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February 28, 1978

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

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

This report covers the fiscal year beginning July 1, 1976 and ending June 30, 1977.

Respectfully submitted,

Eugene F. Corrigan
Executive Director
MULTISTATE TAX COMMISSION

OFFICERS

John J. Lobdell, Chairman
Director of Revenue
Oregon

Alan N. Charnes, Vice-Chairman
Director of Revenue
Colorado

Sterling Gallagher, Treasurer
Commissioner of Revenue
Alaska
The three officers are also members of the Executive Committee. Terms of the above officers and committee members end June 30, 1978.

EX OFFICIO MEMBERS OF EXECUTIVE COMMITTEE
FORMER COMMISSION CHAIRMEN

Byron L. Dorgan
Tax Commissioner
North Dakota

William E. Peters
Tax Commissioner
Nebraska
MULTISTATE TAX COMMISSION MEMBERS
REPRESENTING PARTY STATES OF THE
MULTISTATE TAX COMPACT

ALASKA
Sterling Gallagher
Commissioner of Revenue
Alaska State Office Building
Pouch S
Juneau, Alaska 99811
(907) 465-2300

ARKANSAS
Jim Wooten
Director, Arkansas Department of
Finance and Administration
P. O. Box 3278
Little Rock, Arkansas 72203
(501) 371-2242

CALIFORNIA
George R. Reilly
Chairman
California State Board of Equalization
P. O. Box 1799
Sacramento, California 95808
(916) 445-3956

CALIFORNIA
Kenneth Cory
Chairman, Franchise Tax Board
P. O. Box 1468
Sacramento, California 95807
(916) 445-2636

COLORADO
Alan N. Charnes
Executive Director
Colorado Department of Revenue
1375 Sherman Street
Denver, Colorado 80261
(303) 839-3091

HAWAII
Gordon Y. H. Wong
Director of Taxation
Hawaii Department of Taxation
P. O. Box 259
Honolulu, Hawaii 96809
(808) 548-7650

*Chairman of the Board of Equalization represents California in MTC fiscal years beginning in odd-numbered calendar years, and the Chairman of the Franchise Tax Board represents California in MTC fiscal years beginning in even-numbered calendar years.
IDAHO

Jenkin L. Palmer
Commissioner
Department of Revenue and Taxation
Idaho State Tax Commission
P. O. Box 36
Boise, Idaho 83722

(208) 384-3147

KANSAS

F. Kent Kalb
Secretary of Revenue
Kansas Department of Revenue
State Office Building
Topeka, Kansas 66625

(913) 296-3041

MICHIGAN

Allison Green
State Treasurer
Department of Treasury
Revenue Division
Treasury Building
Lansing, Michigan 48922

(517) 373-3223

MISSOURI

Gerald N. Goldberg
Director of Revenue
Department of Revenue
P. O. Box 629
Jefferson City, Missouri 65101

(314) 751-4450

MONTANA

Raymon E. Dore
Director of Revenue
Montana Department of Revenue
Mitchell Building
Helena, Montana 59601

(406) 449-2460

NEBRASKA

William E. Peters*
State Tax Commissioner
P. O. Box 94818
Lincoln, Nebraska 68509

(402) 471-2971

NEVADA

John J. Sheehan
Executive Director
Department of Taxation
1100 E. Williams, Capital Plaza Building
Carson City, Nevada 89710

(702) 885-4892

NEW MEXICO

Fred O'Cheskey
Commissioner of Revenue
New Mexico Bureau of Revenue
Santa Fe, New Mexico 87501

(505) 827-3221

*MTC Chairman, July 1, 1975-June 30, 1976
NORTH DAKOTA
Byron L. Dorgan
Tax Commissioner
North Dakota State Tax Department
Bismarck, North Dakota 58505

(701) 224-2770

OREGON
John J. Lodde
Director
Department of Revenue
204 State Office Building
Salem, Oregon 97310

SOUTH DAKOTA
Oren P. Coler
Secretary of Revenue
Capitol Lake Plaza
Pierre, South Dakota 57501

(605) 224-3311

TEXAS
Bob Bullock
Comptroller of Public Accounts
LBJ State Office Building
Austin, Texas 78711

(512) 476-6001

UTAH
Vernon L. Holman
Chairman
Utah State Tax Commission
202 State Office Building
Salt Lake City, Utah 84114

(801) 533-5831

WASHINGTON
Charles Hodde
Director
Washington Department of Revenue
415 General Administration Building
Olympia, Washington 98504

(206) 753-5512

* MTC Chairman, July 1, 1972 to June 30, 1974
** Former member of MTC Executive Committee
ALTERNATES

