



To: Executive Committee
From: Glenn Hegar, Treasurer
Date: May 2, 2024
Subject: Proposed FY 2026 Budget

I. Commission Budget Process

Each year at a spring meeting, the Executive Committee sets the fee levels for major programs:

- Membership assessments for compact members and sovereignty members,
- Audit fees for Joint Audit Program states, and
- Nexus fees for National Nexus Program states.

This is also the time when the Executive Committee reviews and approves the expenditures budget for the upcoming fiscal year, subject to any major issues developing between now and the Annual Commission Business Meeting. If anything like this were to occur, then the proposed budget could be revised, and a teleconference meeting of the Executive Committee could be held before the late July 2025 Commission meeting.

II. Commission Fee Structure

General Membership Assessment (Compact & Sovereignty Members)

The general membership assessment (GMA) finances the uniformity, research, legal and administrative support for programs, legislative efforts at both federal and state levels, litigation and amicus curiae support for states, and other activities of the Commission as well as supporting the annual seminar.

The total membership assessment is distributed to the states according to a formula in the Multistate Tax Compact whereby 10 percent of the fees are divided on an equal basis, and 90 percent on the basis of relative shares of certain state and local revenues (as specified in Art. VI, Sec. 4(b) of the Compact). The state and local revenues are determined using information from the U.S. Bureau of the Census. Note also that the bylaws were amended last year so that no sovereignty member will pay more than the largest membership assessment of any compact member or 15 percent of the total of membership assessments and fees for compact and sovereignty members, whichever is greater.

Joint Audit Program Fees

Overall audit fees are set on a cost basis to cover the operations of the program (as required by Article VIII of the Multistate Tax Compact). The audit fees support the audit services provided to states through the Joint Audit Program. They are distributed among the states by a schedule approved by the Executive Committee. The distribution of the

fees among participating states is based on a long-range schedule of fee changes adopted in May 1991.

States participating in both income and sales tax audits pay a base fee amount that is equal for each state and is based on a cost reimbursement method. States participating in only income or sales tax audits pay an amount equal to 60 percent of the base fee amount for participating in both types of audits. States that are not compact or sovereignty members also pay an additional 20 percent general operations support surcharge. Audit fees are reduced by 10 percent for those participating states which are among the 10 smallest states by population including the District of Columbia.

National Nexus Program Fees

Total nexus fees are set to cover the costs of operating the program (the intent of the Compact—expressed in Article VIII—is that Commission compliance activities are funded by states on a cost basis). Nexus fees support the compliance activities of the National Nexus Program. The nexus fees are apportioned among participating states according to a formula whereby 60 percent of the costs are divided on an equal basis, and 40 percent on the basis of relative shares of state tax revenues of participating states (obtained from the U. S. Bureau of the Census). States participating in only the income or sales tax aspects of the program pay 60 percent of the equal share but otherwise pay the 40 percent component just as those participating in both.

Nexus fees are also capped such that no state pays more than five percent of the total program fees. States that are not compact or sovereignty members also pay an additional 20 percent general operations support surcharge.

Training Fees

Training fees are set on an estimated full cost recovery basis in accordance with the policy set by the Executive Committee.

III. Proposed FY 2026 Budget

Overall

As has been MTC's practice when presenting a budget for review and approval, the FY 2026 budget has been prepared with an overall budget surplus or deficit set reasonably near to a "break-even" level. That has been done for the requested budget with an overall surplus of \$40,748 when dividend income is included (in previous years, dividend income was included in operating revenue but is categorized as other revenue).

Having no rent payments for the current fiscal year due to the re-negotiation of our lease creates some disparities in comparison between the FY 2025 year-end numbers and the FY 2026 proposed budget that will be highlighted below. Accommodating California with a significantly reduced GMA also warps comparison for the current year to the proposed budget. Overall, however, the budget is in balance.

Revenues

The fees of the Commission are traditionally expenditure driven by and based on the anticipated costs of operating the various programs.

Membership Assessments:

This is the first year that the bylaw change limiting the GMA of sovereignty members to no more than the largest GMA of any compact member or 15 percent of the total GMAs for compact and sovereignty members, whichever is greater, is in effect. This results in a GMA for California (the only state affected by the limit) of \$256,440.

