EIGHTH

ANNUAL REPORT

MULTISTATE TAX COMMISSION

For the Fiscal Year

of

July 1, 1974 – June 30, 1975

William E. Peters
Tax Commissioner of Nebraska
Chairman

Eugene F. Corrigan
Executive Director

1790 Thirtieth Street
Boulder, Colorado 80301

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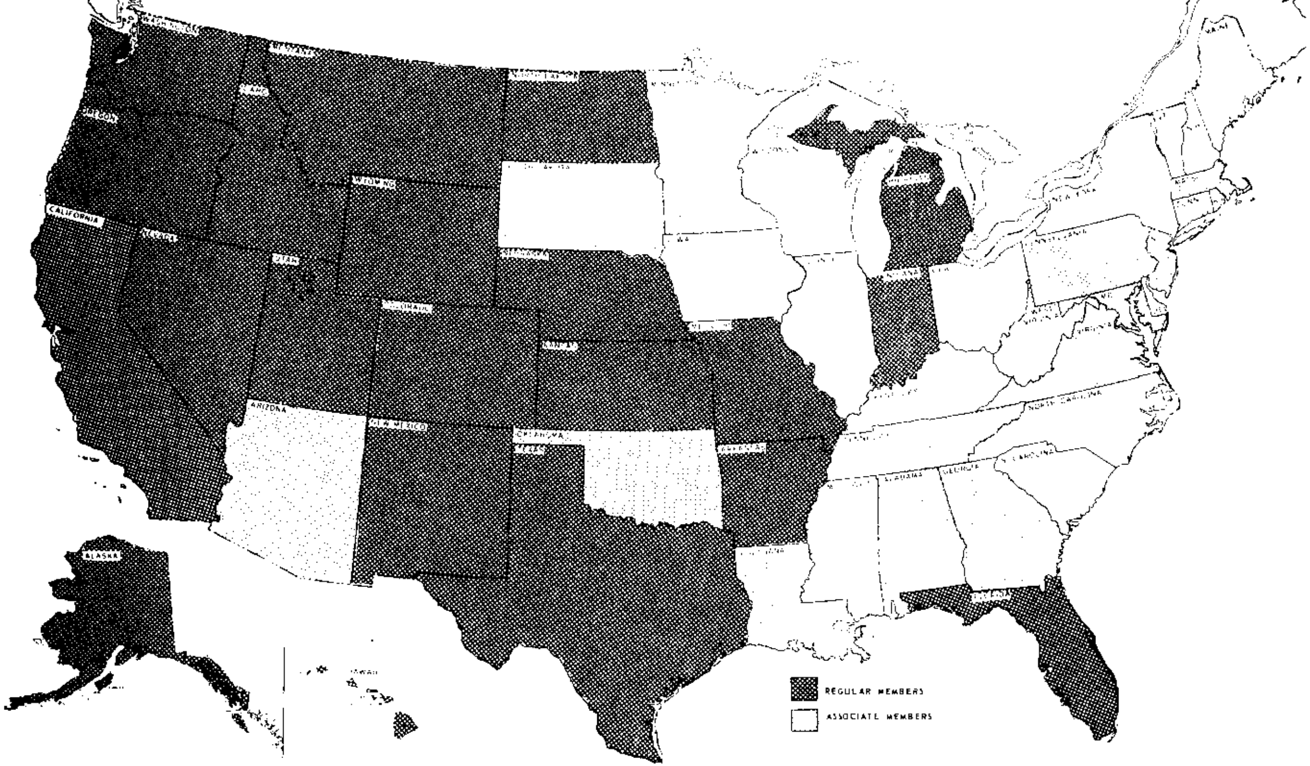
MULTISTATE TAX COMMISSION

MEMBERSHIP JANUARY 1, 1976



December 1, 1975

To the Honorable Governors and State Legislators of Member States of the Multistate Tax Commission:

I respectfully submit to you the eighth annual report of the Multistate Tax Commission.

This report covers the fiscal year beginning July 1, 1974 and ending June 30, 1975.

Respectfully submitted,

Eugene F. Corrigan
Executive Director

MULTISTATE TAX COMMISSION

OFFICERS

William E. Peters, Chairman
Tax Commissioner
Nebraska

Bob Bullock, Vice-Chairman
Comptroller
Texas

James Spradling, Treasurer
Director of Revenue
Missouri

EXECUTIVE COMMITTEE MEMBERS

Joseph Dolan
Director of Revenue
Colorado

Allison Green, Treasurer
State Treasurer
Michigan

Richard Heath
Director of Finance
and Administration
Arkansas

John J. Lobdell
Director of Revenue
Oregon

The three officers are also members of the Executive Committee. Terms of the above officers and committee members end June 30, 1976.

EX OFFICIO MEMBERS OF EXECUTIVE COMMITTEE

FORMER COMMISSION CHAIRMEN

Byron L. Dorgan
State Tax Commissioner
North Dakota

Donald H. Clark
Commissioner of Revenue
Indiana

MULTISTATE TAX COMMISSION MEMBERS REPRESENTING PARTY STATES OF THE *MULTISTATE TAX COMPACT*

ALASKA

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CALIFORNIA

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Idaho State Tax Commission
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*Former member of MTC Executive Committee

**Executive Officer of the Franchise Tax Board represents California in even numbered calendar years, and the Executive Secretary of the Board of Equalization represents California in odd numbered calendar years.

INDIANA

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Kansas Department of Revenue
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†MTC Chairman, July 1, 1974 – June 30, 1975

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New Mexico Bureau of Revenue
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*Former member of MTC Executive Committee
†MTC Chairman July 1, 1972 - June 30, 1974

ALTERNATES

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Picture not available

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ALTERNATES, Continued

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Office of the Attorney General
State Capitol
Cheyenne, Wyoming 82001

TAX ADMINISTRATORS, ASSOCIATE MEMBER STATES

The Commission has made provision for associate membership by Section 13 of its bylaws, as follows:

13. Associate Membership

(a) Associate membership in the Compact may be granted, by a majority vote of the Commission members, to those States which have not effectively enacted the Compact but which have, through legislative enactment, made effective adoption of the Compact dependent upon a subsequent condition or have, through their Governor or through a statutorily established State agency, requested associate membership.