**ALASKA**

John Messenger
Deputy Commissioner
Department of Revenue
Pouch S
Juneau, Alaska 99811

**ARKANSAS**

F. Nolan Humphrey
(501) 371-1626
Administrator
Office of Tax Administration
Arkansas Department of Finance and Administration
P. O. Box 1272
Little Rock, Arkansas 72203

**COLORADO**

Frank Beckwith
(303) 839-3048
Chief of Taxation
Colorado Department of Revenue
1375 Sherman Street
Denver, Colorado 80224

**HAWAII**

Stanley D. Suyat
(808) 548-7562
Deputy Director
Department of Taxation
P. O. Box 259
Honolulu, Hawaii 96809

**IDAHO**

Larry G. Looney
(208) 384-3149
Commissioner
Department of Revenue and Taxation
Idaho State Tax Commission
P. O. Box 36
Boise, Idaho 83707

**KANSAS**

Benjamin J. Neill
(913) 296-2381
General Counsel
Department of Revenue
State Office Building
Topeka, Kansas 66625

**MICHIGAN**

Sydney Goodman
(517) 373-3193
Commissioner of Revenue
Department of Treasury
Revenue Division
Treasury Building
Lansing, Michigan 48922
MISSOURI

Roger T. Harris, Director (314) 751-3608
Division of Taxation & Collection
Department of Revenue
P. O. Box 629
Jefferson City, Missouri 65101

MONTANA

Laury Lewis (406) 449-2460
Deputy Director of Revenue
Montana Department of Revenue
Mitchell Building
Helena, Montana 59601

NEBRASKA

John L. Decker (402) 471-2971
Administrator
Tax Policy Division
Department of Revenue
P. O. Box 94818
Lincoln, Nebraska 68509

NEVADA

Tom Kruse (702) 885-4820
Deputy Director
Department of Taxation
Capital Plaza Building
1100 E. Williams
Carson City, Nevada 89710

NEW MEXICO

Jan Unna (505) 827-3221
Director Ext. 212
Legal Division
New Mexico Bureau of Revenue
Santa Fe, New Mexico 87501

NORTH DAKOTA

Robert R. Kessel (701) 224-3450
North Dakota State Tax Department
State Capitol
Bismarck, North Dakota 58505

OREGON

Theodore W. de Looze (503) 378-4497
Chief Tax Counsel
Tax Division
Department of Justice
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Salem, Oregon 97310
TEXAS

Orville Dixon
Audit Director
Department of Revenue
Capitol Lake Plaza Building
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(605) 773-3311

Wade Anderson
Assistant Comptroller
Legal Services
Office of Comptroller
State of Texas
Austin, Texas 78711

(512) 475-2779

SOUTH DAKOTA

ED R. Mcller
Chief Auditor
Auditing Division
Utah State Tax Commission
201 State Office Building
Salt Lake City, Utah 84134

(801) 533-5941

UTAH

Ed Tvenden
Assistant Director
Department of Revenue
415 General Administration Building
Olympia, Washington 98504

(206) 753-5504

WASHINGTON

HORappointed

xi
TAX ADMINISTRATORS, 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 become familiar with it through meeting with the members, and (2) it gives the Commission an opportunity to seek the active participation and additional influence of states which 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.

ALABAMA

Charles Boswell (205) 832-5760
Commissioner
Department of Revenue
Montgomery, Alabama 36130

ARIZONA

Neal G. Trasante (602) 271-3393
Director
Department of Revenue
Capitol Building, West Wing
Phoenix, Arizona 85007

GEORGIA

W. E. Strickland (404) 656-4016
Commissioner
Department of Revenue
410 Trinity-Washington Building
Atlanta, Georgia 30334

LOUISIANA

Shirley McNamara (504) 389-6933
Secretary
Department of Revenue and Taxation
State of Louisiana
P. O. Box 201
Baton Rouge, Louisiana 70821
MARYLAND

Louis L. Goldstein  
(301) 269-3801
Comptroller of the Treasury  
State Treasury Building  
P. O. Box 466  
Annapolis, Maryland 21404

MASSACHUSETTS

Laurence D. Fitzmaurice  
(617) 727-4201
Commissioner  
Department of Corporations and  
Taxation  
100 Cambridge Street  
Boston, Massachusetts 02202

MINNESOTA

Arthur C. Roemer  
(612) 296-3401
Commissioner of Revenue  
Department of Revenue  
Centennial Office Building  
St. Paul, Minnesota 55145