Recall that for the current fiscal year, the Executive Committee approved a one-time, substantially reduced GMA for California of \$60,000. The resulting FY 2025 total membership fee assessment was requested at \$1,136,850, an amount that was \$569,150 less than the approved membership fees for FY 2024. This amount was workable because the Commission had renegotiated its D.C. office lease and that included a 15-month rent abatement, making all of FY 2025 rent free. The proposed budget for the GMA for FY 2026 is “back to normal” at an amount nearly the same as the FY 2024 GMA amount.

Note that the 15 percent limit on California’s GMA for FY 2026 raises the apportioned GMA of all other compact and sovereignty states. But it should also be noted that the membership fee of each state for FY 2026 is close to (in some cases less than) the membership fee assessed for each of those states in FY 2022, the last year the fees were budgeted and approved prior to California joining as sovereignty member.

Audit Program Fees:

The basic 2-tax audit fee is requested for FY 2026 at \$238,300 which is \$100 less than the FY 2024 approved amount of \$238,400 (a better comparator than FY 2025; the FY 2025 approved fee was \$235,500). The total requested FY 2026 Audit Program Fees will increase to \$5,779,234. Note Missouri is dropping out the audit program beginning in FY 2026 and that there a state that will be joining the audit program for 1-tax in FY 2026, but it is not identified because the joining process is still ongoing—thus the different revenue amounts between the program fee table and the budget summary).

Nexus Program Fees:

The total Nexus Program fee for FY 2026 is requested to be set at \$1,083,363 which is a \$57,317 increase over the approved FY 2025 fee and with the fees at the individual state level showing modest change from the FY 2025 fee amounts.

General Operations Support Surcharge:

This 20% surcharge is added to the Joint Audit Program fee and National Nexus Program fee for states which are neither a Compact nor Sovereignty member. This amount is assessed on non-Compact and non-Sovereignty members and transferred from either the Audit Program or the Nexus Program to support the General Operations of the Commission. For FY 2026 the general operations support surcharges total \$290,249 from the Audit Program, and total \$85,708 from the Nexus Program. These surcharges help mitigate the need for additional increases in the total Membership fees.

Expenditures

In general, the requested expenditure amounts in the attached requested FY 2026 budget reflect a continuation of current activities.

Important factors related to the FY 2026 expenditures budget are:

- The 15-month rate abatement from renegotiation of the D.C. office lease in 2024 provides 3 months rent-free: July through September 2025.
- The FY 2026 requested expenditures total is \$ 8,701,903. That amount is an increase of \$207,470 from the total FY 2024 approved expenditures of \$8,494,433 (a better comparator than FY 2025 given the rent abatement and reduced membership fee revenue).
- An estimated 5.0% health insurance premium increase over the current premium amount. This estimated percentage increase is considered reasonable and falls within the relevant range of premium increases in the health insurance marketplace.
- A cost of living adjustment (COLA) of 3.5% is being requested for FY 2026; recall that there was no COLA for MTC employees for the current fiscal year.
- One additional auditor position has been added to the FY 2026 budget request.

Staffing levels in the proposed budget for FY 2026 are as follows:

Staffing Category	FTEs
General Operations (Administration, Event, Executive, and Legal)	16.5
Audit Program	26.5
Nexus Program	3.0
TOTAL	46.0

IV. The FY 2027, FY 2028, FY 2029, FY 2030 Budget Projections

Revenue Increases

Please note these projections are informational only and not controlling. The fee increases (percentages) projected for fiscal years *beyond* the FY 2026 budget year are:

Description	FY 2027	FY 2028	FY2029	FY 2030
Membership Assessments - Total	2%	2%	2.9%	2.9%
Audit Program Fees - Total	5%	3%	3%	2.9%
Nexus Program Fees - Total	5%	3%	2.9%	2.9%

The percentage fee increases in FY 2027 and following are to some extent the effect of nine months paid rent (and three months free rent) for MTC's D.C. office in FY 2026 followed by a return to twelve months paid rent in FY 2027 for the D.C. office.

Expenditure Increases

Again, please note these projections are informational only and not controlling. The percentage increases used for each annual expenditure increase shown *beyond* the FY 2026 budget year are:

Description	FY2027	FY 2028	FY 2029	FY 2030
Payroll Expenses	1.8%	2.5%	2.5%	2.5%
Operating Expenses	4.5%	4.6%	4.6%	4.7%

Note that a substantial component of "Employee Insurance" is group health insurance for which large annual rate increases may occur each year.

