I. Welcome and Introductions

The Chair called the meeting to order at 3:30 P.M. The following persons attended the meeting.

<table>
<thead>
<tr>
<th>Name</th>
<th>Affiliation</th>
<th>Name</th>
<th>Affiliation</th>
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</thead>
<tbody>
<tr>
<td>Robynn J Wilson</td>
<td>AK DOR</td>
<td>Matt Peyerl</td>
<td>ND DOR</td>
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<tr>
<td>Michael Mason</td>
<td>AL DOR</td>
<td>Louie Joe Gomez</td>
<td>NM DOR</td>
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<tr>
<td>Tom Atchley</td>
<td>AR DOR</td>
<td>Rebecca Abbo</td>
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<tr>
<td>Ben Miller</td>
<td>CA FTB</td>
<td>Don Jones</td>
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<tr>
<td>Phil Horwitz</td>
<td>CO DOR</td>
<td>Gary Humphrey</td>
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<tr>
<td>Marshall Stranburg</td>
<td>FL DOR</td>
<td>Janielle Lipscomb</td>
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<tr>
<td>Randy Tilley</td>
<td>ID DOR</td>
<td>Frank Hales</td>
<td>UT Tax Comm.</td>
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<td>Phil Skinner</td>
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<td>Jeff Oakes</td>
<td>WV DOR</td>
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<td>Richard W. Jackson</td>
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<tr>
<td>Richard Cram</td>
<td>KS DOR</td>
<td>Jean Russell</td>
<td>AT&amp;T</td>
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<td>Michael Fatale</td>
<td>MA DOR</td>
<td>Todd Lard</td>
<td>COST</td>
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<td>Stewart Binke</td>
<td>MI DOR</td>
<td>Karen Boucher</td>
<td>Deloitte Tax</td>
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<tr>
<td>Pam Evans</td>
<td>MN DOR</td>
<td>Amy Hamilton</td>
<td>State Tax Notes</td>
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<tr>
<td>Keith Getschel</td>
<td></td>
<td>Diann Smith</td>
<td>Sutherland</td>
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<td>Wood Miller</td>
<td>MO DOR</td>
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<td>MTC Staff</td>
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<tr>
<td>Lennie Collins</td>
<td>NC DOR</td>
<td>Elliott Dubin</td>
<td>Roxanne Bland</td>
</tr>
<tr>
<td>Myles Vosberg</td>
<td>ND DOR</td>
<td>Greg Matson</td>
<td>Sheldon Laskin</td>
</tr>
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</table>

Attending by phone were associates from AR, OR, CA-BOE and Amy Hamilton from State Tax Notes.

II. Approval of Minutes of In-person Meeting November 29-30, 2011; February 21, 2012 Teleconference
CA FTB moved that both sets of minutes be approved. The motion carried unanimously.

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

**IV. Technical Amendments to Address “Sales” in Compact Article IV**

Shirley Sicilian, MTC General Counsel, explained that the term “sales” is used to convey two different meanings in Article IV (UDITPA) of the Compact: (1) a specific type of transaction – e.g., a “sale” vs. a “lease” or a “license”; and (2) the receipts from various transactions – e.g., the “sales” factor. Ms. Sicilian explained that the proposal would make a technical, not substantive, change to Article IV to use the term “receipts” when the meaning is receipts from transactions; and the term “sales” when specifically referring to a “sale” transaction.

CO moved that this amendment be included in the proposed Art.IV amendments to be sent to the Executive Committee for their consideration.

YES: AL, KS, CO, NM, MA, CA, AK  
NO: OR, MO, ND  
ABSTAIN: AR, ID, MN, WV, NC, UT, FL, MI

The motion carried.

**V. Reports and Possible Action**

**Sales/Use Tax Segment**

Richard Cram (KS) Chair of the Subcommittee gave the report. Mr. Cram informed the members that his subcommittee was working on the Model Associate Nexus Project and was gathering additional information. Roxanne Bland, MTC Counsel, will provide answers to questions regarding language needed to define an affiliated group and whether a specific exception for advertising should be added. Mr. Cram also told the members of the committee that the subcommittee is waiting for the telecommunications industry to come back with their programs to mitigate the class action lawsuit problems.

The subcommittee has asked for additional information on “cloud” computing, digital “goods;” and taxation of GROUPON type vouchers.

**VI. Reports and Possible Action**

**Income/Franchise Tax Segment**

Robynn Wilson (AK) chair of the subcommittee gave the report. She told the committee members that her subcommittee reported out three items for consideration by the full committee. The first item was the project to amend the Multistate Tax Compact’s definition of business income, the second item was Article IV.18 distortion relief, and the third item was Article IV.3
taxable in another state. The subcommittee determined it would not begin this latter project. There was no action on the project regarding the income of pass-through entities owned by non-income tax paying entities; the subcommittee awaits an alternative proposal from the insurance industry.

CA FTB moved to vote on each item of the proposed changes to the Multistate Tax Compact individually. The committee acceded to the CA motion.

CA moved that “sales” and “receipts” be distinguished as proposed by the Subcommittee.

YES: AL, KS, CO, NM, MA, CA, AK
NO: OR, MO, ND,
ABSTAIN: AR, ID, MN, WV, NC, UT, MI, FL

CA moved that the definition of business income be amended as proposed in the materials

YES: AR, ID, KS, MO, CO, NC, MA, OR, AI, MN, NM, UT, MI, CA, AK, MD
NO: None
ABSTAIN: FL, WV

The motion carried.

CA moved that the term “business income” be replaced with the term “apportionable income” and the term allocable income be replaced by the term “nonapportionable income.”

YES: OR, ID, AL, KS, NC, MA, CA, AK, AR,
NO: MO, UT, NM, ND
Abstain: WV, FL, MI, MN

The motion carried.

CA FTB moved that the committee adopt the proposed changes to the language in section 18(a) with “rules and regulations” but not “procedures”

YES: OR, ID, AL, KS, MO, CO, NM, NC, MA, ND, CA,
NO: None
Abstain: FL, AK, WV, MI, UT, MN

The motion carried.

VII. Roundtable Discussion

The members reported on regulatory, legislative, and judicial action in their states. UT passed withholding on pass-through entities. MA proposed a withholding tax on pass-through entities and is examining GROUPON type sales taxes. ID is looking at SSUTA as is MO. AK is considering separate entity accounting for oil & gas companies.
VIII. Strategic Planning Update

Greg Matson, MTC Deputy Executive Director, updated the members on the Strategic Planning process. Mr. Matson told the members that there are four (4) immediate concerns the planning group is looking at;

(1) The vitality and reputation of MTC
(2) Engagement of states and other stakeholders
(3) Increasing uniformity
(4) Compliance challenges

The immediate focus will be on the engagement of all stakeholders and the compliance challenge.

IX. New Business

None

X. Adjournment

AL moved for adjournment. The motion carried unanimously.