



Uniformity Committee Meeting

Thursday, November 5, 2020
2:00 P.M. – 5:00 P.M. Eastern
(Held via Video Conference)

Summary of Suggestions for Possible New Projects

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This list was developed based on past discussions of various MTC committees, work groups, and other meetings and from suggestions that have been forwarded to the staff of the MTC. This list is in no particular order and the possible projects are described briefly.

1. **Follow federal developments and recommend regulations and other guidance for the implementation of the model RAR/Partnership provisions.**

As federal audits begin and issues are identified, the states will need to adopt guidance for the reporting of state taxes on federal adjustments. This project would develop recommendations for states to consider and would also identify potential problems in conforming to the treatment of federal adjustments and whether states may also wish to adopt partnership-level audits.

2. **Study the state taxation of pass-through income and the need for uniform approaches to sourcing and treatment of that income.**

More business income is not reported by pass-through entities than by C corporations. The states, generally, have less well-developed rules for sourcing and treatment of this income. Multi-tiered entities creates complex issues. This project would study the issues and recommend further uniform approaches.

3. **Consider updates to industry regulations to conform them to changes in Compact Art. IV (UDITPA) adopted by the Commission and to address industry developments.**

Some of our industry regulations need updating to conform them to changes in Art. IV, especially with respect to the treatment of “receipts” and market sourcing, and to consider developments within the industry. This project would recommend changes to those regulations.

4. **Analyze issues related to the sourcing and taxation of digital goods and services under the sales tax.**

Now that the *Quill* physical presence standard has been overturned, states have the ability to broadly tax digital goods and services, similar to taxes already imposed on

other goods and services. This project would analyze the special issues in sourcing and taxing digital goods and services and identify potential best practices.

5. **Study the effects of federal NOL rules on the states and best practices for tracking.**

It is expected that due to the pandemic-induced economic downturn, businesses may have significant NOLs in 2020 or increased losses for earlier years. This project would consider differences in state treatment of NOLs and how states can use federal information and other mechanisms to track the creation and use of state-sourced NOLs.

6. **Consider regulations for sourcing income in certain marketing arrangements involving multi-channel networks and the payment of incentives and rebates by sellers.**

Some industries use complicated marketing structures where the relationships between manufacturers, wholesalers, retailers, etc. involve restrictions, license fees, incentives, rebates, and other means to control how products and services are marketed and priced. This project would consider whether payments between the participants would be included in the receipts factor and how they would be sourced.

7. **Identify issues and possible best practices for states adopting a gross receipts tax for certain kinds of income.**

Many states are beginning to consider whether a gross receipts tax may be a replacement or may supplement state taxes, and allow taxation of transactions and profits not currently subject to tax or with respect to which the tax is difficult to enforce. This project would identify issues that states may face in creating a workable gross receipts tax and how the tax might interact with existing taxes.