Multistate Tax Commission
FY26 Budget

	FY25	FY26	FY27	FY28	FY29	FY30
	Projected	Budget	Projected	Projected	Projected	Projected
Operating Revenue						
Member Assessments	\$ 1,136,850	\$ 1,709,600	\$ 1,743,792	\$ 1,778,668	\$ 1,830,602	\$ 1,884,366
Audit Program Fee	\$ 5,479,125	\$ 5,768,910	\$ 6,057,356	\$ 6,239,076	\$ 6,421,246	\$ 6,609,836
Special Project Fees/Nexus	\$ 974,669	\$ 1,083,363	\$ 1,137,531	\$ 1,171,657	\$ 1,205,868	\$ 1,241,284
Annual Seminar	\$ 53,714	\$ -	\$ -	\$ -	\$ -	\$ -
Training Program Fees	\$ 114,136	\$ 114,136	\$ 117,560	\$ 121,087	\$ 124,719	\$ 128,461
Miscellaneous Revenue	\$ 12,260	\$ -				
Total Operating Revenue	\$ 7,770,754	\$ 8,676,009	\$ 9,056,239	\$ 9,310,488	\$ 9,582,436	\$ 9,863,946
Expenditures						
Operating Expenses						
Advertising/Recruitment - HR	\$ 1,359	\$ 1,500	\$ 1,650	\$ 1,815	\$ 1,997	\$ 2,196
Subscriptions, Publications & Dues	\$ 102,208	\$ 114,763	\$ 118,206	\$ 121,752	\$ 125,404	\$ 129,167
Travel	\$ 201,673	\$ 210,000	\$ 220,500	\$ 231,525	\$ 243,101	\$ 255,256
Rent & Utilities	\$ 143,392	\$ 386,317	\$ 397,906	\$ 409,844	\$ 422,139	\$ 434,803
Consumable & Durable Supplies	\$ 37,464	\$ 41,211	\$ 42,447	\$ 43,720	\$ 45,032	\$ 46,383
Postage & Express Mail	\$ 5,997	\$ 7,796	\$ 8,575	\$ 9,433	\$ 10,376	\$ 11,414
Printing	\$ 15,923	\$ 17,515	\$ 19,266	\$ 21,193	\$ 23,312	\$ 25,644
Telephone Service	\$ 11,392	\$ 11,961	\$ 12,320	\$ 12,690	\$ 13,071	\$ 13,463
Internet Access	\$ 53,824	\$ 53,824	\$ 54,362	\$ 54,906	\$ 55,455	\$ 56,010
Training & Seminars Expenses	\$ 47,553	\$ 49,931	\$ 52,428	\$ 55,049	\$ 57,802	\$ 60,692
Food/Beverage & Audio-Visual	\$ 251,208	\$ 263,768	\$ 276,956	\$ 290,804	\$ 305,344	\$ 320,612
Business Insurance	\$ 25,815	\$ 28,397	\$ 31,236	\$ 34,360	\$ 37,796	\$ 41,576
Maintenance	\$ 2,598	\$ 10,970	\$ 11,518	\$ 12,094	\$ 12,699	\$ 13,334
SW Licenses / Misc	\$ 182,104	\$ 195,775	\$ 201,648	\$ 207,698	\$ 213,929	\$ 220,346
PayBill	\$ 3,000	\$ 3,000	\$ 3,150	\$ 3,308	\$ 3,473	\$ 3,647
Transportation Benefit Exp	\$ 11,149	\$ 13,815	\$ 14,161	\$ 14,515	\$ 14,877	\$ 15,249
Professional Fees	\$ 188,145	\$ 250,017	\$ 269,259	\$ 290,138	\$ 312,802	\$ 337,415
Total Operating Expenses	\$ 1,283,445	\$ 1,660,559	\$ 1,735,590	\$ 1,814,842	\$ 1,898,609	\$ 1,987,204
Payroll Expenses	\$ 5,806,354	\$ 7,038,344	\$ 7,167,820	\$ 7,347,016	\$ 7,530,691	\$ 7,718,959
Total Expenditures	\$ 7,092,799	\$ 8,701,903	\$ 8,906,560	\$ 9,165,166	\$ 9,432,773	\$ 9,709,809
Net Operating Revenue	\$ 677,955	\$ (25,894)	\$ 149,679	\$ 145,323	\$ 149,663	\$ 154,137
Other Revenue						
Unrealized Gain / (Losses)	\$ 99,018					
Dividend Income	\$ 148,283	\$ 74,141				
Gain / (Loss) on Asset Disposal	\$ -					
Total Other Revenue	\$ 247,300	\$ 74,141				
Other Expenditures						
Furniture & Equipment	\$ 54,857	\$ 7,500				
Depreciation Expenses	\$ -					
Total Other Expenditures	\$ 54,857	\$ 7,500				
Net Other Revenue	\$ 192,443	\$ 66,641				
Net Revenue	\$ 870,398	\$ 40,748				

