



MULTISTATE TAX COMMISSION

Working Together Since 1967 to Preserve Federalism and Tax Fairness

**Report of the Nexus Committee and Nexus Program
November 2008**

**Lennie Collins, Chair, Nexus Committee
Lee Evans, Vice Chair, Nexus Committee
Thomas Shimkin, Director, National Nexus Program**

This report covers the current portion of fiscal year 2009 (July 1, 2008 – November 10, 2008). The Nexus Committee has met once in fiscal year 2009.

Committee Meetings

At its July 2008 meeting the committee:

- Received a presentation on the progress of the Nexus Program's new information technology initiatives, specifically the work underway on a new data management system.
- Reviewed the drafting group's report on the voluntary disclosure guidelines and made a number of amendments to the document.
- Solicited input from members of a taxpayer organization (COST) who were in attendance but did not receive any at that time.
- Considered other matters in closed session, including an update on a project developed and managed by Commission staff.

Nexus Schools

The Commission held two well-attended Nexus Schools, in Omaha and Boise. A school is scheduled for December 16 and 17 in Olympia and one in Little Rock in the spring. We are in the preliminary discussions with an additional state. Also, the program will hold a school near Washington, DC's Dulles Airport some time this early or early next fiscal year if there is sufficient student interest. This may become an annual part of the Nexus School program if it is successful.

Information Technology

The Nexus Committee continues to support the Commission's work with respect to development of an improved information technology system to manage voluntary disclosures. The Technology Committee has been providing primary assistance. The Commission approved a contract with Revenue Resources, Inc. (RSI) of Pembroke, Massachusetts to develop the system. The company has extensive experience designing quality information technology systems for state departments of revenue. Development is taking place in two phases. The first phase is substantially complete. It stabilized the current system, which cannot be easily maintained or upgraded, and added few low-cost / high-benefit features. Among the last functions to be completed in this phase is a system to allow taxpayers to apply for voluntary disclosure via the world wide web,

rather than on paper or by email as now. The second phase, if approved and funded, would introduce considerable automation that will allow the Commission to process greater volumes faster without additional staff. Taxpayers have said that speed of processing is important. It would also allow taxpayers under certain circumstances greater convenience in communicating directly with state decision makers in an anonymous environment.

Enforcement

The Nexus Committee has continued to work on various discovery and enforcement matters that lend themselves to a multi-state approach.