(b) Representatives of such associate members shall not be entitled to vote or to hold a Commission office, but shall otherwise have all the rights of Commission members.

Associate membership is extended especially for states that wish to assist or participate in the discussions and activities of the Commission, even though they have not yet enacted the Compact. This serves two important purposes: (1) it permits and encourages states that feel they lack knowledge about the Commission to become familiar with it through meeting with the members, and (2) it gives the Commission an opportunity to seek the active participation and additional influence of states which are eager to assist in a joint effort in the field of taxation while they consider or work for enactment of the Compact to become full members.

ALABAMA

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David W. Adamany
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Department of Revenue
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REMARKS OF THE HONORABLE RICHARD LAMM

GOVERNOR OF THE STATE OF COLORADO

at the
Annual Meeting of the Multistate Tax Commission
June 2, 1975, Denver, Colorado

"I want to say how important I and a number of other governors think the *work of this Commission* is."

* * * *

"I have taken particular note of the work you are doing because there is no question in my mind but that we are moving toward difficult economic times. They are going to be tighter times and, taking into account energy realities and some other issues, it's going to be a lot tougher to finance state government in the years ahead. As a CPA and a lawyer who used to work in the tax field, I know how important the unsung work of a commission like this is in carrying out our objectives of seeing that taxes are assessed fairly while at the same time making sense administratively to the states.

"There is no way that the State of Colorado, nor I suspect a lot of your other states, can really do a first rate job of performing complicated audits of corporate taxpayers. It can't hire enough auditors, can't put enough personnel in the field and can't open enough field offices to really give us a fair and equitable job in auditing taxpayers.

"For those reasons, I think that the Joint Audit Program of the Multistate Tax Commission is immensely important; and I would like to give my personal support to you and my *personal endorsement to the work you are doing. I have* found, not only in my short time as governor but also during eight years in the legislature, that it is often the most important groups that are, like you, relatively unsung and unheralded in carrying on silently the very good work that you have done.

"What we are looking for in Colorado is a way to increase revenues without increasing taxes. Probably all of your governors are doing the same thing. . . .We all really want to see that every taxpayer pays all the taxes for which that taxpayer is liable, and no more, whether he is an individual, a local business, or an out-of-state or multi-state corporation.

"I am proud to have Colorado as a member of this Compact. I will do anything I can to help you withstand any attacks, whether legal or congressional in nature, on your jurisdiction."

REPORT OF THE CHAIRMAN AND OF THE EXECUTIVE DIRECTOR OF THE MULTISTATE TAX COMMISSION FOR THE YEAR ENDING JUNE 30, 1975

I. MEMBERSHIP

On January 1, 1976, California will replace Illinois as the 21st Member State in the Compact, Illinois having withdrawn effective August 29, 1975.

II. UNIFORM REGULATIONS

A. Adoption of Regulations

The Multistate Tax Commission approved revised Uniform Allocation and Apportionment Regulations on February 21, 1973. Those regulations interpret the Uniform Division of Income for Tax Purposes Act (UDITPA) for administrative purposes.

Adoption of regulations by the Multistate Tax Commission constitutes only a recommendation that member States adopt them. The Multistate Tax Commission has no directory powers. Nevertheless, several States have already adopted the revised regulations in substantially complete form. They include Arkansas, California, Idaho, Nebraska, New Mexico, North Dakota, Oregon and Utah. Five other States report that they are in the process of adopting the regulations. Four of these States expect to complete the process by the end of January, 1976. Alabama utilizes the regulations as guidelines although formal adoption has not yet taken place. Texas is applying the regulations to its Franchise Tax to the extent possible.

A copy of these regulations is available at the Commission's headquarters office upon request.

B. Sales Attribution Rule

In October 1975, eleven States joined the Multistate Tax Commission in filing an *Amicus Curiae* brief in the Appellate Court of Illinois, First District, in the case of *G. T. E. Automatic Electric, Incorporated v. Robert H. Allphin, Director of the Department of Revenue, State of Illinois, No. 61725.* In that case, the taxpayer challenged Illinois' application of Multistate Tax Commission Regulations IV.16.(a)(6) and IV.16.(a)(7). Regulation IV.16.(a)(6) reads as follows:

> If the taxpayer is not taxable in the state of the purchaser, the sale is attributed to this state if the property is shipped from an office, store, warehouse, factory, or other place of storage in this state.

Regulation IV.16.(a)(7) reads as follows:

> If a taxpayer whose salesman operates from an office located in this state makes a sale to a purchaser in another state in which the taxpayer is not taxable and the property is shipped directly by a third party to the purchaser, the following rules apply:

(A) If the taxpayer is taxable in the state from which the third party ships the property, then the sale is in such state.

(B) If the taxpayer is not taxable in the state from which the property is shipped, then the sale is in this state.

The first situation involves sales by the taxpayer from Illinois into another state, with the property being drop shipped from Illinois by a supplier of the taxpayer. The second situation is identical except that the dropshipment to the out-of-state purchaser is made by an out-of-state supplier of the taxpayer directly to the purchaser. The seller does not do business in either of the two other States. It seeks to exclude such sales from the numerator of its Illinois sales factor of the corporate income tax apportionment formula even though it seeks to include such sales in the denominator. Since it is not subject to the corporate income tax jurisdiction of either of the other States, the result is that the selling taxpayer seeks to immunize substantial portions of corporate income from state taxation everywhere.

