



MULTISTATE TAX COMMISSION

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To: Executive Committee
From: Ted Spangler, Uniformity Committee Chair
Richard Cram, Uniformity Sales and Use Tax Subcommittee Chair
Date: April 29, 2009
Subject: Project: Model Statutes for Administering Telecommunications
Transaction Taxes

The Uniformity Committee requests guidance from the Executive Committee concerning an issue raised by Scott Peterson, Executive Director of the Streamlined Sales and Use Tax Governing Board, at its Winter Meeting in March 2009.

In 2006, the Executive Committee considered a request made by the telecommunications industry to develop model statutes for the centralized administration of telecommunications transaction-type taxes to alleviate the difficulties of multiple reporting requirements in the several state and local taxing jurisdictions. The Executive Committee directed the Uniformity Committee to develop statutory language. The Sales and Use Tax Subcommittee is currently working with industry representatives and local governments on this project.

At the Uniformity Sales and Use Tax Subcommittee's March 17, 2009, meeting, Mr. Peterson explained that the Main Street Fairness Act, which is expected to be proposed soon in Congress, will contain a provision requiring a state to simplify its telecommunications tax laws before vendors could be required to collect the state's use tax. It is expected that work would begin on the reform efforts immediately if the bill passes. Mr. Peterson told the Subcommittee that it is possible Congress will pass the Main Street Fairness Act this year. The SST Governing Board's Executive Committee, made aware of our Subcommittee's efforts, directed Mr. Peterson to coordinate with the Commission on this project.

Assuming the SST Governing Board assigns the reform effort to SLAC, an MTC model telecommunications reform project raises several questions. Foremost is whether this Subcommittee is the right forum for a model overhaul of the states' administration of telecommunications transactions taxes. The Uniformity Subcommittee's current project, developing model statutes for various levels of centralized administration of telecommunications taxes, is just one narrow aspect of reform. SLAC's effort will

encompass all telecommunications tax issues, many of which are outside the subcommittee's competence (such as local rights of way fees). A related question is whether the MTC Uniformity Committee and our uniformity process are the best forum and process for the stakeholders, who include telecommunications firms and local governments, to negotiate a solution.

The Subcommittee respectfully requests that the Executive Committee provide any additional guidance it may have regarding how or whether the telecommunications transactions tax project should proceed in light of these new developments. Possible choices include directing the Uniformity Committee to either continue or suspend its work on the project pending the outcome of the proposed federal legislation. An alternative would be for the Executive Committee to begin a dialogue with the SST Governing Board regarding SST participation in the Subcommittee's centralized administration project as part of a larger SST reform effort, or perhaps establishing a joint SST/MTC task force as a forum for developing model statutes for centralized administration of state and local telecommunications transaction-type taxes.