MULTISTATE TAX COMMISSION

Working Together Since 1967 to Preserve Federalism and Tax Fairness

To: **MTC Financial Institutions Work Group**

From: **Lennie Collins, Chair**

Date: **May 9, 2011**

Subject: **Project Status**

The purpose of this memo is to summarize the current status of the issues that were considered by the working group during its teleconference of May 4, 2011. The discussion focused on the draft proposed amendments to the property factor submitted by Karen Boucher on behalf of the Financial Institutions State Tax Coalition on April 26, 2011. A copy of FIST's April 26 draft is available at: http://www.mtc.gov/uploadedFiles/Multistate_Tax_Commission/Uniformity/Minutes/MTC%20Property%20Factor%20Draft%20-4-26-11.pdf

1. Paragraphs 4(g)(4). The work group began a discussion of the application of the proposed INAA factors to centralized consumer loans. FIST proposes that the INAA factors for such loans be equally weighted, as are the current SINAA factors. A question was raised as to whether such factors should be equally weighted, as different types of consumer loans (i.e., credit cards as opposed to mortgages) might require a greater or lesser degree of administration in relation to the amount of investigation and/or negotiation required for each of the various types of loans. This discussion regarding weighting of the factors, if any, will continue during the next teleconference.
2. Paragraph 4(g) (4)(E). The latest FIST draft clarifies that the factors are measured by the number of employees attributable to each. With respect to centralized consumer loans, employees to be considered as performing the indicated INAA functions are the individuals who have management responsibilities for those functions.
3. Paragraph 4(i)(1). The paragraph was amended to strike "as the seller." Since the paragraph applies to all transfers to or from an entity that is within the same controlled group of

corporations, it is immaterial whether the loans were transferred by means of a sale or otherwise.

4. Question was raised as to which of the SINAA factors should be deleted, if any. FIST draft would delete "solicitation." Some have suggested considering deleting all but "administration." This will be discussed at the next meeting.

The next work group teleconference is scheduled for June 7, 2011 at 3:30 Eastern time. Call in instructions are (888) 809 – 4012, password 101912. State members are reminded to submit any comments or suggestions they may have regarding any item in the FIST draft of April 26, 2011 or any other issue pertaining to the application of the property factor. The chair would be especially interested in any comments the state members may have regarding the wording of the phrase "material change" as used in the FIST draft. Please submit your comments to staff on or before June 1, 2011.

Thank you.