



**Report of the Uniformity Committee
To the Executive Committee
Thursday, May 2, 2024
Kansas City, Missouri**

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

The Uniformity Committee met in person this week on Tuesday, April 30.

Scott Pattison, Deputy Director of the MTC gave a brief report on the trends and other circumstances that might affect the economy and state revenues and the particular effects this may have on federal and state tax policy. See that report here: [Economic/Revenue Report](#).

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 goal of the Uniformity Committee when reviewing the status of these projects is to make sure that the states are continually getting as much value as they can from the discussions and analysis, 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.

Laurie McElhatton asked the committee some informal polling questions, including a question about whether states thought the projects were moving at the right speed and spending time on the most important issues. The majority of those present thought each of the projects were generally moving at the right speed and covering the right issues, but there was a minority who thought that they should be moving somewhat faster.

Staff also asked those present to look at the project pages on the website and see the information that is there. The MTC uses the website to capture information about the work on the projects and we are building out those website pages to better organize and capture that information.

State Taxation of Partnerships

This work group is led by Laurie McElhatton (California), who is also the Chair of the Uniformity Committee, and David Merrien (Montana), the Vice Chair of the work group who gave a status report assisted by MTC staff—Chris Barber, Jenn Stosberg, and Helen Hecht. 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.

Since November, the work group has been focusing on sourcing partnership income more generally, and especially sourcing income earned in complex partnership structures, including multi-tiered structures. Recently the group has also looked at special allocations and the effect these allocations might have on state sourcing of partnership income.

Phil Skinner, committee Vice Chair, asked what the work group thought was a realistic timeline for finishing the project. There was some discussion about this question and staff noted that the issues were complex and may need sufficient study to ensure that any uniformity recommendations are sound—but that they were also concerned that they avoid going down a “dead end” or wasting time of approaches that may not work more generally.

MTC staff also gave an update on partnership training for state tax administrators that they are working on. That training is likely to be provided in person at the end of this year or early next year. Also, the MTC has a new learning management system on which they are loading the basic partnership course and will be building out with additional training.

The work group’s report to the committee is here: [Partnership Project Report](#). Information on this project is available on the MTC website, on the project page, here: [Partnership Project Page](#).

Sales Taxation of Digital Products

This work group is led by Tim Jennrich (Washington), Chair and Mia Strong (Louisiana), Vice Chair and has been meeting monthly. At the Uniformity Committee meeting on Tuesday, they gave a status report along with MTC staff Nancy Prosser, Lila Disque, Jonathan White, and Helen Hecht, MTC. (Jenn Stosberg and Richard Cram of the MTC have also been assisting.)

Tim Jennrich noted that he wanted to review the work that has been done so far and Mia Strong would also be polling the committee members to see if there are other issues or questions they would like to see covered. The work group report started with a

set of principles the work group has discussed in prior meetings. It then turned to the work that has been done so far, including studying:

1. Definitions
2. Items that exist in the marketplace
3. Review of the Streamlined Agreement
4. Analysis of business inputs
5. Survey of digital products taxed by states
5. Analysis of approaches states use to tax digital products
6. Internet Tax Freedom Act
7. Bundling

The report to the committee focused particularly on recent research on the analysis of business inputs, the survey of the state taxation of digital products, work on the Internet Tax Freedom Act, and more recent research on bundling and stakeholder interviews. The report also covered changes to the MTC project webpage being used to capture this information.

The work group's report to the committee is here: Information on the project can be found on the project webpage here: [Digital Products Project Report](#). Information on this project is on the MTC website, on the project page here: [Digital Products Project Page](#).

Review of Model Regulations for Market-Based Sourcing

This work group is chaired by Katie Frank (California) and staffed by Brian Hamer, Jonathan White, and Helen Hecht, MTC. The Uniformity Committee formed this work group to review the MTC's model receipts (sales) sourcing regulations for income apportionment purposes, including special industry regulations and the more recently adopted general market-based sourcing regulations. The work group has been meeting monthly. 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, including interested members of the public, which held a series of calls. The work group also approved a motion for staff to draft an alternative to the existing mileage rule that is used in the MTC special industry rule for transportation companies and staff has been working on that draft which will be reviewed by the work group.

Katie Frank also asked the group to begin giving thought to where the work group should focus as it goes forward. The work group wants to be sure that they are addressing the issues that states are most interested in, and so leadership and staff are continually taking that kind of feedback.

The work group's report to the committee is here: [Regulation Review Project Report](#). Information on this project is available on the MTC website, on the project page, here: [Regulation Review Project Page](#).