



**Report of the Uniformity Committee
To the Executive Committee
Thursday, November 16, 2023
Montclair, New Jersey**

Laurie McElhatton (California), Uniformity Committee Chair
Phil Skinner (Idaho), Uniformity Committee Vice Chair

The Uniformity Committee met in person this week on Tuesday, November 14. The committee has established work groups for three major on-going projects:

- Review of model regulations for market-based sourcing;
- Sales taxation of digital products; and
- State taxation of partnership income.

Because these are larger-scope, longer-term projects, the Uniformity Committee is working to make sure that the states continually get value from the work being done as the projects go forward, including:

- Identification and explanation of issues,
- Background education and information on what other states are doing,
- In-depth research and analysis for policy-makers,
- Proposed principles and standards, and
- White papers and models on specific issues.

State employees may volunteer to be regular participants in any of these projects—meaning that they will follow the work of the project as it goes forward and provide input. State employees that want to be regular participants should reach out to the work group leaders or MTC staff. The work groups also welcome input from members of the public.

Review of Model Regulations for Market-Based Sourcing

This work group is chaired by Katie Frank (California) and has been meeting monthly. The Uniformity Committee agreed to form a work group to review its model receipts (sales) sourcing regulations for income apportionment purposes, including special industry regulations and the more recently adopted general market-based sourcing regulations. The goal of this project is to identify updates, corrections, or conforming changes, to consider issues that may not be sufficiently addressed by the existing model regulations, and to make recommendations to the committee for its action.

In recent meetings, the group has focused on special industry rules for transportation, including for trucking and airlines. To get additional information, the work group also formed a smaller, informal study group and has been holding calls of that study group and will be reporting information from that process.

Information on this project is available on the MTC website, on the project page, here: <https://www.mtc.gov/uniformity/model-receipts-sourcing-regulation-review-project/>

Sales Taxation of Digital Products

This work group is chaired by Gil Brewer (Washington) and has been meeting monthly. At the Uniformity Committee meeting on Tuesday, the work group organized and presented a panel on the Internet Tax Freedom Act moderated by Nancy Prosser, MTC, on which Andrew Appleby, Assoc. Professor of Law, Stetson University College of Law; Joe Bishop-Henchman, Executive V.P., National Taxpayer's Union; Mark Nebergall, Senior Counsel, McDermott, Will & Emery; and Johnathan White, MTC, participated.

Gil Brewer also gave an update on the project. The work group has been having monthly meetings, has been coordinating efforts with the Streamlined group, and has asked for input from the National Council of State Legislatures. Gil noted that members of the public and the states had submitted ideas on principles that the work group might discuss and adopt. He also noted that the work group had developed a matrix summarizing the differences between the states' treatment and taxation of digital products.

Information on the project can be found on the project webpage, here: <https://www.mtc.gov/Uniformity/Project-Teams/Sales-Tax-on-Digital-Products>.

Gil also announced his impending retirement. The work group will be looking for a replacement to act as work group chair. Gil expressed appreciation and thanks for all the work group participants and for the work of the MTC staff. Chair McElhatton thanked Gil for all of his involvement in the MTC over the years and for his heading up this project in particular.

State Taxation of Partnerships

This work group is chaired by Laurie McElhatton (California), who is also the Chair of the Uniformity Committee. The work group is addressing the state taxation of partnership income—particularly sourcing and administration. The work group has produced a comprehensive issue outline, two white papers on important partnership income sourcing issues—income of investment partnerships and guaranteed payments for services—and two draft models on those issues. The work group will next move on to the sourcing of partnership income generally, and especially sourcing income earned in complex partnership structures, including multi-tiered structures.

Because of the breadth and complexity of the issues expected to be involved in the coming work, Chair McElhatton also asked states to consider what they might need in terms of background information and also asked for a show of hands for those states that would be interested in training. A number of states indicated they would find training useful.

Information on this project can be found on the project webpage, here: <https://www.mtc.gov/Uniformity/Project-Teams/Partnership-Tax>.