I. **Welcome and Introductions**

Wood Miller, Chair of the Uniformity Committee, (MO) opened the meeting. The following persons were in attendance:

<table>
<thead>
<tr>
<th>Name</th>
<th>Organization</th>
<th>Multistate Tax Commission</th>
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<tbody>
<tr>
<td>Pamela Hill</td>
<td>Alabama Department of Revenue</td>
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<td>Michael E. Mason</td>
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<td>Robynn Wilson</td>
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<td>Walter Anger</td>
<td>Arkansas Department of Finance and Administration</td>
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<td>Deanna Munds-Smith</td>
<td>Florida Department of Revenue</td>
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<td>Phillip Horwitz</td>
<td>Colorado Department of Revenue</td>
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<td>Karl Frieden</td>
<td>Council on State Taxation</td>
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<td>Liz Cha</td>
<td>Deloitte</td>
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<td>Karen Boucher</td>
<td>Federation of Tax Administrators</td>
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<td>Helen Hecht</td>
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<td>Maria Johnson</td>
<td>Florida Department of Revenue</td>
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<td>Phil Skinner</td>
<td>Idaho Office of the Attorney General</td>
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Multistate Tax Commission:

- Pamela Hill
- Michael E. Mason
- Christy Vanevender
- Chris Sherlock
- Robynn Wilson
- Walter Anger
- Deanna Munds-Smith
- Phillip Horwitz
- Karl Frieden
- Liz Cha
- Karen Boucher
- Helen Hecht
- Maria Johnson
- Phil Skinner

Attendance:
- Pamela Hill
- Michael E. Mason
- Christy Vanevender
- Chris Sherlock
- Robynn Wilson
- Walter Anger
- Deanna Munds-Smith
- Phillip Horwitz
- Karl Frieden
- Liz Cha
- Karen Boucher
- Helen Hecht
- Maria Johnson
- Phil Skinner
- Roxanne Bland
- Bruce Fort
- Elizabeth Harchenko
- Thomas Shimkin
- Jeffrey Silver
- Ben Abalos
- Lila Disque
- Joe Huddleston
- Sheldon Laskin
- Gregory Matson
- Cathy Felix
- Lennie Collins
- Rebecca Abbo
- Lizzy Vedamanikam
II. Approval of Minutes of In-person Meeting, July 22, 2013
The minutes of the July 22 meeting were approved by voice vote.

III. Public Comment Period
There were no public comments at this time.

IV. Reports and Possible Action Items
a. (Sales/Use Tax Segment)
   Richard Cram, Chair of the Uniformity Subcommittee on Sales & Use Tax, (KS) presented the subcommittee’s report. The Model Associate Nexus statute was referred back for further work. The subcommittee also discussed the current project on developing a model statute on the false claims act and refund actions that expose sellers to liability. Craig Johnson gave a presentation explaining the simplification provisions currently contained in the Marketplace Fairness Act, particularly the measures that would apply to non-Streamlined states. The group then addressed the subcommittee's options regarding the MTC's Marketplace Fairness Act project, and decided to recommend to Uniformity that it form a workgroup and proceed. Richard Jackson (ID) moved to forward the recommendation to the Uniformity Committee. The motion passed with, 14 in favor, 0 against, and 2 abstentions.

b. Income and Franchise Tax Subcommittee
   Robynn Wilson, Chair of the Uniformity Subcommittee on Income & Franchise Tax, (AK) presented the subcommittee report. The strategic planning work group plans to contact states regarding their adoption of uniformity provisions. Mr. Walborn passed around a sign-in sheet for volunteers to discuss their department’s motivation to adopt/not adopt MTC model language. Regarding the financial institutions model, it
was recommended that loans not be retained in the property factor calculation, but property should be retained. The workgroup recommended no standard weighting. Michael Mason moved to send the draft model on for further action at the executive committee. The motion passed with 17 in favor, 0 opposed, and 0 abstentions.