GENERAL MEMBERSHIP ASSESSMENTS COMPACT & SOVEREIGNTY MEMBER STATES			
	FY 2024 Actual	FY 2025 Approved	FY 2026 Proposed
Alabama	46,731	44,411	59,931
Alaska	8,031	8,409	11,347
Arkansas	36,965	33,382	45,047
California	559,798	60,000	256,440
Colorado	67,827	65,904	88,934
Delaware	19,685	19,290	26,031
District of Columbia	22,336	21,101	28,475
Hawaii	29,699	28,372	38,287
Idaho	22,004	22,842	30,824
Kansas	36,391	34,188	46,135
Kentucky	48,308	42,947	57,955
Louisiana	35,840	32,906	44,405
Michigan	77,439	74,617	100,692
Minnesota	76,177	74,514	100,553
Missouri	56,790	52,000	70,171
Montana	12,078	13,294	17,939
New Jersey	116,211	115,411	155,742
New Mexico	27,847	26,165	35,309
North Dakota	13,076	11,805	15,930
Oregon	42,964	40,368	54,475
Rhode Island	15,996	15,878	21,427
Texas	178,340	152,815	206,216
Utah	37,300	40,953	55,264
Vermont	11,449	11,793	15,915
Washington	87,355	75,408	101,759
West Virginia	19,364	18,078	24,396
TOTAL	1,706,000	1,136,850	1,709,600

MULTISTATE TAX COMMISSION - APPORTIONMENT OF FY2026 BUDGET

	STATES' FISCAL 2022 REVENUES UNDER COMPACT		26 STATES EQUAL SHARE: 10% OF	APPORTIONED SHARE: 90% OF	Total Fee	Adjustment to Cap Any Membership Fee	TOTAL SHARE FY2026
	(THOUSANDS)	% OF TOTAL	\$ 170,960	\$ 1,538,640	Fee Cap	Membership Fee	
Alabama	15,332,541	2.412%	6,575	37,108	43,683	16,248	59,931
Alaska	700,518	0.110%	6,575	1,695	8,271	3,076	11,347
Arkansas	10,850,004	1.707%	6,575	26,259	32,835	12,213	45,047
California - DTFA & FTB (Sovereignty)	266,020,387	41.844%	6,575	643,826	650,401	(393,961)	256,440
Colorado	24,067,389	3.786%	6,575	58,248	64,824	24,111	88,934
Delaware	5,122,732	0.806%	6,575	12,398	18,973	7,057	26,031
District of Columbia	5,859,075	0.922%	6,575	14,180	20,756	7,720	28,475
Hawaii	8,813,870	1.386%	6,575	21,331	27,907	10,380	38,287
Idaho	6,566,374	1.033%	6,575	15,892	22,467	8,357	30,824
Kansas	11,177,718	1.758%	6,575	27,052	33,628	12,508	46,135
Kentucky (Sovereignty)	14,737,518	2.318%	6,575	35,668	42,243	15,712	57,955
Louisiana (Sovereignty)	10,656,558	1.676%	6,575	25,791	32,367	12,038	44,405
Michigan (Sovereignty)	27,608,351	4.343%	6,575	66,818	73,393	27,298	100,692
Minnesota (Sovereignty)	27,566,716	4.336%	6,575	66,717	73,293	27,261	100,553
Missouri	18,416,532	2.897%	6,575	44,572	51,147	19,024	70,171
Montana	2,685,900	0.422%	6,575	6,500	13,076	4,863	17,939
New Jersey (Sovereignty)	44,187,839	6.951%	6,575	106,944	113,519	42,223	155,742
New Mexico	7,917,142	1.245%	6,575	19,161	25,737	9,573	35,309
North Dakota	2,080,843	0.327%	6,575	5,036	11,611	4,319	15,930
Oregon	13,689,317	2.153%	6,575	33,131	39,706	14,769	54,475
Rhode Island (Sovereignty)	3,736,236	0.588%	6,575	9,042	15,618	5,809	21,427
Texas	59,389,186	9.342%	6,575	143,734	150,310	55,907	206,216
Utah	13,926,864	2.191%	6,575	33,706	40,281	14,982	55,264
Vermont (Sovereignty)	2,076,119	0.327%	6,575	5,025	11,600	4,315	15,915
Washington	27,929,859	4.393%	6,575	67,596	74,172	27,588	101,759
West Virginia (Sovereignty)	4,630,421	0.728%	6,575	11,207	17,782	6,614	24,396
TOTAL	\$ 635,746,009	\$ 1	\$ 170,960	\$ 1,538,640	\$ 1,709,600	\$ 0	\$ 1,709,600