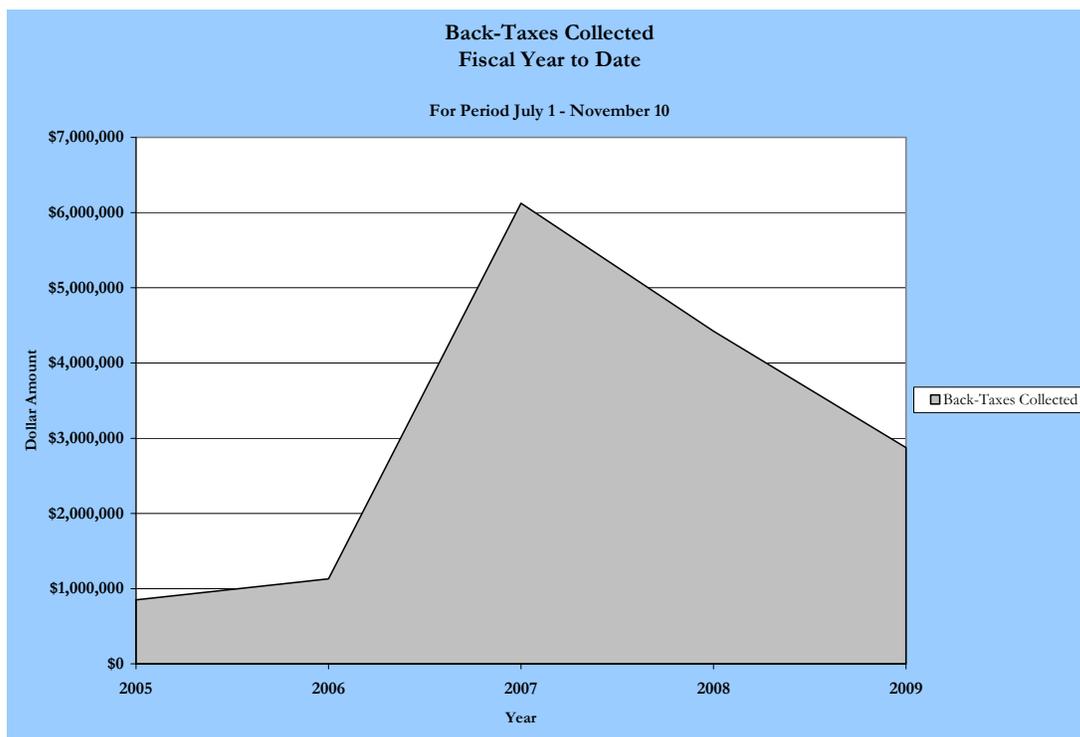
Voluntary Disclosure

States continue to distribute brochures advertising the multi-state voluntary disclosure program, particularly Texas, New Jersey, and Connecticut.

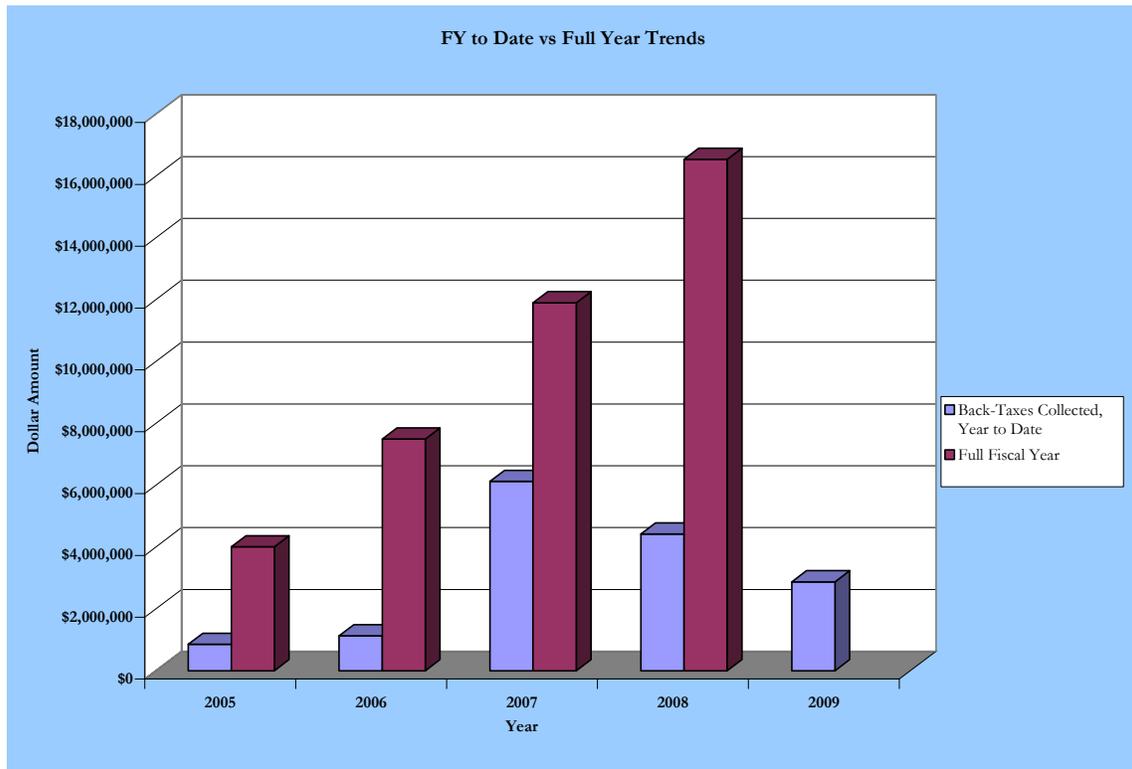
To date in fiscal year 2009 (July 1 – Nov 10, 2008) the National Nexus Program:

- Executed contracts with 33 taxpayers, which resulted in 125 separate contracts with states.
- Collected back tax of **\$2,875,327** (likely to rise slightly due to late-arriving data).
- Opened 28 new voluntary disclosure files, representing 201 potential state contracts.

The chart below shows revenue trends for the time period July 1 – November 10 from Fiscal Years 2005 to 2009.



The chart below shows the comparison of year-to-date trends against the end of fiscal year totals.



While the totals for 2009 to-date are lower than they were for 2007 and 2008, two things should be taken into account: 1) the correlation between the year-to-date numbers and the end-of-fiscal-year numbers is weak, and 2) the 2009 year-to-date numbers are likely to increase as recently-executed contracts are entered into the database.