MULTISTATE TAX COMMISSION

2021 ANNUAL REPORT

www.mtc.gov

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Multistate Tax Commission

ANNUAL REPORT FOR FISCAL YEAR 2021

(July 1, 2020 – June 30, 2021)

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Message from the Executive Director

I am pleased to present the 2021 Annual Report of the Multistate Tax Commission covering the activities of the Commission and its various committees and staff during the time period July 1, 2020, to June 30, 2021. This annual report presents a convenient compilation of reports presented to the Commission at its 54th annual meeting held virtually for the second year in a row due to the ramifications of the covid pandemic. The *Financial Statements and Report of Independent Certified Public Accountants for the Years Ended June 30, 2021 and 2020* were presented at the virtual meeting.

The Multistate Tax Commission (MTC) is an intergovernmental state tax agency whose mission is to achieve fairness by promoting compliance and consistent tax policy and practice and to preserve the sovereignty of state and local governments over their tax systems. During the past year, we recognized our distinguished and outstanding recipient of the 2021 Paull Mines Award for Contributions to State Tax Jurisprudence, Robert D. (Rob) Plattner, former Counsel and then Director of the Legislative Tax Study Commission of New York.

The MTC continues its commitment to our vision to be recognized as the "gold standard" in the development of tax policy and be the primary authority for assuring uniformity and fairness in tax administration.

I ask for your continued input and support as the Commission continues to facilitate joint state efforts in these areas. The Annual Report of the Multistate Tax Commission — by nature, a backward look at the Commission's activities — will provide you with information that will be helpful to you in providing us that input and support. I look forward to hearing from you.

Respectfully,

Gregory S. Matson
Executive Director

Overview of Actions Taken by the Multistate Tax Commission

The Commission held the Annual Business Meeting, as required by Article VI of the Multistate Tax Compact, July 29, 2020.

The Commission took the following actions during July 1, 2020, to June 30, 2021:

- Approved the Commission Budget for 2020-2021.
- Accepted committee reports and ratified the actions of the Executive Committee for the previous program year.
- The Commission unanimously approved amendments to Bylaw 5 regarding voting requirements and voting procedures that the Executive Committee approved in a special meeting on January 15, 2020. In approving the changes, the Commission also amended the text of the voting change to Bylaw 5 to add, "ratio of the amount of type of taxes" (underscore is added text) for greater clarity. The Commission also unanimously approved technical and conforming changes to Bylaws 3, 4, 6, 7, and 13 to comport with the changes to Bylaw 5.

The Commission elected the following officers:

- Chair: Keith Richardson, Deputy CFO for Tax and Revenue, District of Columbia Office of Tax and Revenue
- Vice Chair Vernon Barnett, Alabama Commissioner of Revenue
- Treasurer: Glenn Hegar, Texas Comptroller of Public Accounts
- At-large members:
  Stephanie Schardin Clarke, Cabinet Secretary, New Mexico Taxation and Revenue
  Lucinda Mahoney, Commissioner of Revenue, Alaska
  Vikki Smith, Director, Washington Department of Revenue; and
  Gene Walborn, Director, Montana Department of Revenue

The Commission did not accept any donation or grant or borrow any service during the period covered by this report.

Report of the Executive Committee

The Executive Committee met four times during the period July 1, 2020, to June 30, 2021. All meetings were held virtually on the following dates:

- July 15, 2020;
- July 30, 2020;
- November 20, 2020; and
- April 29, 2021.

The committee provided oversight and direction to the activities of the Commission throughout the fiscal year.

The following members of the Commission were elected to serve as Commission officers and members of the Executive Committee for fiscal year 2021:

- Chair: Keith Richardson, Deputy CFO for Tax and Revenue, District of Columbia Office of Tax and Revenue
- Vice Chair Vernon Barnett, Alabama Commissioner of Revenue
- Treasurer: Glenn Hegar, Texas Comptroller of Public Accounts
- At-large members:
  Stephanie Schardin Clarke, Cabinet Secretary, New Mexico Taxation and Revenue
  Lucinda Mahoney, Commissioner of Revenue, Alaska
  Vikki Smith, Director, Washington Department of Revenue; and
  Gene Walborn, Director, Montana Department of Revenue

Gene Walborn left the Montana Department of Revenue in January, creating a vacancy in one of the four at-large positions; the committee had no objections to closing out the year with the three officers and the three remaining at-large members on the committee.

