69</u>	<u>908,257.20</u>
Reductions:			
Purchase of U. S. Treasury Bills . . . . .	350,895.11		350,895.11
Other Disbursements (Net) . . . . .	118,723.76		118,723.76
Cost of U. S. Treasury Bills Matured or Sold . . . . .		301,556.58	301,556.58
	<u>469,618.87</u>	<u>301,556.58</u>	<u>771,175.45</u>
Balances, June 30, 1970 . . . . .	<u>\$ 4,016.64</u>	<u>\$133,065.11</u>	<u>\$137,081.75</u>
Availability of Funds:			
Funds Held for Payment of Employees' Withheld Taxes . . . . .			\$ 840.03
Funds Held for Reserve for Employees' Retirement . . . . .			5,000.00
Funds Held for Permanent Unappropriated Reserve . . . . .			100,000.00
Unappropriated Funds Available for the Following Year . . . . .			<u>31,241.72</u>
			<u>\$137,081.75</u>