NEW JERSEY

Sidney Glaser  
(609) 292-5185
Director  
Division of Taxation  
Department of Treasury  
West State & Willow Streets  
Trenton, New Jersey 08625

OHIO

Edgar L. Lindley  
(614) 466-2166
Tax Commissioner  
Department of Taxation  
P. O. Box 530  
Columbus, Ohio 43216

PENNSYLVANIA

Milton Lopus  
(717) 787-3910
Secretary of Revenue  
Department of Revenue  
207 Finance Building  
Harrisburg, Pennsylvania 17127

TENNESSEE

Jayne Ann Woods  
(615) 741-2461
Commissioner  
Department of Revenue  
Andrew Jackson State Office Building  
Nashville, Tennessee 37242

WEST VIRGINIA

David C. Hardesty Jr.  
(304) 348-2501
State Tax Commissioner  
State Tax Department  
Charleston, West Virginia 25305
TAX ADMINISTRATORS, NON-MEMBER STATES

Gerald J. Heffeman
Commissioner
Tax Department
92 Farmington Avenue
Hartford, Connecticut 06115

(203) 566-7120

John L. Sullivan
Director of Revenue
Department of Finance
Wilmington State Office Bldg.,
9th & French Sts.
Wilmington, Delaware 19899

(302) 571-3315

Kenneth Back
Director of Finance & Revenue
District of Columbia
Room 4136 Municipal Center
300 Indiana Avenue, N.W.
Washington, D.C. 20001

(202) 629-2337

Harry Coe
Executive Director
Florida Department of Revenue
102 Carlton Building
Tallahassee, Florida 32304

(904) 488-5050

Robert M. Whitley
Director
Illinois Department of Revenue
P.O. Box 3681
Springfield, Illinois 62708

(217) 782-6330

Donald H. Clark
Commissioner of Revenue
Indiana Department of Revenue
202 State Office Building
Indianapolis, Indiana 46204

(317) 633-6842

Gerald D. Bair
Director
Iowa Department of Revenue
Lucas State Office Building
Des Moines, Iowa 50319

(515) 281-3204

Maurice P. Carpenter
Commissioner
Department of Revenue
State Office Building
Frankfort, Kentucky 40401

(502) 564-3226

Raymond L. Halperin
State Tax Assessor
Bureau of Taxation
State Office Building
Augusta, Maine 04333

(207) 289-2076

Charles R. Brady
Chairman
Tax Commission
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Jackson, Mississippi 33225

(601) 354-6255

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Commissioner
Department of Revenue Administration
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Concord, New Hampshire 03301

(603) 271-2191

James H. Tully, Jr.
Commissioner
New York State Department of Taxation and Finance
Albany, New York 12237

(518) 457-2244

Mark Lynch
Secretary of Revenue
Department of Revenue
P.O. Box 25000
Raleigh, North Carolina 27611

(919) 733-7211

James E. Walker
Chairman
State Tax Commission
The M.C. Connor Building
2501 N. Lincoln
Oklahoma City, Oklahoma 73114

(405) 521-3115

John H. Norberg
Tax Administrator
Division of Taxation
Department of Administration
289 Promenade Street
Providence, Rhode Island 02908

(401) 277-3050

Robert C. Wasson
Chairman
Tax Commission
Box 125
Columbia, South Carolina 29214

(803) 758-2691

R. Paul Wickes
Commissioner of Taxes
Department of Taxes
Pavilion Office Building
Montpelier, Vermont 05602

(802) 828-2505

William H. Forst
State Tax Commissioner
Commonwealth of Virginia
Department of Taxation
Richmond, Virginia 23215

(804) 786-8968

Dennis J. Costa
Secretary of Revenue
Department of Revenue
201 E. Washington Ave.
Madison, Wisconsin 53702

(608) 266-1611

Rudolph Anselmi
Chairman
Wyoming Tax Commission and Board of Equalization
2200 Carey Avenue
Cheyenne, Wyoming 82001

(307) 777-7307

*MTA Chairman, July 1, 1974- June 30, 1975
REPORT OF THE EXECUTIVE DIRECTOR

I. MTC WINS U.S. SUPREME COURT CASE

As this report goes to press, we have just received notice that the U.S. Supreme Court has ruled in favor of the Multistate Tax Commission in the case of U.S. Steel et al. v. Multistate Tax Commission et al.¹

The main questions were: 1) Is the MTC a legal entity unless Congress specifically consents to its existence; and 2) Does the MTC have the right to pursue its joint audit program on behalf of member states? A 7-2 majority of the Court responded favorably to the MTC on these and all other issues which had been raised by the appellant corporations.