The Executive Committee took the following actions during fiscal year 2020:

- Approved a 10% credit (proportional) for FY 2021 general membership assessment and program fees.
- Approved the hearing officer report on a proposed *Model Statute for Combined Reporting – "Finnigan Method."*

- Approved a resolution encourage states to consider adopting the ABA Model Transaction Tax Overpayment Act, to consider a whistleblower statute similar to the federal whistleblower statute instead of removing the tax bar from state false claims act statutes, and that state tax enforcement agencies be properly funded.
- Approved the audited financial statements as reported in an independent auditor report for the years ended June 30, 2019, and June 30, 2020.
- Accepted technical corrections to *Model Uniform Statute for Reporting Adjustments to Federal Taxable Income and Federal Partnership Audit Adjustments*.
- Approved the hearing officer report on proposed revisions to the *Statement of Information Concerning Practices of the Multistate Tax Commission and Supporting States Under Public Law 86-272*.
- Approved a proposed fiscal year 2020-2021 budget for the Commission.
- Approved an update of the MTC Voluntary Alternative Dispute Resolution Program, including an amendment to Bylaw 14 deleting section (d)(2).
- Reviewed and approved the Treasurer's financial reports during regular meetings of the committee.
- Reviewed the efforts and work of the Commission's standing committees during regular meetings of the committee.

The Executive Committee undertook additional actions during fiscal year 2021 that are recorded in the minutes of its meetings.

Report of the Audit Committee

Frank Hales (Utah), Chair

Lee Baerlocher (Montana), Vice Chair

The following report reflects the activities of the MTC Audit Committee and the Audit Program for the 2021 fiscal year ended June 30, 2021.

Audit Committee

The audit committee met three times in fiscal year 2021 and all meetings of the committee were conducted via teleconference due to the global COVID-19 pandemic. The committee's first meeting was held on July 28, 2020. There were 92 members, guests and staff present during the public session and 72 members and staff present during the closed session of the meeting. There were 9 members of the public present during the public session, and there were 50 individuals representing 24 audit program states present during the closed session of the meeting.

The Audit Committee also met on November 17, 2020. This was the second meeting of the committee in the fiscal year 2021. There were 82 members, guests and staff present during the public session and 71 members and staff present during the closed session of the meeting.

The third and final meeting of the audit committee in fiscal year 2021 was held on April 21, 2021. There were 107 members, guests and staff present during the public session and 96 members and staff present during the closed session of the meeting. There were 8 members of the public present during the public session, and there were 65 individuals representing 26 audit program states present during the closed session of the meeting.

At each meeting, the audit committee reviewed the status of all audits, in progress or recently closed. Discussions were held on income tax and sales tax audits that had significant issues.

During its spring meeting, the committee reviewed a proposed charter for the Audit Committee and recommended that it be accepted by the Executive Committee. The committee also voted to add nine additional companies to income tax audit inventory.

During the fall meeting, committee members approved a revised statute of limitations waiver extension form and an updated audit manual for income tax. The committee also voted to add ten additional companies to sales tax audit inventory and members approved a more detailed reporting format for recording audit results for the Joint

Audit Program, as proposed by the Director. New information includes tax refunds requested by taxpayers, recommended refund reductions, and any recommended changes to tax attributes such as tax credits and net operating losses.

During its July 2020 meeting, the committee learned that enhancements were planned for the MTC Audit Program database. After some discussion, the committee asked MTC staff to propose a more detailed reporting format for audit results at the next committee meeting.

The audit committee will meet for the first time in fiscal year 2021 on August 10, 2021 during the MTC annual meetings which will be held via teleconference.

Audit Program

Productivity

The Joint Audit Program completed seven (7) income tax audits and parts of six (6) other income tax audits during fiscal year 2021. Audit staff also completed six (6) sales tax audits and parts of ten (10) other sales tax audits. Currently, there are eighteen (18) income tax audits and twenty-nine (29) sales tax audits in progress.