V. Discussion of Hearing Officer’s Report on Proposed Recommended Amendments to Model Multistate Tax Compact Article IV (UDITPA)

Shirley Sicilian, MTC General Counsel, presented the Report. She provided the background to the project, with the 5 areas to be changed: definition of sales, definition of business income, factor weighting, section 18 distortion relief, and section 17. Richard Pomp held a hearing in March of this year, and released his report in October. In sum, he proposes the following changes (note that he also proposed wording changes, whereas the committee had purposely retained as much of the previous wording as possible):

Definition of sales
The Hearing Officer recommends not limiting receipts. He would leave the definition as the broader definition. However, he provides two alternative proposals. One would be the narrow approach as recommended, but with wording changes. The other would be a broader approach. He recommended that the model not address the treasury function, and instead address it as before, in the regulations.

Definition of business income
The committee clarified there are two tests, transactional and functional. The Hearing Officer recommends clarifying the language by removing the word "regular" from the transactional test. This would somewhat broaden the language. He also pointed out that there is no time limit on property that 'is or was' functional, and a time limit should be established.

Factor weighting
In its draft, the Uniformity Committee provided for a double-weighted sales factor. The Executive Committee recommended double-weighting but preferred not to dictate a particular factor weighting. The hearing officer endorsed the Executive Committee’s approach.

Section 18
The committee wanted the current rule to make clear that the tax administrator could discretionary relief. But they wanted to clarify that this applies, as well, to industry-specific and transaction-specific issues. The hearing officer recommends language that would require publication of the rule. The Hearing Officer would also specify who has the burden of proof: whoever is proposing the change. He would also add a standard of proof (that being what the state currently uses) and what has to be proved: 1) current rule does not fairly reflect activity in the state and 2) the proposed alternative is reasonable. The second addition removes penalties when the taxpayer follows the general rule. So tax administrators cannot use Section 18 to deviate from the general rule and apply penalties. He also recommends no retroactive revocation.

Section 17
The Hearing Officer discussed this in-depth. He does not actually endorse the proposal or remaining with Cost of Performance, but says he presumes the
executive committee will go with the committee's proposal as far as market-based sourcing. There is a caveat: a large part of his discussion concerned how difficult it will be to apply the statute without guidance (regulations). The MTC should act as quickly as possible to implement regulations.

Mr. Miller noted that at this time no action is required. Phil Horwitz (CO) asked about the process in the interests of speed. If the model is referred back to Uniformity, does it make sense to authorize the workgroup to meet before March to discuss the recommendation? Mr. Miller stated this would be an option. Gary Humphrey (OR) asked about the retroactive portion of Section 18. Ms. Sicilian explained that the revocation of the grant of an alternative would be prospective only. Michael Fatale (MA) asked whether it was possible to vote on certain portions of the model. Mr. Miller stated this is subject to the wishes of the Committee, and they may do so if they choose.

VI. Status Report on Uniformity Website Improvements
Ms. Sicilian reported on the MTC’s project to update its website. The first step was to put the foundation in place. Mr. Matson has been working with the developer and they are in the process of migrating old content over to the newer iteration of the website.

V. Roundtable Discussion
The states discussed current issues and developments in tax law. Washington and Colorado have legalized recreational use of marijuana, and the taxing departments are developing regulations on its sale. Colorado’s department was also charged with recommending a revenue-neutral, uniform base, which is challenging because it is a home rule state. DMA has now filed in district court and is seeking an injunction; argument is set for January 7th. Massachusetts has two regulations moving forward, one on basis adjustments in the context of combined reporting, and the other on intercompany transactions in subsidiary circumstance. They have formed a combined reporting focus group to identify and resolve problems. On July 24, the Massachusetts legislature passed an expanded sales and use tax base, but it ended up being repealed retroactively in September. In light of DOMA, Idaho is working on a conformity bill due to their constitutional definition of "marriage." Their cost of performance case is now in the Supreme Court after the District Court’s finding in favor of the tax commission.

VI. New Business
There was no new business.

VII. Adjourn
The meeting adjourned.