III. UNIFORM SALES AND USE TAX EXEMPTION CERTIFICATE

Nebraska has become the thirty-first State to indicate its willingness to accept the uniform certificate. The form of the certificate and the names of the thirty-one States appear at Appendix A of this Annual Report.

IV. AUDIT ACTIVITIES

The Multistate Tax Commission's office in New York currently consists of an Area Audit Manager and a senior auditor.

The Multistate Tax Commission's office in Chicago consists of the Commission's Audit Coordinator, who is also the Area Audit Manager, and three senior auditors.

The Multistate Tax Commission continues to perform joint audits on many large corporations on behalf of the Member States assigning those audits. At a press conference called by the taxpayer in Billings, Montana, on September 22, 1975, Union Pacific Corporation announced that the Multistate Tax Commission had closed a joint audit of that corporation and its affiliates on behalf of three Member States, and had done so to the satisfaction not only of those States but of the taxpayer as well. The amount involved in that one audit exceeded $1 million. The text of the taxpayer's press release appears at Appendix B of this Annual Report.

Although the Multistate Tax Commission had previously received plaudits from taxpayers on which it had performed joint audits, Union Pacific is the first taxpayer which has been willing to state publicly its approval of joint audits and to recommend the Multistate Tax Commission and its joint audit program as the key to the solution of interstate taxation problems.

V. PENDING FEDERAL LEGISLATION

Only two interstate taxation bills have been introduced into the 94th Congress. One, H.R. 9, is known as the Rodino bill. It is the same bill that Congressman Rodino has introduced into each of the last several congresses.

The other, S.2080, has been introducted by Senator Mathias. It is a somewhat revised version of S.1245, the 1973 Mathias bill. It also incorporates many of the provisions of the 1973 Mondale bill (S.2811) and/or revisions thereof.

VI. LITIGATION

In April 1975, the Multistate Tax Commission hired a General Counsel. He is

William Dexter, former Assistant Attorney General and Chief Tax Counsel for the State of Michigan and, from 1971 until taking his new position with the Multistate Tax Commission, an Assistant Attorney General assigned to the Department of Revenue for the State of Washington.

Mr. Dexter has been assigned the task of handling all litigation in which the Multistate Tax Commission is involved. As Assistant Attorney General for the State of Washington, he filed and later successfully argued the case of *George Kinnear, Director of Revenue, State of Washington v. The Hertz Corporation*, No. 46573, Superior Court of Washington for Thurston County. On September 30, 1975, he appeared before the Supreme Court of Washington and argued that case in his new role as General Counsel for the Multistate Tax Commission. A ruling is expected from that court momentarily.

Mr. Dexter's first action after his appointment to the Multistate Tax Commission was to file a Motion for Summary Judgment in the case of *U. S. Steel et al v. Multistate Tax Commission et al.* At that time he also moved for the appointment of a three-judge court. For technical reasons, he also stipulated to the withdrawal from that suit of International Business Machines and Xerox Corporation as plaintiffs.

On October 10, 1975, at a status meeting, the court established early deadline dates for the filing of certain papers by all parties, indicated that the three-judge panel would be appointed shortly and gave all parties reason to believe that the case would be heard on its merits in the near future. In order to expedite the conduct of that case, the defendants agreed to suspend for a few weeks action in various other cases in which the Multistate Tax Commission is involved.

The same New York law firm represents most of the corporate parties in those cases. The cases include:

A. *Idaho State Tax Commission v. Union Carbide Corporation*, Civil No. 1-74-173 (December 13, 1974), U. S. District Court for the District of Idaho. This case was filed in 1973 by the Office of the Attorney General of the State of Idaho to enforce an Idaho summons which had been served upon the taxpayer and which required the taxpayer to submit to a joint audit by the Multistate Tax Commission audit staff. The taxpayer sought to have that case removed to the federal courts, but failed in that effort. The case is pending.

B. *Byron L. Dorgan, North Dakota State Tax Commissioner v. International Business Machines Corporation* (October 24, 1974), Civil Case No. A1-74-24; and *Byron L. Dorgan, North Dakota State Tax Commissioner v. International Harvester Company* (October 24, 1974), Civil Case No. A1-74-25, U. S. District Court for the District of North Dakota, Southwestern Division. These cases are similar to the Union Carbide case in Idaho. In these cases the Tax Commissioner issued orders requiring the taxpayers to submit their records for joint audit by Multistate Tax Commission auditors. When the orders were rejected, he petitioned a district court of his state for orders compelling the taxpayers to comply with his prior orders. The taxpayers then succeeded in their efforts to remove the matters from the state district court to a federal district court. The federal district court then stayed further proceedings in the case "pending a final determination of the Class Action involving the same issues and parties now in litigation in the U. S. District Court for the Southern District of New York." The State of North Dakota is currently seeking a revision of that stay order.

C. *Colgate-Palmolive Company V. Byron L. Dorgan, North Dakota State Tax Commissioner*, 225 NW 2d, 2-78. In this case, the Tax Commissioner issued an assessment against Colgate-Palmolive Company. The company had refused to obey an order of the Tax Commissioner to submit to a joint audit of its books and records by Multistate Tax Commission auditors. When the company refused to allow such an audit, thereby depriving the State of North Dakota of information necessary to determine the taxpayer's true tax liability to the State, the Tax Commissioner issued an assessment against the company, based upon the best information available. The company requested a hearing and sought to introduce at that hearing partial information of its own choosing. The Hearing Officer refused to admit such information as evidence, maintaining that there should be admitted into evidence only information which had been confirmed by a joint audit. The taxpayer appealed from that decision of the Hearing Officer to the District Court of Burleigh County. The court ordered that the matter be remanded to the Hearing Officer with directions to allow the taxpayer to introduce its proffered evidence. On appeal, the North Dakota Supreme Court affirmed that order. The State has recently initiated discovery proceedings against the taxpayer.

