



## **Report of the Uniformity Committee & Work Groups to the MTC Executive Committee Thursday, May 1, 2025**

### **Report of the Uniformity Committee**

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**Laurie McElhatton (California), Chair and Phil Skinner (Idaho), Vice Chair**

The current MTC uniformity work involves three significant projects:

- State taxation of partnerships
- Sales taxation of digital products
- Review of receipts sourcing apportionment regulations

The Uniformity Committee has established work groups for the projects which have also used staff research and study groups to look at issues in-depth.

Each of the projects has its own webpage on the MTC's website. Those project pages are used to capture information from meetings and discussions, to summarize research, to provide drafts of outlines and white papers to the public, etc.

These work groups are continually reaching out to state members and to interested members of the public to determine their needs and to encourage them to give input into our process. We are fortunate to have a number of state members who devote their time and considerable expertise to these projects—including those “regular participants” who have committed to on-going involvement.

We also welcome any input or direction from the Executive Committee.

### **Project Report – State Taxation of Partnerships**

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**Laurie McElhatton (California), Chair**

The Uniformity Committee approved a project and established a work group to take a comprehensive look at the state taxation of partnership income and draft white papers and models for states to use in addressing issues that pass-through taxation can create. There are currently 23 states that are “regular participants” in that work group.

The work group has researched and published:

- A comprehensive issue outline,
- A white paper on investment partnerships,
- A draft model for sourcing of investment partnership income,
- A white paper on the sourcing of guaranteed payments,
- A draft model for the sourcing of guaranteed payment, and
- A discussion draft for a white paper on sourcing income in complex structures.

The work group has taken public input on these white papers and models but has decided to defer finalizing them until it can address sourcing issues in complex partnership structures more generally. This will help ensure that related issues are addressed consistently. The research and analysis of the complex partnership issues has been going on for the last year, with states giving input, and has resulted in the following:

- A comprehensive summary of state tax research into sourcing – which shows that most states that have addressed the sourcing of partnership income in complex structures have adopted the use of blended apportionment (a method consistent with the MTC’s own model combined filing statutes).
- Identification of issues not addressed by most states sourcing rules which will be addressed as part of the project.
- A draft white paper summarizing critical information on sourcing of partnership income and the use of “blended apportionment” for corporate and tiered partners.
- An Excel workbook testing the recommended blended apportionment approach for computing the partner’s share of partnership factors using the partner’s distributive share of partnership income.
- An informal outline of the issues to be addressed in determining when blended apportionment should be used which will be the basis for future discussions.

The work group expects that it will proceed with its analysis of the use of blended apportionment and the issues raised including intercompany transactions and the need for particular anti-abuse rules.

In addition, MTC staff continue to provide resources on the project web page including information on state partnership returns and instructions which can help states to see how others are addressing the information reporting requirements. Also, MTC staff are regularly asked to speak on this project at forums hosted by NYU Law School, Hartman, FTA, the ABA, and others.

Information on this project can be found on the project webpage, here: [MTC Partnership Project Web Page](#).

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## Sales Taxation of Digital Products

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**Tim Jennrich (Washington), Chair and Mia Strong (Louisiana), Vice Chair**

The Uniformity Committee approved a sales tax project and established a work group to draft a white paper recommending the best approaches or options for taxing digital products generally. The work group has regular participants from 19 states and two Streamlined Board staff members who also serve as ex officio work group members. The work group has worked closely with both the Federation of Tax Administrators (FTA) and Streamlined.

The project page for this project includes a set of “sub-pages” organized according to the outline for the white paper—providing information relevant to the issues identified and summarizing the research and discussions of the work group. As issues are taken up by the work group, these sub-pages will include the research, findings, and recommendations of the group and other information that may be helpful to the states considering whether to expand their sales tax base to include digital products.

The work group has also established two study groups:

- Bundling Study Group – headed by Mia Strong, which has undertaken a detailed review of the Streamlined bundling rules and has issued a report to the work group and for use by Streamlined in considering any changes to those rules; and
- Definitions Study Group – headed by Ray Langenberg (Texas), which is considering different approaches to broadly defining digital products and including business-to-business exclusions or exemptions.

While the study groups meet separately, the information they are considering and any recommendations will be published on the project webpage and will be discussed by the work group—giving anyone who wishes to comment an opportunity to do so.

In the coming months, the work group expects to hear specific recommendations from the definitions study group and will consider those recommendations and will also undertake review of other related issues, including sourcing of certain digital products.

Information on this project can be found on the project webpage, here: [MTC Digital Products Project Page](#)

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## Model Receipts Sourcing Regulation Review

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### Katie Frank (California), Chair

The Uniformity Committee agreed to undertake a project and form a work group to review its model receipts (sales) sourcing regulations for income tax apportionment purposes, including both the special industry regulations and the MTC’s more recently adopted market-based sourcing regulations. The work group has regular participants from various states—depending on the issue being addressed. The goal of this project is to identify any updates, corrections, or conforming changes, and to consider issues that may not be sufficiently addressed by existing model regulations, and reporting any recommendations to the committee for its action.

This work group regularly seeks input from states and the public concerning receipts sourcing issues. Because uniform rules help to avoid multiple taxation, the work group relies on industry representatives and practitioners to identify areas where such uniform rules may be necessary. But the work group also hopes to help states that are implementing market-based sourcing to identify issues that may need to be addressed.

For the recent Uniformity Committee meeting, MTC staff drafted two briefing books on particular areas where states may want to consider more detailed or updated rules:

- Sourcing of Airline Receipts – Since the Special Industry Rule for Airlines was adopted four decades ago, Airlines have come to receive various substantial streams of revenue there are not expressly addressed by the Rule. Examples include: Code-Share or related receipts, which are received for transportation sold by one airline and provided by another, and receipts from the sale of “miles” or “points,” which can then be awarded by the purchaser-business to its customers and redeemed for flights. In general, states have not explicitly addressed the sourcing of these receipts.
- Sourcing of Broadcast Receipts – The MTC has a model special industry rule, most recently updated in 1996, which addresses the sourcing of receipts of television and radio broadcasters. The MTC model general allocation and apportionment regulations also address similar issues—using a market, or audience, approach. The 1996 special

industry receipts sourcing rules may need to be clarified or could simply be eliminated, given that the general rules now apply.

Information on this project is available on the MTC website, on the project page, here: [MTC Regulation Review Project](#)

Again, the Uniformity Committee and the work groups are fortunate to have the participation of so many state members with a wide range of experience and expertise and to be able to interact with industry and practitioners to obtain information on these important issues.