The February 21, 1978 decision has made available to states and corporate taxpayers alike the opportunity to work together through the Commission toward improved tax administration procedures. It is important that both groups pursue this goal together. The alternative could be federal legislation which would be restrictive on both.

II. MEMBERSHIP

As of July 1, 1977, the Commission had 19 Member States and 12 Associate Member States. During Fiscal 1977, Indiana and Wyoming withdrew from the Compact; and Oklahoma withdrew as an Associate Member.

III. UNIFORM REGULATIONS

The Multistate Tax Commission approved Uniform Allocation and Apportionment Regulations on September 10, 1971. On February 21, 1973, it approved a slightly revised version. Indiana and North Carolina have adopted the former. The latter have been officially adopted by Alaska, Arkansas, California (except as to dividends), Colorado, Idaho, Missouri, Montana, Nebraska (excludes examples), New Mexico, North Dakota, Oregon and Utah. The 1973 regulations are also being substantially followed by Alabama, Kansas, Kentucky and Maine. Thus, the regulations are generally followed by some 18 states, which constitute some 40% of those imposing corporate income taxes. Furthermore, Texas is applying the regulations to its Franchise Tax to the extent possible.

IV. UNIFORM SALES & USE TAX CERTIFICATE

Thirty-six states accept the uniform certificate. That is some 80% of those states which impose such taxes. The form of the certificate and the names of the thirty-six states appear at Appendix A of this Report.

V. AUDIT ACTIVITIES

As of July 1, 1977, the staff consisted of nine auditors. These included the audit coordinator, five senior auditors and three junior auditors. Three were located in New York and six in Chicago. During the year, audit recommendations totaling nearly $10 million were forwarded to the states at a total cost of $375,626. The states generally collect even more than the amount recommended. The reason is that penalties and interest usually apply to audit assessments.

¹U.S. Supreme Court No. 76-635.
VI. LITIGATION

The U.S. Steel decision was by far the most important litigation in which the Commission was involved during fiscal 1977. Nevertheless, the Commission was also, during the year, participating in or preparing to participate in several other cases. They included three cases in which business v. nonbusiness questions and the applicability of the unitary business concept were involved.

1. ASARCO, Inc. v. Montana Department of Revenue, 267 P. 2d 901.
2. ASARCO, Inc. v. Idaho State Tax Commission, Idaho Supreme Court Docket No. 12198.

Two other cases involved only business v. nonbusiness questions:
4. Montgomery Ward & Co. v. Wooten, Director, Arkansas Department of Finance and Administration, Chancery Court, Pulaski County.

An Iowa case involved the constitutionality of that state's single factor apportionment formula:
An Illinois case tested the validity of sales attribution rules of that state:
And a North Dakota case tested the right of that state's tax commissioner to examine all state tax returns filed anywhere by the taxpayer in determining the accuracy of returns filed with his state:

VII. CONCLUSION

As fiscal 1977 ended, the Commission was preparing for the anticipated favorable decision in the U.S. Steel case. That decision was expected to give new impetus to the efforts of the Commission and its member states to achieve increased uniformity in state tax administration procedures and increasingly equitable taxation of multistate income.
APPORTIONMENT OF 1977-78 BUDGET