D. On June 12, 1975, the Multistate Tax Commission issued the first subpoenas in its history. They were served upon twelve corporate taxpayers which had refused to submit to joint audits which had been assigned to the Multistate Tax Commission by the various Member States. All of the subpoenaed corporations have failed or refused to comply with those subpoenas. As a consequence thereof, on July 23, 1975, the Commission filed a suit against American Can Company in the Superior Court for Thurston County, Docket #52893, in Olympia, Washington, to enforce its subpoena. The defendant subsequently filed its petition to remove that case to the federal district court. The case is now pending in the U. S. District Court for the Western District of Washington. The case number is C 75-164T.

On September 10, 1975, the Multistate Tax Commission filed suit in the District Court for the 4th Judicial District in the State of Idaho against Sperry Rand Corporation. The case number is 56154. The defendant filed a petition on October 1, 1975, to remove that case to the federal district court. That suit is now pending in the U. S. Circuit Court for the District of Idaho.

Similar actions are being contemplated against others of the corporations which have failed or refused to comply with the Multistate Tax Commission subpoenas.

VII. CONCLUSION

The Member States of the Commission look forward to the successful conclusion of the litigation which challenges the constitutionality of the Multistate Tax Compact. The Commission will then be able to move even more rapidly toward the accomplishment of its goals.

STANDING COMMITTEES

ATTORNEY COORDINATION COMMITTEE

Rick Harrison, Texas, CHAIRMAN

Wade Anderson, Texas
Sigmund Aronson, Texas
Janet Ashcroft, Missouri
John Ashcroft, Missouri
Frank Beckwith, Colorado
Robert G. Brockmann, Arkansas
Lauren O. Ruckland, Georgia
Richard Chambers, Georgia
G. Blaine Davis, Utah
Theodore W. de Looze, Oregon
James D. Douglass, Wyoming
A. D. M. Doyle, Alaska
Neal J. Gobar, California
Al Hausauer, North Dakota
Sydney D. Goodman, Michigan
Albert Hajjar, Pennsylvania
James Hamilton , California
Richard Holmquist, Washington
T. Bruce Honda, Hawaii
Kenneth Jakes, North Dakota
F. Kent Kalb, Kansas
Laury M. Lewis, Montana
John R. Messenger, Alaska
Perry Michael, Georgia
Kenneth L. Miller, Indiana
William Miller, West Virginia
Charles Otterman, California
John Owens, New Mexico
William E. Peters, Nebraska
Don Ray, Texas
Richard Roesch, Michigan
Robert L. Royer, Louisiana
James F. Senechal, Montana
John J. Sheehan, Nevada
Walter Skelton, Arkansas
Theodore Spangler, Idaho
James R. Willis, Colorado
James D. Winter, Arizona
William Wooten, West Virginia

COMMITTEE ASSIGNMENT

To maintain liaison among members of the committee:

1) concerning cases among the States pertaining to state taxation of interstate commerce; and

2) with respect to litigation in which the Multistate Tax Commission is involved.

In furtherance of the above purposes, to issue an Attorneys' Newsletter from time to time.

INCOME TAX COMMITTEE

James Bradshaw, Alabama, CHAIRMAN

Scott Akers, Kentucky
Wade Anderson, Texas
Owen L. Clarke, Massachusetts
Theodore W. de Looze, Oregon
Sidney Glaser, New Jersey
Ernest Goodman, California
Al Hausauer, North Dakota
Vernon Holman, Utah
Norman Johnson, Arkansas
Edward Landerkin, New Jersey
Thure A. Lindstrom, Oregon
V. S. McElvey, Alabama
Frank Medlin, Idaho
Francis Millett, Jr., Florida
A. Gerald Reiss, Missouri
Arthur Roemer, Minnesota
Richard Roesch, Michigan
Joseph Traigle, Louisiana

Business Resource Members:

John Abreau, Lucky Stores, Inc.
J. J. Bischoff, Trans World Airlines, Inc.
Roland Bixler, J-B-T Instruments
John Brundage, Coopers & Lybrand
Dale Hale, Allegheny Airlines
John Parenti, Eastern Air Lines
James Peters, American Tel & Tel
Raymond Slater, U. S. Steel Corporation
William Spangler, 3 M Company
Roger Talich, Gates Rubber Company
John Tockston, United Air Lines
Cecil Wright, Holly Sugar Company

COMMITTEE ASSIGNMENT

To draft a uniform corporate income tax form for use under UDITPA in any two or more Compact States.

JOINT AUDIT COMMITTEE

A. Gerald Reiss, Missouri, CHAIRMAN

MEMBER STATES

Harry Aubright, California
Frederick P. Boetsch, Alaska
Boyd W. Boner, Kansas
Gerald Foster, Montana
Robert Hardin, Nebraska
F. Nolan Humphrey, Arkansas
Howard Johnson, Indiana
Robert Kerns, Montana
Robert Kessel, North Dakota
William Knipp, Missouri
Everett Leath, Arkansas
Ron Loyd, New Mexico
Harvey McNutt, Wyoming
Frank Medlin, Idaho
Robert H. Munzinger, Washington
Robert Nelson, Michigan
David Newbery, Kansas
Robert Nunes, California
Tomotaru Ogai, Hawaii
Bob Owens, Texas
Oscar Quoidbach, Oregon
Chester Zawislak, Michigan

ASSOCIATE MEMBER STATES

Nick Ciccarella, West Virginia
Edward Landerkin, New Jersey
Norman W. Schmitt, Ohio
Lyle Wendell, South Dakota

COMMITTEE ASSIGNMENT

To perform study and research with respect to joint audits in order to determine:

1) How to improve audit liaison between the Member States and the MTC;

2) How to increase state participation in the joint audit program.

To make recommendations to the Executive Committee from time to time with respect thereto.

To secure additional signatories to the Income Tax Information Exchange Agreement.