TOTAL AUDIT FEES - MTC JOINT AUDIT PROGRAM			
	FY 2024 Actual	FY 2025 Approved	FY 2026 Proposed
Alabama	238,400	235,500	238,300
Alaska	128,736	127,170	128,682
Arkansas	238,400	235,500	238,300
Colorado	238,400	235,500	238,300
Delaware	128,736	127,170	128,682
District of Columbia	214,560	211,950	214,470
Georgia	128,736	169,560	171,576
Hawaii	238,400	235,500	238,300
Idaho	238,400	235,500	238,300
Iowa	286,080	282,600	285,960
Kansas	238,400	235,500	238,300
Kentucky	238,400	235,500	238,300
Louisiana	143,040	141,300	142,980
Maryland	286,080	282,600	285,960
Minnesota	50,064	105,975	142,980
Montana	128,736	127,170	128,682
Nebraska	171,648	169,560	171,576
New Hampshire	154,483	152,604	154,418
New Jersey	238,400	235,500	238,300
New Mexico	143,040	141,300	142,980
North Dakota	214,560	211,950	214,470
Oregon	143,040	141,300	142,980
Pennsylvania	171,648	169,560	171,576
Pennsylvania, City of Philadelphia	40,552	114,453	154,418
Rhode Island	193,104	211,950	214,470
Tennessee	286,080	282,600	285,960
Utah	238,400	235,500	238,300
Vermont	96,552	127,170	128,682
Washington	20,000	20,000	20,000
West Virginia	143,040	141,300	142,980
State Joining in FY2026	-	-	60,052
TOTAL - BEFORE TRANSFER OF SURCHARGE	5,418,115	5,578,742	5,779,234
BASE AUDIT FEE	238,400	235,500	238,300

REVENUE - NATIONAL NEXUS PROGRAM FEES			
	FY2024 ACTUAL	FY2025 APPROVED	FY2026 PROPOSED
Alabama	23,267	23730	24,262
Arizona	30,964	31878	32,980
Arkansas	21,788	22023	21,748
Colorado	25,481	26023	25,342
Connecticut	32,292	31586	33,205
Delaware	12,784	13085	12,284
District of Columbia	19,839	20411	19,909
Florida	46,668	48780	56,713
Georgia	34,957	36570	38,846
Hawaii	20,745	21567	21,461
Idaho	20,053	20566	20,359
Iowa	26,882	27110	27,031
Kansas	21,956	22141	22,218
Kentucky	23,323	23728	24,330
Louisiana	22,551	23169	24,040
Maryland	33,485	34370	37,157
Massachusetts	39,815	41409	44,909
Michigan	31,293	31016	33,451
Minnesota	30,830	30867	33,429
Mississippi*	-	-	25,752
Missouri	23,826	24127	24,983
Montana	11,970	12286	11,158
Nebraska	24,321	24569	24,298
New Hampshire	13,977	14195	12,761
New Jersey	36,412	38128	41,731
New Mexico	20,452	20868	22,932
North Carolina	38,963	39059	42,585
North Dakota	18,924	19644	19,136
Oklahoma	26,610	27241	27,200
Oregon	18,228	17977	17,531
Rhode Island	19,115	19428	18,856
South Carolina	27,617	28540	30,092
South Dakota	13,628	13907	12,468
Tennessee	31,189	31667	33,763
Texas	45,952	47408	48,833
Utah	22,761	22934	22,868
Vermont	18,482	18800	17,904
Washington	22,838	22970	25,153
West Virginia	19,862	20311	19,692
Wisconsin	32,364	31959	34,489
TOTAL	1,006,466	1,026,047	1,087,862

*Mississippi joined after the budget was approved; their Nexus fee for FY2025 was \$25,762.