<table>
<thead>
<tr>
<th>State</th>
<th>1974-75 Revenues under Compact</th>
<th>% of Total</th>
<th>10% of Total</th>
<th>90% of Total</th>
<th>Total Share of 1977-78 Budget</th>
</tr>
</thead>
<tbody>
<tr>
<td>Alaska</td>
<td>$115,423,200.00</td>
<td>.6810</td>
<td>$1,165.00</td>
<td>$1,356.65</td>
<td>$2,521.65</td>
</tr>
<tr>
<td>Arkansas</td>
<td>$391,660,885.00</td>
<td>2.3108</td>
<td>$1,165.00</td>
<td>$4,603.46</td>
<td>$5,768.46</td>
</tr>
<tr>
<td>California</td>
<td>$7,190,203,000.00</td>
<td>42.4230</td>
<td>$1,165.00</td>
<td>$84,512.98</td>
<td>$85,677.98</td>
</tr>
<tr>
<td>Colorado</td>
<td>$562,259,995.00</td>
<td>3.3174</td>
<td>$1,165.00</td>
<td>$6,608.76</td>
<td>$7,773.76</td>
</tr>
<tr>
<td>Hawaii</td>
<td>$440,141,865.00</td>
<td>2.5969</td>
<td>$1,165.00</td>
<td>$5,173.42</td>
<td>$6,338.42</td>
</tr>
<tr>
<td>Idaho</td>
<td>$224,582,934.00</td>
<td>1.3251</td>
<td>$1,165.00</td>
<td>$2,639.80</td>
<td>$3,804.80</td>
</tr>
<tr>
<td>Kansas</td>
<td>$516,786,161.00</td>
<td>3.0491</td>
<td>$1,165.00</td>
<td>$6,074.26</td>
<td>$7,239.26</td>
</tr>
<tr>
<td>Michigan</td>
<td>$2,359,747,563.00</td>
<td>13.9228</td>
<td>$1,165.00</td>
<td>$27,736.31</td>
<td>$28,901.31</td>
</tr>
<tr>
<td>Missouri</td>
<td>$784,333,283.00</td>
<td>4.6277</td>
<td>$1,165.00</td>
<td>$9,219.07</td>
<td>$10,384.07</td>
</tr>
<tr>
<td>Montana</td>
<td>$110,701,206.00</td>
<td>.6531</td>
<td>$1,165.00</td>
<td>$1,301.07</td>
<td>$2,466.07</td>
</tr>
<tr>
<td>Nebraska</td>
<td>$247,501,000.00</td>
<td>1.4603</td>
<td>$1,165.00</td>
<td>$2,909.14</td>
<td>$4,074.14</td>
</tr>
<tr>
<td>Nevada</td>
<td>$100,543,821.00</td>
<td>.5932</td>
<td>$1,165.00</td>
<td>$1,181.74</td>
<td>$2,346.74</td>
</tr>
<tr>
<td>New Mexico</td>
<td>$329,996,000.00</td>
<td>1.9470</td>
<td>$1,165.00</td>
<td>$3,878.72</td>
<td>$5,043.72</td>
</tr>
<tr>
<td>North Dakota</td>
<td>$162,503,754.00</td>
<td>.9588</td>
<td>$1,165.00</td>
<td>$1,910.07</td>
<td>$3,075.07</td>
</tr>
<tr>
<td>Oregon</td>
<td>$529,652,000.00</td>
<td>3.1250</td>
<td>$1,165.00</td>
<td>$6,225.47</td>
<td>$7,390.47</td>
</tr>
<tr>
<td>South Dakota</td>
<td>$77,116,673.00</td>
<td>.4550</td>
<td>$1,165.00</td>
<td>$906.43</td>
<td>$2,071.43</td>
</tr>
<tr>
<td>Texas</td>
<td>$1,629,203,866.00</td>
<td>9.6125</td>
<td>$1,165.00</td>
<td>$19,149.54</td>
<td>$20,314.54</td>
</tr>
<tr>
<td>Utah</td>
<td>$318,965,184.00</td>
<td>1.8820</td>
<td>$1,165.00</td>
<td>$3,749.23</td>
<td>$4,914.23</td>
</tr>
<tr>
<td>Washington</td>
<td>$857,499,000.00</td>
<td>5.0593</td>
<td>$1,165.00</td>
<td>$10,078.88</td>
<td>$11,243.88</td>
</tr>
</tbody>
</table>

$16,948,821,390.00  $109,000.00  $221,135.00  $199,215.00  $221,350.00

# For fiscal year ending June 30, 1975

*10% in equal shares; 90% on the basis of tax revenue
Multistate Tax Commission
Boulder, Colorado

We have examined the balance sheet of Multistate Tax Commission at June 30, 1977 and the related statements of changes in fund balance, revenue and incurred expense and changes in financial position for the year then ended. 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 financial statements referred to above present fairly the financial position of Multistate Tax Commission at June 30, 1977 and the results of its operations, changes in fund balance, and changes in financial position for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Rhode, Titchenal, Baumann & Scripter
Certified Public Accountants

October 25, 1977
MULTISTATE TAX COMMISSION

BALANCE SHEET
June 30, 1977

ASSETS

<table>
<thead>
<tr>
<th>CURRENT ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash</td>
<td>$ 25</td>
</tr>
<tr>
<td>Certificates of deposit</td>
<td>150,000</td>
</tr>
<tr>
<td>Assessments receivable (net of allowance for doubtful assessments amounting to $31,500)</td>
<td>81,498</td>
</tr>
<tr>
<td><strong>TOTAL CURRENT ASSETS</strong></td>
<td><strong>231,523</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>PROPERTY AND EQUIPMENT</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Office furniture and equipment</td>
<td>$30,675</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>16,071</td>
</tr>
<tr>
<td>Leasehold improvements</td>
<td>956</td>
</tr>
<tr>
<td>Less accumulated amortization</td>
<td>856</td>
</tr>
<tr>
<td><strong>TOTAL PROPERTY AND EQUIPMENT</strong></td>
<td><strong>14,706</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>OTHER ASSETS</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Expense account advances</td>
<td>3,900</td>
</tr>
<tr>
<td>Deposits</td>
<td>1,621</td>
</tr>
<tr>
<td>Prepaid and unamortized past service pension costs</td>
<td>10,528</td>
</tr>
<tr>
<td><strong>TOTAL OTHER ASSETS</strong></td>
<td><strong>16,049</strong></td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td><strong>526,228</strong></td>
</tr>
</tbody>
</table>