RULES & REGULATIONS COMMITTEE

Theodore W. de Looze, Oregon, CHAIRMAN

Wade Anderson, Texas
John Bearden, Georgia
Frederick P. Boetsch, Alaska
J. William Campbell, Missouri
Allan Curtis, Tennessee
Al Hausauer, North Dakota
Paul Holt, Utah
John R. Messenger, Alaska
William Reed, Kentucky
Robert C. Witzel, Ohio

Business Resource Members:
Jack Agliata, Johns-Manville
Jay Allen, Melville Shoe
James Buresh, Sears, Roebuck & Co
Paul Jones, Morton-Norwich Products, Inc.
Stephen W. McKessey, Coopers & Lybrand
James Peters, American Tel & Tel
Frank Roberts, Pillsbury, Madison & Sutro
Marvin Rosenblum, Gulf + Western Industries
Carl Straub, Morrison-Knudson
Arnold Weber, Southern Pacific Company

COMMITTEE ASSIGNMENT

To draft proposed contractor regulations.

SALES & USE TAX COMMITTEE

Frank Beckwith, Colorado, CHAIRMAN

Wade Anderson, Texas
Donald Bosch, Utah
Charles Bradley, Louisiana
J. D. Dotson, California
Chandler A. Hewell, Georgia
Ben C. Holderied, Michigan
Richard M. Lee, Hawaii
Harvey McNutt, Wyoming
Gail Price, Arkansas
Arthur C. Roemer, Minnesota
Homer R. Ross, Idaho
Frank O. Sanders, Indiana
Clyde L. Scott, Nevada
Walter M. Stack, North Dakota
S. Ed Tveden, Washington
Wesley E. Wilber, Missouri

Business Resource Members:
Frank Buehler, Motel 6, Inc.
George Lundin, Chicago Bridge & Iron

COMMITTEE ASSIGNMENT

To draft a sales and use tax Exchange of Information Agreement and to pursue its execution by States.

To consider such additional matters as may be beneficient to the States and their relationship with the business community.

SPECIAL BANK TAX COMMITTEE

Sterling Gallagher, Chairman
Commissioner of Revenue
State of Alaska

Mrs. Mary Ellen McCaffree, Member
Director, Washington Department of Revenue

COMMITTEE ASSIGNMENT

To stay abreast of all developments in Congress and elsewhere concerning the taxability of banks by States; and

To perform necessary research and to make recommendations to the States with respect to such developments.

BUDGET PERFORMANCE REPORT

For Fiscal Year

July 1, 1974 - June 30, 1975

	Budget	*Actual*	*Actual Over (Under) Budget*
Payroll	$173,000.00	$138,212.26	$ (34,787.74)
Employees' Insurance	6,200.00	9,244.52	3,044.52
Employees' Retirement	24,600.00	20,388.00	(4,212.00)
Staff Travel	30,500.00	24,634.91	(5,865.09)
Commission Members' Travel	5,350.00	1,150.45	(4,199.55)
Relocation Expense	3,725.00	2,906.49	(818.51)
Other Travel Expense	1,875.00	1,753.12	(121.88)
Bond & Insurance	800.00	488.00	(312.00)
Office Rental	19,000.00	19,868.01	868.01
Office Supplies & Expense	6,200.00	4,387.00	(1,813.00)
Freight & Postage	6,200.00	2,934.01	(3,265.99)
Printing & Duplicating	9,000.00	16,482.22	7,482.22
Telephone & Telegraph	15,000.00	12,408.30	(2,591.70)
Books & Periodicals	4,350.00	1,174.14	(3,175.86)
Advertising	1,250.00	15.00	(1,235.00)
Miscellaneous	1,800.00	399.62	(1,400.38)
Conferences & Committee Meetings or Hearings	2,500.00	1,074.45	(1,425.55)
Professional Fees & Other Contract Services Including Electronic Data Processing	4,000.00	2,333.00	(1,667.00)
Office Furniture	1,250.00	1,035.00	(215.00)
Office Equipment	1,250.00	–0–	(1,250.00)
Contingency Account	16,150.00	–0–	(16,150.00)
TOTALS	$334,000.00	$260,888.50	$ (73,111.50)
Extraordinary Litigation Expense	$ 60,000.00	$ 57,751.39	$ (8,248.61)

State	*# Revenues under Compact*	*(A) % of Total*	*(B) *Apportioned Share of 10%*	*(C) *Apportioned Share of 90%*
Alaska	57,025,664.	.4343	457.23	375.36
Arkansas	295,134,429.	2.2470	457.23	1,941.94
California	5,678,600,428.			
Colorado	427,235.596.	3.2542	457.23	2,812.39
Florida	1,134,293,994.	8.6396	457.23	7,466.62
Hawaii	323,365,813.	2.4639	457.24	2,129.37
Idaho	151,688,242.	1.1553	457.24	998.44
Illinois	2,736,786,640.	20.8459	457.24	18,015.64
Indiana	779,300,952.	5.9357	457.24	5,129.81
Kansas	363,705,929.	2.7702	457.24	2,394.08
Michigan	2,490,839,110.	18.9720	457.24	16,396.17
Missouri	769,882.255.	5.8640	457.24	5,067.84
Montana	89,122,784.	.6789	457.24	586.72
Nebraska	209,425,000.	1.5952	457.24	1,378.61
Nevada	79,561,386.	.6060	457.24	523.72
New Mexico	241,148,000.	1.8367	457.24	1,587.33
North Dakota	92,061,600.	.7012	457.24	606.00
Oregon	362,717,000.	2.7627	457.24	2,387.60
Texas	1,480,702,553.	11.2781	457.24	9,746.87
Utah	270,841,633.	2.0630	457.24	1,782.90
Washington	730,048,774.	5.5605	457.24	4,805.55
Wyoming	44,073,674.	.3356	457.24	290.03
	$18,807,531,456.	100.0000	$9,602.00	$86,423.00

