



MULTISTATE TAX COMMISSION

## **Charter for the MTC Joint Audit Program and Audit Committee**

### **Introduction**

The states, in developing the Multistate Tax Compact, authorized the Multistate Tax Commission (MTC) to conduct interstate audits under Section VIII of the Compact. The Joint Audit Program was created in furtherance of this goal. The Audit Committee was formed under the authority of Article VI.2 of the Compact and bylaw 6(b) and is charged with oversight of the Joint Audit Program.

### **Responsibilities**

The MTC serves as an operating arm of member states through the Joint Audit Program. Member states pool their resources to select candidates for corporate income, sales and use, franchise, and gross receipts tax audits.<sup>1</sup> The MTC's audit staff performs these audits as though they were part of a state's own audit staff, conferring with and forwarding their findings and recommendations to the member states for assessment and collection at the completion of the audit. The Audit Committee guides the program and reports to the Executive Committee and to the MTC. It establishes priorities and goals for approval by and receives direction from the Executive Committee.

MTC audit staff may provide additional assistance to the Joint Audit Program member states through training programs, the identification of emerging issues in multistate taxation, and the exchange of knowledge about audit methods and issues, and by serving as a technical resource in solving compliance problems.

### **Membership and Voting**

Each state that participates in the MTC Joint Audit Program is represented on the MTC Audit Committee. A state may have multiple employees who participate in meetings; however, in any matter requiring a vote, each state will be entitled to only one vote.

The audit nomination and selection process has specific rules, including voting processes, which are outside the scope of this charter.

A quorum is established by the number of Audit Program member states that are present at any Audit Committee meeting. Official committee decisions are made by motion, with no need for a second. Motions may be offered by any committee member, with or without an invitation of the Chair. Member states may vote yes, no, or abstain. A motion passes when a majority of member states present vote in favor of the motion. For example, assume 15 member states are present and eligible to vote. A vote of 8 yes, 3 abstain, and 4 no means the motion passes. A vote of 7 yes, 4 abstain, and 4 no means the motion does not pass. No voting by proxy is allowed. The Chair has the option to limit which member states may vote on a motion when it affects some member states and not others.

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<sup>1</sup> Article VIII provides that "tax" for the purposes of interstate audits "... means any tax or license fee imposed in whole or in part for revenue purposes."

Except where inconsistent with the provisions of the Compact or the MTC bylaws and Public Participation Policy, *Mason's Manual of Legislative Procedure* is the parliamentary authority for all meetings of the committee.

## Committee Activities

The Audit Committee meets at the call of the chair, generally at least three times per year, to discuss, review, and evaluate the MTC Joint Audit Program and perform the activities listed below. The meetings are open to the public except where a closed session is permitted under the MTC's [bylaws](#) and [Public Participation Policy](#).

- Establish objectives for the MTC Joint Audit Program consistent with MTC goals and develop plans for achieving the objectives
- Review the status of the MTC Joint Audit Program audits in progress
- Review the results of completed audits
- Select audits that achieve the goals of the MTC Joint Audit Program
- Give guidance on complex audit issues to staff of the MTC Joint Audit Program
- Recommend projects to the MTC Uniformity Committee on multistate taxation issues identified in the audit process that demonstrate a lack of uniformity among member states
- Provide educational opportunities to member states
- Coordinate nexus issues with the Nexus Committee and MTC Nexus Program
- Evaluate the nature, scope, and operations of the Joint Audit Program to ensure that it continues to fulfill the purposes of the Compact
- Advise the Executive Committee on the Joint Audit Program and multistate audit issues
- Develop strategies to enhance effective use of MTC and member state audit resources

## Governance

Consistent with bylaws 13(b)(4), (c)(1) and (3), and (d), the Audit Committee may elect, or the MTC's Executive Committee may appoint, employees from Joint Audit Program member states to serve as committee chair and vice chair. Analogous to bylaws 3(c) and (e), the vice chair will become chair of the committee until a new chair is selected if the office of the chair becomes vacant for any reason and will serve as chair whenever the chair is unable to perform the chair's duties.

The chair and vice chair will assist MTC staff in planning and carrying out the activities and functions of the Audit Committee and may also appoint employees from other Joint Audit Program member states to assist or serve in such other functions as necessary to carry out its responsibilities or activities.

## Amendments

The committee will review this charter every year during the annual meetings of the MTC and may adopt policies consistent with this charter to guide the performance of its duties and responsibilities. The committee may, with the approval of the Executive Committee, amend this charter. See Article VI, paragraph 2(b) and (c), of the Compact, and bylaw 6(b).

Approved by the Executive Committee ~~August 5, 2021~~ July 27, 2023.