LIABILITIES AND FUND BALANCE

<table>
<thead>
<tr>
<th>CURRENT LIABILITIES</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Demand deposit over draft</td>
<td>$ 2,434</td>
</tr>
<tr>
<td>Accounts payable</td>
<td>7,912</td>
</tr>
<tr>
<td>Payroll taxes payable</td>
<td>6,705</td>
</tr>
<tr>
<td>Accrued retirement provision</td>
<td>9,343</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td><strong>26,594</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>FUND BALANCE - Exhibit B</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Reserve for employees' retirement</td>
<td>$ 15,877</td>
</tr>
<tr>
<td>Unappropriated fund balance</td>
<td>219,807</td>
</tr>
<tr>
<td><strong>TOTAL FUND BALANCE</strong></td>
<td><strong>235,684</strong></td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES AND FUND BALANCE</strong></td>
<td><strong>526,228</strong></td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
MULTIPLE TAX COMMISSION

STATEMENT OF CHANGES IN FUND BALANCE
For the year ended June 30, 1977

<table>
<thead>
<tr>
<th></th>
<th>Reserve for Employees' Retirement</th>
<th>Unappropriated Fund Balance</th>
<th>Total Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE - June 30, 1976:</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>As previously reported</td>
<td>$15,877</td>
<td>$202,773</td>
<td>$218,650</td>
</tr>
<tr>
<td>Adjustment - Note 4</td>
<td></td>
<td>(1,736)</td>
<td>(1,736)</td>
</tr>
<tr>
<td><strong>BALANCE AS RESTATED:</strong></td>
<td>$15,877</td>
<td>201,037</td>
<td>216,914</td>
</tr>
</tbody>
</table>

Excess of revenue over incurred expense - Exhibit C

<table>
<thead>
<tr>
<th></th>
<th>Reserve for Employees' Retirement</th>
<th>Unappropriated Fund Balance</th>
<th>Total Fund Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BALANCE - June 30, 1977:</strong></td>
<td>$15,877</td>
<td>$219,807</td>
<td>$235,684</td>
</tr>
</tbody>
</table>

See accompanying notes to financial statements.
MULTISTATE TAX COMMISSION

STATEMENT OF REVENUE AND INCURRED EXPENSE
For the year ended June 30, 1977

REVENUE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assessments</td>
<td>$567,350</td>
</tr>
<tr>
<td>Interest</td>
<td>14,431</td>
</tr>
<tr>
<td>Other revenue</td>
<td>1,500</td>
</tr>
<tr>
<td><strong>TOTAL REVENUE</strong></td>
<td><strong>583,281</strong></td>
</tr>
</tbody>
</table>

INCURRED EXPENSE

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries</td>
<td>$324,675</td>
</tr>
<tr>
<td>Insurance - employees</td>
<td>21,301</td>
</tr>
<tr>
<td>Pension plan and retirement provision</td>
<td>51,155</td>
</tr>
<tr>
<td>Travel - staff</td>
<td>68,512</td>
</tr>
<tr>
<td>Travel - other</td>
<td>936</td>
</tr>
<tr>
<td>Insurance - general</td>
<td>742</td>
</tr>
<tr>
<td>Rent</td>
<td>34,842</td>
</tr>
<tr>
<td>Office supplies</td>
<td>4,217</td>
</tr>
<tr>
<td>Postage</td>
<td>4,554</td>
</tr>
<tr>
<td>Printing</td>
<td>14,475</td>
</tr>
<tr>
<td>Telephone</td>
<td>16,647</td>
</tr>
<tr>
<td>Publications</td>
<td>2,871</td>
</tr>
<tr>
<td>Conferences, committee meetings and hearings</td>
<td>2,611</td>
</tr>
<tr>
<td>Accounting</td>
<td>2,716</td>
</tr>
<tr>
<td>Legal and actuary fees</td>
<td>9,733</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>3,618</td>
</tr>
<tr>
<td>Miscellaneous expense</td>
<td>906</td>
</tr>
<tr>
<td><strong>TOTAL INCURRED EXPENSE</strong></td>
<td><strong>564,511</strong></td>
</tr>
</tbody>
</table>