For fiscal year ending June 30, 1973

1975-76 BUDGET

(D) First Half Year Total	(E) % of Total	(F) *Apportioned Share of 10%	(G) *Apportioned Share of 90%	(H) Second Half Year Total	(I) Total Share of 1975-1976 Budget (Columns D & H)
832.59	.3032	436.45	262.04	698.49	1,531.08
2,399.17	1.5693	436.45	1,356.24	1,792.69	4,191.86
	30.1932	436.45	26,093.87	26,530.32	26,530.32
3,269.62	2.2716	436.45	1,963.19	2,399.64	5,669.26
7,923.85	6.0310	436.45	5,212.18	5,648.63	13,572.48
2,586.61	1.7193	436.45	1,485.88	1,922.33	4,508.94
1,455.68	.8065	436.45	697.01	1,133.46	2,589.14
18,472.89	14.5515	436.45	12,575.85	13,012.30	31,485.19
5,587.05	4.1436	436.45	3,581.03	4,017.48	9,604.53
2,851.32	1.9339	436.45	1,671.33	2,107.78	4,959.10
16,853.41	13.2439	436.45	11,445.77	11,882.22	28,735.63
5,525.08	4.0935	436.45	3,537.72	3,974.17	9,499.25
1,043.96	.4738	436.46	409.47	845.93	1,889.89
1,835.85	1.1136	436.46	962.40	1,398.86	3,234.71
980.96	.4230	436.46	365.57	802.03	1,782.99
2,044.57	1.2821	436.46	1,180.02	1,544.48	3,589.05
1,063.23	.4895	436.46	423.04	859.50	1,922.74
2,844.84	1.9285	436.46	1,666.66	2,103.12	4,947.96
10,204.11	7.8730	436.46	6,804.08	7,240.54	17,444.65
2,240.14	1.4400	436.46	1,244.49	1,680.95	3,921.09
5,262.79	3.8816	436.46	3,354.59	3,791.05	9,053.84
747.27	.2344	436.46	202.57	639.03	1,386.30
$96,025.00	100.0000	$9,602.00	$86,423.00	$96,025.00	$192,050.00

* 10% in equal shares; 90% on basis of tax revenue

GENERAL ADMINISTRATION BUDGET

FOR

FISCAL 1975-76

1. Salaries & Payroll Costs	
a) Salaries	$ 80,000.00
b) Employees' Insurance	6,100.00
c) Retirement	11,200.00
2. Travel Expenses	
a) Staff Travel	19,200.00
3. Operating Expenses	
a) Bonds and Insurance	1,000.00
b) Office Rental	18,000.00
c) Office Supplies	2,500.00
d) Freight & Postage	3,000.00
e) Printing & Duplicating	8,000.00
f) Telephone & Telegraph	7,000.00
g) Books & Periodicals	500.00
h) Miscellaneous	500.00
4. Conferences & Committee Meetings & Hearings	1,500.00
5. Contract Services	
a) Accounting Fees	2,000.00
b) Consulting Fees	2,500.00
c) Other Contract Services	500.00
6. Capital Outlay	
a) Office Furniture	250.00
b) Office Equipment	250.00
	$164,000.00

AUDIT PROGRAM BUDGET

FOR

FISCAL 1975-76

1. **Salaries & Payroll Costs**	
a) Salaries	$158,200.00
b) Insurance	7,350.00
c) Retirement	22,400.00
2. **Travel Expenses**	19,600.00
3. **Operating Expenses**	
a) Rent	18,000.00
b) Supplies	3,200.00
c) Postage	1,200.00
d) Printing	5,700.00
e) Telephone	7,500.00
f) Periodicals	500.00
g) Miscellany	1,350.00
4. **Capital Outlay**	
Furniture & Fixtures	1,000.00
	$246,000.00

JOHN M. BYRNE & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN BUILDING · SUITE 560 · DENVER, COLORADO 80202 · 303/892-1841

MEMBER
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
NATIONAL ASSOCIATION OF ACCOUNTANTS

August 7, 1975

Multistate Tax Commission
Boulder, Colorado

We have examined the balance sheet of Multistate Tax Commission at June 30, 1975 and the related statements of revenue and incurred expense, changes in fund balances, and source and application of cash funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the financial position of Multistate Tax Commission at June 30, 1975 and the results of its operations, changes in fund balances, and the source and application of its cash funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

John M. Byrne & Company

MULTISTATE TAX COMMISSION
Balance Sheet
June 30, 1975

ASSETS

Current Assets:		
Cash		$ 8,546
Certificates of Deposit		170,000
Assessments Receivable		40,457
Total Current Assets		219,003
Fixed Assets (Note 1):		
Leasehold Improvements	$ 956	
Office Furniture and Equipment	21,428	
	22,384	
Less: Accumulated Depreciation and Amortization	10,437	
Total Fixed Assets		11,947
Other Assets:		
Expense Account Advances	1,900	
Deposits (Note 2)	2,278	
Prepaid Pension Plan Costs (Note 3)	11,810	
Prepaid Expenses	587	
Total Other Assets		16,575
Total Assets		$247,525

Liabilities and Fund Balance

Current Liabilities:		
Accounts Payable (Note 5)		$ 5,966
Accrued Retirement (Note 3)		4,299
Total Current Liabilities		10,265
Fund Balance:		
Reserve for Employees' Retirement (Note 3)	$ 15,877	
Unappropriated Fund Balance	221,383	
Total Fund Balance		237,260
Total Liabilities and Fund Balance		$247,525

Accompanying Summary of Significant Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION
Statement of Revenue and Incurred Expense
For the Year Ended June 30, 1975

