

PROS AND CONS OF TRUCKING COMPANY SOURCING METHODOLOGIES

FOR DISCUSSION PURPOSES ONLY – SUBJECT TO CHANGE

Applying the following principles

- Reflects the sourcing of services to the location of delivery of the services. Note that current Art. IV, section 17 of the Model Compact (i.e., which applies market-based sourcing principles) states as follows: (a) Receipts, other than receipts [from the sale of tangible personal property] are in this State if the taxpayer’s market for the sales is in this state. The taxpayer’s market for sales is in this state . . . (3) in the case of sale of a service, if and to the extent *the service is delivered to a location in this state*; . . .
- Uniformity – so that 100% of the taxpayer’s income, not less or more, is apportioned among the states.
- Ease of administration – so that the method can be complied with and verified.
- Equity – so that similar businesses would apportion income similarly.

Mileage Approach

Pros	Cons
Most states currently use some form of the mileage approach	Possible legal problems in some states (see Montana and New Mexico court decisions)
Can be said to reflect where the service is delivered (but see below)	May not reflect the many aspects of modern logistics
Appears to be a workable approach	Differs from the sourcing rule applied to air transportation, or to ground transportation provided by companies that do not fall under the definition of “trucking company”
Takes into account that length of trip is a major component of the service that is provided	Does not reflect the taxpayer’s market in a general sense

Pick up/delivery Approach

Pros	Cons
Can be said to reflect where the service is delivered (but see above)	Would require a shift by most states in order to achieve uniformity.
Avoids legal problems identified in Montana and New Mexico decisions.	Requires many businesses to change their current reporting and record-keeping for taxes.
Comports with the way that many states source air transportation.	Does not take into account that length of trip is a major component of the service which is provided.
Reflects the taxpayer’s market in a general sense	