

Charter for the MTC Uniformity Committee

I. Statement of Purpose and Desired Results

Central to the mission of the Multistate Tax Commission is the promotion and maintenance of uniformity in the States' taxation of interstate and foreign commerce. This was—and continues to be—the States' response to any call for congressional regulation and preemption of state taxation due to the diversity of state tax systems. Increased uniformity in state taxation eases the administrative burden placed on interstate and foreign commerce, and by forestalling the need for congressional action, preserves state tax sovereignty. In its simplest form, increased uniformity in state taxation of interstate and foreign commerce ensures the survival of our federal form of government. Independent policy fulfilling the States' role in our federal system cannot exist without independent revenues.

The purpose of the Uniformity Committee is the development of uniform approaches to the States' transaction and income/franchise taxation of interstate and foreign commerce.

The Uniformity Committee's goals in developing uniform approaches to transaction and income/franchise taxation of interstate and foreign commerce are three-fold:

1. Simplicity, equity and consistency;
2. Greater voluntary compliance through taxpayer education and increased enforcement; and
3. Fostering greater communication among stakeholders, i.e., states and taxpayers.

Once a uniformity proposal is developed by the Uniformity Committee and refined through the MTC Public Hearing process, the uniformity proposal is subject to review and possible approval by the Executive Committee of the Commission. If a uniformity proposal, however it may be further refined or changed, secures Executive Committee approval, the proposal is subjected to the Commission's By-law 7 survey, in which States are asked whether they would consider adoption of the proposal as a new addition or amendment to their tax statutes or regulations. If a majority of States indicate that they would consider the proposal, it is referred to the full Commission for possible approval as an MTC uniformity recommendation not only to the Party States but to all States. Once approved as an official recommendation, the uniformity proposal is referred to the individual Party States of the Commission and other States for consideration and

possible adoption as a cooperative uniformity measure that will further the goal of harmonizing significant components of state tax systems.

II. General Description of Committee Activities

To facilitate its work, the Uniformity Committee is divided into two working (i.e., initial drafting) subcommittees and one body that organizes the meetings and work of the Uniformity Committee. The respective jurisdiction of the two working subcommittees is defined by the type of taxes a uniformity effort invokes. One subcommittee addresses issues arising under corporate income/franchise taxes. The second subcommittee addresses issues that arise under transaction-type taxes (sales and use taxes) that have a potential impact on all forms of commerce. Some uniformity subjects may defy easy classification as coming within the jurisdictional reach of either subcommittee. In these cases, the work remains within the working structure of the full Uniformity Committee without a referral to either of the two subcommittees.

The additional working body of the Uniformity Committee is the Steering Committee. The Steering Committee consists of the Chair and Vice-Chair of the Uniformity Committee and the Chairs of the two subcommittees. The Steering Committee meets at the call of the Chair to set meeting agendas and to discuss other administrative issues relating to the activities of the Uniformity Committee. Although formal membership of the Steering Committee is limited, any member of the Uniformity Committee is invited to participate in the meetings of the Steering Committee.

Subcommittee on Income/Franchise Taxes

The Income and Franchise Tax Subcommittee develops and recommends for possible adoption by States uniform regulatory interpretations and statutory clarifications of the Uniform Division of Income for Tax Purposes Act (UDITPA) that is an integrated part of the Multistate Tax Compact. The Subcommittee also investigates, reviews and recommends for adoption by all States other uniformity proposals that may have been developed or at least initially conceptualized by entities outside the MTC, including the American Bar Association, the American Institute of Certified Public Accountants and other industry groups.

The Subcommittee's work in developing uniformity proposals focuses on:

1. Income apportionment methods reflecting the reasonable attribution of income where earned, resulting in full accountability.
2. Rules to minimize or eliminate double or multiple taxation on interstate transactions

3. Methods to ease the compliance burden.
4. Uniform forms and reporting requirements.
5. Proposals that are consistent with the modern evolving global economy.

Subcommittee on Sales and Use Taxes

The Subcommittee on Sales and Use taxes works in a manner quite similar to the Subcommittee on Income/Franchise Taxes. The difference is this Subcommittee develops and recommends uniform measures for addressing difficulties encountered in state taxation of transactions occurring in interstate and foreign commerce.

The Subcommittee's work in developing uniformity proposals focuses on:

1. Uniform sourcing rules for taxation of interstate transactions.
2. Rules to minimize or eliminate double or multiple taxation on interstate transactions.
3. Methods to ease the compliance burden through the use of modern technology.
4. Harmonization of reporting requirements, forms and definitions.
5. Proposals that are consistent with the modern evolving global economy.

III. Reporting and Consulting Relationships

The Income/Franchise and Sales/Use Tax Subcommittees report to the Uniformity Committee on a tertian-annual basis. The Uniformity Committee reports quarterly to the Executive Committee and annually to the Commission at its Annual Meeting. The Executive Committee or the Commission may establish work objectives, priorities and deadlines for the Uniformity Committee. The Uniformity Committee may also recommend to the Executive Committee for consideration uniformity projects and ideas initiated from within and without the Uniformity Committee. The Uniformity Committee maintains a statement of objectives, work plans and target deadlines for each of its projects.