Revenue:		
Assessments, Member States		$334,000
Other:		
Assessments, Legal Fees		84,877
Interest, Certificates of Deposit		18,601
Miscellaneous		225
Total Revenue		437,703
Incurred Expense:		
Salaries	$138,212	
Insurance, Employees	9,245	
Pension Plan (Note 3)	16,089	
Retirement (Note 3)	4,299	
Relocation	2,906	
Travel, Staff	24,635	
Travel, Commission Members	1,150	
Travel, Other	1,753	
Rent	19,868	
Supplies	4,387	
Printing	16,482	
Postage	2,934	
Telephone	12,408	
Publications	1,174	
Legal	51,751	
Accounting	2,333	
Conferences, Committee Meetings and Hearings	1,074	
Depreciation (Note 1)	2,749	
Insurance, General	488	
Other	414	
Total Incurred Expense		314,351
Excess of Revenue Over Incurred Expense		$123,352

Accompanying Summary of Significant Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION

Statement of Source and Application of Cash Funds

For the Year Ended June 30, 1975

Source of Cash Funds:		
Operations, Excess of Revenue Over Incurred Expense		$123,352
Add Expense (Income) Not Employing Cash Funds:		
Recognition of Prepaid Assessment		(5,000)
Depreciation		2,749
Total from Operations		121,101
Certificates of Deposit Matured		225,000
Decrease in Prepaid Expenses		562
Total Source of Cash Funds		346,663
Application of Cash Funds:		
Certificates of Deposit Purchased	$280,000	
Purchase of Office Furniture and Equipment	1,131	
Purchase of Leasehold Improvements	365	
Increase in Assessments Receivable	26,435	
Increase in Expense Account Advances	400	
Increase in Prepaid Pension Plan Cost	6,113	
Decrease in Accrued Retirement	13,007	
Decrease in Accounts Payable	12,260	
Total Application of Cash Funds		339,711
Excess of Source of Cash Funds Over Application of Cash Funds		6,952
Cash Balance June 30, 1974		1,594
Cash Balance June 30, 1975		$ 8,546

Accompanying Summary of Significant Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION
Statement of Changes in Fund Balances
For the Year Ended June 30, 1975

	Reserve for Employees' Retirement	*Reserve for Prepaid Assessment*	*Unappropriated Fund Balance*
Balance, June 30, 1974	$ 15,877	$ 5,000	$ 98,031
Add:			
Excess of Revenue Over Incurred Expense			123,352
Portion of Prepaid Assessment Recognized as Income . .		(5,000)	
Balance, June 30, 1975	$ 15,877	$ -0-	$221,383

Accompanying Summary of Significant Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION

Summary of Significant Accounting Policies
June 30, 1975

The accounting policies employed by Multistate Tax Commission are consistent with generally accepted accounting principles. Significant policies are described below:

Accounting Method

The Commission has adopted the accrual method of accounting. Revenue is recognized in the period of assessment and expense is recognized as incurred.

Property, Plant and Equipment

All property and equipment is recorded at cost. Depreciation is provided for on the straigh-line basis over the estimated useful lives of the assets. Amortization of leasehold improvements is provided for on the straight-line basis over the term of the lease.

Income Taxes

No provision has been made for income taxes inasmuch as the Commission members are representatives of State taxing authorities.

Pension Plan

It is the Commission's policy to fund each year an amount equal to fourteen percent of the plan participants' gross salaries. Costs are actuarially determined.

It is also the policy of the Commission to accrue fourteen percent of the gross salaries of the personnel on leave of absence from State taxing authorities and make contributions to their respective plans if employment with the Commission is terminated, and the employee returns to State employment before the expiration of the leave of absence.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 1975

Note 1:

Depreciation expense for the year ended June 30, 1975, calculated under the straight-line method amounted to $2,532. Amortization expense calculated on the straight-line method over the term of the lease amounted to $217.

Note 2:

Multistate Tax Commission leases its primary office facilities at Boulder, Colorado, under the terms of a lease agreement expiring June 1, 1977. Monthly lease rental under the agreement amounts to $567.

The Commission leases secondary office facilities in New York City, New York under terms of a sub-lease agreement expiring January 30, 1977. The annual lease rental is $7,000 subject to fuel cost adjustments.

Other office space is leased under short-term agreements.

Deposits applicable to future rental payments aggregated $2,849 at June 30, 1975.

Other deposits amounting to $429 are airline travel deposits.

Note 3:

Substantially all of the full time employees of the Commission are covered by a pension plan. Total pension expense for the year ended June 30, 1975, amounted to $16,089. Prepaid pension plan costs at June 30, 1975 amounted to $11,810. Prepaid pension plan costs result primarily from funding original past service cost in the amount of $18,300 more rapidly than the twenty year period in which this liability will be charged to expense for accounting purposes under the accounting method for pension plans adopted by the Commission. Contributions to the pension plan during the year ended June 30, 1975 amounted to $33,246.

The pension fund is actuarially fully funded according to A. S. Hansen, Inc., acturies and consultants to the commission.

Certain employees of the Commission are on a leave of absence from State taxing agencies. The Commission has adopted the policy of assuming the liability for contributions to the State retirement fund for these employees if they return to State employment. Expense for this purpose amounted to $4,299 for the year ended June 30, 1975, resulting in an accrued liability of $4,299 on behalf of those employees continuing on leave of absence at June 30, 1975.

JOHN M. BYRNE & COMPANY

Note 4:

The Internal Revenue Service has denied the Commission exempt status under the provisions of Internal Revenue Code Section 501 (c) (6). However, in the opinion of legal counsel, the Commission is immune from Federal income tax as well as from other Federal taxes as an organization of a group of States or as an instrumentality of those States. Therefore, no provision has been made in the financial statements for Federal income tax liability.

Note 5:

No provision has been made in the financial statements for disputed legal fees, approximating $19,000.

