Ted Spangler (MTC Uniformity Committee Chair)
Deputy Attorney General
Idaho State Tax Commission
Legal Department
P.O. Box 36
Boise, ID 83722

Richard Cram (MTC Sales and Use Tax Subcommittee Chair)
Director of Policy and Research
Kansas Department of Revenue
915 SW Harrison
Topeka, KS 66612-1588

Dear Sirs:

It has come to our attention that the telecommunications industry has requested that the MTC work cooperatively with the industry on proposals to simplify the collection of transaction taxes levied by local governments, which may then be offered as model legislation to state legislatures.

We appreciate that the MTC has taken the time to solicit our associations' thoughts on this project. As representatives of local government, we believe it is important for you to hear from the jurisdictions that would be affected by these proposals, and learn the history of our earlier discussions with the telecommunications industry.

Beginning in late 2004, representatives from the national associations representing state and local government as well as from the communications industry convened a dialogue to consider whether a compromise proposal could be reached regarding comprehensive reform of state and local taxation of communications services. Over the months our representatives were engaged in this dialogue, local government continued to make clear to industry representatives that centralized collection of transaction taxes levied by local government would only be considered in the context of comprehensive telecommunications reform, and never as a standalone proposition. This position having been clearly stated over time, you can imagine our surprise and dismay when we heard industry's request that the MTC work on proposals to simplify the collection of transaction taxes levied by local governments, particularly in the absence of any agreed upon comprehensive federal reform proposal.

The talks between industry and state and local governments collapsed over several fundamental differences of opinion, including the rate at which transactional taxes on the telecommunications industry should be imposed, and state and local governments' insistence that all reform proposals achieve revenue neutrality. To this day, local governments remain willing to discuss centralized

collection, but only in the context of comprehensive reform of telecommunications taxes that meet basic principles.

It is our hope that the MTC will move cautiously in this matter and will continue to give local government representatives an opportunity to share our thoughts and proposals before developing any templates addressing the issue of centralized collection for state legislatures to consider.

Thank you for your attention to our concerns.

Sincerely,

Larry E. Naake
Executive Director, NACo

Tom Cochran
Executive Director, USCM

Libby Beaty
Executive Director, NATOA

Jeffrey R. Esser
Executive Director, GFOA