**EXCESS OF REVENUE OVER INCURRED EXPENSE**........ $18,770

See accompanying notes to financial statements.
MULTISTATE TAX COMMISSION

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the year ended June 30, 1977

SOURCES OF WORKING CAPITAL
From Operations:
   Excess of revenue over incurred expenses - Exhibit C $ 18,770
   Add charges to operations not requiring the use of working capital:
      Depreciation and amortization $3,618
      Pension plan past service costs paid in prior years and expensed currently 6,172 9,790
Less credits to operations not providing working capital:
   Current year assessments paid in prior year 22,106
Total Provided by Operations 6,454
Decrease in rental deposits 653
TOTAL SOURCES OF WORKING CAPITAL 7,107

USES OF WORKING CAPITAL
   Purchase of office equipment 8,182
   Expense account advances 1,200
TOTAL USES OF WORKING CAPITAL 9,382

NET DECREASE IN WORKING CAPITAL 2,275

Working Capital (restated) - June 30, 1976 207,204
WORKING CAPITAL - June 30, 1977 204,929

CHANGES IN COMPONENTS OF WORKING CAPITAL REPRESENTED BY:

Decrease (increase) in Current Assets:
   Cash $ 57,655
   Certificates of deposit (20,000)
   Assessments receivable (37,326)
   Prepaid expense 726

Increase (Decrease) in Current Liabilities:
   Operating account overdraft 2,434
   Accounts payable (10,524)
   Payroll taxes payable 956
   Accrued retirement provision 8,354

NET DECREASE IN WORKING CAPITAL $ 2,275

See accompanying notes to financial statements.
NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Multistate Tax Commission was organized in 1967. It was established under the Multistate Tax Compact which by its terms became effective August 4, 1967. The basic objective of the "Compact" and accordingly the Commission, is to provide solutions and additional facilities for dealing with state taxing problems related to multistate business.

The following accounting policies, together with those disclosed elsewhere in the financial statements, represent the significant accounting policies followed in presenting the accompanying financial statements.

(a) Method of Accounting

The Commission uses the accrual method of accounting whereby assessment revenue is recognized in the fiscal year of assessment. Contributions by states for specified purposes are recognized as income during the year of receipt. Other earned revenue is recognized as it is earned. Expenses are recognized as they are incurred.

(b) Property and Equipment

All property and equipment is recorded at cost. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is provided for on the straight-line basis over the term of the lease.

(c) Allowance for Doubtful Assessments

An allowance for doubtful assessments is provided in amounts required to maintain an adequate allowance for anticipated losses.

NOTE 2 - INCOME TAXES

In the opinion of legal counsel, the Commission is exempt from Federal income tax as well as from other Federal taxes as an organization of a group of States or as an instrumentality of those States. Therefore, no provision has been made in the financial statements for Federal income taxes.
NOTE 3 - PENSION PLAN

The Commission has a defined benefit pension plan covering substantially all of its employees. The total pension expense for the year was $51,155, which includes amortization of prior service costs over 10 years. The Commission's policy is to fund pension cost accrued. The actuarially computed value of vested benefits as of June 30, 1977, is fully funded. A change from 20 years to 10 years in the term used in amortizing post service costs of the plan had the effect of reducing the excess of revenue over incurred expense for the year by approximately $5,900.

The Commission also accrues 14% of the gross salaries of the personnel on leave of absence from State taxing authorities. Contributions are made to their respective plans if employment with the Commission is terminated and the employee returns to State employment before the expiration of the leave of absence. The current year's accrual and corresponding expense attributable to State employees on leave of absence amounted to $1,652.00 which is included in the total pension expense aforementioned.

Actuarially determined normal pension plan costs for the year ending June 30, 1978 are $58,487 based upon covered payroll at June 30, 1977.

NOTE 4 - PRIOR PERIOD ADJUSTMENT

The unappropriated fund balance at June 30, 1976, has been adjusted downwards by $1,736 and restated from amounts previously reported to reflect the following:

(1) A retroactive charge for disputed legal fees which were incurred during the fiscal year ended June 30, 1976, and settled in the current year for $13,250; and

(2) A retroactive credit for the cumulative overstatement of the pension and retirement provision of prior years in the amount of $11,514.