APPENDICES

PROGRESS IN UNIFORMITY THROUGH ACCEPTANCE OF UNIFORM FORM FOR SALES & USE TAX EXEMPTION CERTIFICATE

UNIFORM SALES & USE TAX CERTIFICATE FORM

SALES TAX EXEMPTION CERTIFICATE
MULTI-JURISDICTION

(See reverse side for instructions)

Issued to (Seller)	Address

I certify that

Name of Firm (Buyer)		
Street Address or P. O. Box No.:		
City	State	Zip Code

is engaged as a registered
- ☐ Wholesaler
- ☐ Retailer
- ☐ Manufacturer
- ☐ Lessor (*See note on reverse side.)
- ☐ Other (Specify): ____

and is registered with the below listed states and cities within which your firm would deliver purchases to us and that any such purchases are for wholesale, resale, ingredients or components of a new product to be resold, leased, or rented in the normal course of our business. We are in the business of wholesaling, retailing, manufacturing, leasing (renting) the following:

City or State	State Registration or ID No.	City or State	State Registration or ID No.
City or State	State Registration or ID No.	City or State	State Registration or ID No.
City or State	State Registration or ID No.	City or State	State Registration or ID No.

I further certify that if any property so purchased tax free is used or consumed by the firm as to make it subject to a Sales or Use Tax we will pay the tax due direct to the proper taxing authority when state law so provides or inform the seller for added tax billing. This certificate shall be part of each order which we may hereafter give to you, unless otherwise specified, and shall be valid until canceled by us in writing or revoked by the city or state.

General description of products to be purchased from the seller:

Under penalties of perjury, I swear or affirm that the information on this form is true and correct as to every material matter.

Authorized Signature (Owner, Partner or Corporate Officer)	Title	Date

(Reverse Side)

TO OUR CUSTOMERS:

In order to comply with the majority of state and local sales tax law requirements, it is necessary that we have in our files a properly executed exemption certificate from all of our customers who claim sales tax exemption. If we do not have this certificate, we are obligated to collect the tax for the state in which the property is delivered.

If you are entitled to sales tax exemption, please complete the certificate and send it to us at your earliest convenience. If you purchase tax free for a reason for which this form does not provide, please send us your special certificate or statement.

This form of certificate has been determined to be acceptable to the following states as of January 31, 1974:

Alabama	Maryland	South Carolina
Alaska	Michigan	South Dakota
Arizona	Minnesota	Tennessee
Arkansas	Missouri	Texas
District of Columbia	Nebraska	Utah
Georgia	Nevada	Vermont
Idaho	New Mexico	Virginia
Illinois	North Dakota	Washington
Iowa	Oklahoma	Wisconsin
Maine	Pennsylvania	Wyoming
	Rhode Island	

NOTE: Arizona law provides that a seller will be held liable for sales tax due on any sales with respect to which an exemption certificate is found to be invalid, for whatever reason.

Illinois, Iowa, and South Dakota do not have an exemption on sales of property for subsequent lease or rental.

CAUTION TO SELLER: In order for the certificate to be accepted in good faith by the seller, the seller must exercise care that the property being sold is of a type normally sold wholesale, resold, leased, rented, or utilized as an ingredient or component part of a product manufactured by the buyer in the usual course of his business. A seller failing to exercise due care could be held liable for the sales tax due in some states or cities.

Misuse of this certificate by the seller, lessor, buyer, lessee, or the representative thereof may be punishable by fine, imprisonment or loss of right to issue certificates in some states or cities.

APPENDIX B

PRESS RELEASE

SEPTEMBER 22, 1975
BILLINGS, MONTANA

UNION PACIFIC AGREES TO MILLION DOLLAR STATE TAX PAYMENT

The Union Pacific Corporation today announced that it had reached agreement with three States to pay corporate income tax liability totaling in excess of one million dollars. The corporation noted that the action amicably concludes disputes which date back to 1968. The payment applies to taxes for 1968 through 1971.

Sam Stewart, State and Local Tax Counsel for UP, signed the agreement on behalf of the corporation. Signatories for the States were William Groff, Montana Director of Revenue; Ewing Little, Idaho State Tax Commissioner; and William Peters, Nebraska Director of Revenue.

The Multistate Tax Commission deserves credit for the agreement, according to Mr. Stewart. The Commission is a 21-State organization. It was organized 8 years ago to achieve increased uniformity and increased tax administration effectiveness in state taxation of multistate business. The Commission had performed a joint audit of the books and records of the corporation and its affiliates on behalf of 4 States, and had recommended acceptance of the terms which later were incorporated into the agreement with the 3 States. The fourth State, because of differing statutory provisions, refrained from participating in the agreement. That State will, however, utilize the results of the joint audit in developing its assessment. Mr. Stewart and the three state tax administrators expressed satisfaction that the agreement furthers another purpose of the Commission, which is to reduce taxpayer compliance burdens.

Mr. Stewart said that under the agreement the 3 States agree to follow uniform tax administration practices to applying their corporate income tax statutes to UP. He said that this is especially important to UP because its many affiliates and its different businesses create serious tax compliance problems. He said that the agreement represents a reasonable resolution of disputed taxes and will result in compliance costs savings to the UP.

Mr. Stewart expressed the opinion that the execution of the agreement marked the first time that a taxpayer and more than one State had ever signed such a multistate agreement involving state corporate income taxes.

The tax administrators expressed their appreciation of UP's willingness to publicize the agreement. They agreed that the confidentiality provisions of their state statutes prevented them from making any such announcement. Since such provisions are included in the statutes to protect taxpayers, they said, UP is free to make the announcement. Mr. Stewart said that he was glad to do so in an effort to encourage other States and other taxpayers to work with the Multistate Tax Commission to resolve the many difficult problems which plague state taxation of multistate business. He said that increased uniformity would help immensely and that the Commission is the key to its achievement.

The three tax administrators are happy that the agreement will result in immediate additional tax payments to their States. They said that UP had also agreed to file amended tax returns for 1972, 1973 and 1974, using the agreement as a guideline. The same guideline will be followed by UP in all future years.

Mr. Peters, who is the Chairman of the Multistate Tax Commission, said that the agreement demonstrates the advantages to be derived by both taxpayers and States in resolving difficult state tax problems.