Had the above been reflected in operations for the year ended June 30, 1976, the excess of incurred expense over revenue for the year then ended would have been $20,346 rather than $18,610 as previously reported.
NOTE 5 - COMMITMENTS

The Commission rents its primary office facilities in Boulder, Colorado, and secondary office facilities in New York, Illinois and Washington under lease agreements with terms expiring on various dates through January 1, 1982. These leases, and a lease entered into October 1, 1977 for secondary office facilities in Washington, D.C. provide for the following minimum annual rentals exclusive of utility charges:

<table>
<thead>
<tr>
<th>Fiscal Year Ended</th>
<th>Minimum Annual Rental</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1978</td>
<td>$16,756</td>
</tr>
<tr>
<td>June 30, 1979</td>
<td>18,273</td>
</tr>
<tr>
<td>June 30, 1980</td>
<td>16,651</td>
</tr>
<tr>
<td>June 30, 1981</td>
<td>7,528</td>
</tr>
<tr>
<td>June 30, 1982</td>
<td>6,157</td>
</tr>
</tbody>
</table>

$65,365

Rental expense including utilities for the fiscal year ended June 30, 1977 amounted to $34,842.
APPENDIX A

UNIFORM SALES & USE TAX CERTIFICATE FORM

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SALES AND USE TAX CERTIFICATE MULTI-JURISDICTION

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AGREEMENT
ON
EXCHANGE OF SALES AND USE TAX INFORMATION

In the interest of furthering the mutual interests of the undersigned states represented by the undersigned officials through benefits which can be derived from the exchange of information among said states, each of said officials does hereby enter into the following Agreement for the exchange of information with every other undersigned official.

The undersigned hereby mutually agree to exchange information, to the full extent permitted by their respective laws, in accordance with the terms and limitations below:

1. For the purposes of this Agreement, sales tax includes general excise and/or gross receipt taxes and means a tax imposed on a sale or exchange of personal property and/or services, as well as on gross receipts from trade or business; and use tax means a tax other than ad valorem tax, on the privilege of storing, using or consuming personal property and/or services.

2. This Agreement shall be applicable with respect to:
   a. The inspection of sales and use tax returns of any taxpayer, and
   b. The furnishing of an abstract or the exchange of computer information regarding the sales or use tax return of any taxpayer, and
   c. The furnishing of any information concerning any items contained in any sales or use tax return of any taxpayer, and
   d. The furnishing of any information disclosed by the report of any investigation of the sales or use tax return of any taxpayer.

3. For purposes of this Agreement, “taxpayer” includes any individual, corporation, partnership, organization, association, fiduciary, person or other entity, subject to payment or collection and remittance of sales or use tax or required to file a sales or use tax return.

4. This Agreement is not limited to a specific period of time or to returns, documents or information relating to any specific years or periods; and it will be considered to be in effect until revoked by one of the parties; however, the withdrawal of one party hereto shall not affect the Agreements among the remaining parties.

5. Additions and changes, including definitions, in the provisions of this Agreement, may be made by mutual consent of the proper officials of the undersigned states, and shall become an attachment to this Agreement.

6. No information obtained pursuant to this Agreement shall be disclosed to any person not authorized to receive such information by the laws of the undersigned states.

7. The information obtained pursuant to this Agreement shall be used only for the purpose of administration, and enforcement of the sales and use tax laws of the undersigned states.

8. This written Agreement shall not become effective between any two states until the authorized officials for both such states have signed it in the space provided below.

9. This written Agreement is not intended to revoke or supersede any other similar agreement that may have been previously entered into between any two or more of the states represented below.

10. The undersigned agree to inform each other of the current statutory provisions of their respective states concerning the confidentiality of the material exchanged and the penalties for unlawful disclosure thereof.
11. Any of the undersigned state officials may, at their discretion, refuse to furnish information disclosed in the report of any investigation while such investigation is still in progress or during such time as litigation is contemplated or in process, if the official of the state making the investigation deems it in the best interests of his state for such information to be withheld pending final determination of litigation.

12. Each of the undersigned state officials hereby affirms that he is the proper official charged with the administration of the sales and use tax laws of his state.

This Agreement may be executed in counterparts, all of which taken together shall be deemed one original Agreement.

The above agreement has been executed by the following states under the information sharing authority granted by their statutes. The execution of the Agreement by these states constitutes the equivalent of 274 individual agreements.

SIGNATORY STATES

Arkansas          Mississippi
California        Missouri
Colorado          Montana
Georgia           Nebraska
Idaho             North Dakota
Indiana           Pennsylvania
Iowa              South Dakota
Kansas            Tennessee
Louisiana         Texas
Massachusetts     Utah
Michigan          Washington
Minnesota         Wyoming