During the fiscal year, the income tax program proposed net assessments of $40,161,302 (proposed assessments of $42,525,382 less taxpayer requested adjustments of $2,364,080) for completed and partially completed income tax audits. Income tax program staff also proposed tax credit, NOL, and refund reductions of $2,020,131. The sales tax program proposed net assessments of $9,767,932 (proposed assessments of $10,243,451 less taxpayer requested refunds of $475,519) for completed and partially completed sales tax audits. Sales tax program staff also proposed $203,571 in tax refund reductions.

Staffing

At the Spring Audit Committee meeting, I notified you of Bob Schauer's plans to retire from the Commission and I am sad to say Bob did follow through with those retirement plans. Bob was a key member of our sales tax program staff for 14 years and is well known for his expertise using statistical sampling in sales tax audits.

Audit Committee

The Audit Committee met three times in fiscal year 2021 on July 28, 2020, November 17, 2020, and finally April 21, 2021. Due to the global COVID-19 pandemic, all meetings of the Audit Committee were held via teleconference. During its spring meeting, the committee reviewed a proposed charter for the Audit Committee and recommended that it be accepted by the Executive Committee. The committee also voted to add nine additional companies to income tax audit inventory. As always, the audit supervisors provided an update on the on-going income tax and sales tax audits.

Training

The Commission is working to provide training via an online training platform that may allow member states access to view training on demand. Currently, only one training has been provided via this online platform, a statistical sampling course customized for Georgia income tax credits. We expect to offer more training opportunities in the future using this platform.

TRENDS IN PRODUCTIVITY

MTC JOINT AUDIT PROGRAM
AUDIT HOUR ANALYSIS
6/2004- 6/2021

	6/04	6/05	6/06	6/07	6/08	6/09	6/10	6/11	6/12	6/13	6/14	6/15	6/16	6/17	6/18	6/19	6/20	6/21
Income Tax Total Audits	7	7	9	7	7	3	6	6	4	5	6	5	4	4	2	6	1	7
Total States Audited	266	196	175	141	209	79	152	309	131	150	103	79	64	76	35	113	21	112
Total Hours	12012	12617	12514	9361	17570	6440	10445	25649	11937	12836	14413	11136	12893	7925	7469	28337	3296	38275
Average Hours Per State	**45**	**64**	**72**	**66**	**84**	**81**	**69**	**83**	**91**	**86**	**139**	**141**	**201**	**104**	**213**	**251**	**157**	**342**
Sales Tax Total Audits	10	11	6	15	9	10	12	5	5	12	6	4	11	8	6	7	7	6
Total States Audited	154	160	77	187	97	120	147	65	59	163	63	48	108	76	66	71	71	66
Total Hours	10943	6133	4946	13296	7818	7265	10772	7200	5000	13195	6570	5121	18155	12267	8133	6307	9685	11141
Average Hours Per State	**71**	**38**	**64**	**71**	**80**	**61**	**73**	**110**	**85**	**81**	**104**	**106**	**168**	**161**	**123**	**89**	**136**	**169**
Total Both Taxes Total Audits	17	18	15	22	16	13	18	11	9	17	12	9	15	12	8	13	8	13
Total States Audited	420	336	252	328	306	199	299	374	190	313	166	127	172	152	101	184	92	178
Total Hours	22955	18750	17460	22657	25388	13705	21217	32849	16937	26031	20983	16257	31048	20192	15602	36644	12981	49416
Average Hours Per State	**55**	**56**	**70**	**69**	**83**	**69**	**71**	**88**	**89**	**83**	**126**	**128**	**180**	**133**	**154**	**188**	**141**	**511**

Report of the Litigation Committee

Donnita Wald (North Dakota), Chair

The Litigation Committee has traditionally held in-person training and informational sessions (commonly referred to as roundtables) 2-3 times a year. These roundtables give state tax attorneys employed by revenue departments and attorney general offices an opportunity to discuss current and recent tax cases and key litigation issues and to share ideas with colleagues in other states. Due to the pandemic, the roundtables were shifted online this past year.

The first virtual roundtable was held on July 27, 2020. It included both in-depth presentations on significant state tax cases around the country and shorter presentations by attendees. Since then, the Litigation Committee has held four additional virtual roundtables: two on income and other business activity taxes (October 21, 2020 and March 25, 2021) and two on sales and other transaction taxes (December 1, 2020 and April 8, 2021). Attorneys from around three dozen jurisdictions attended each roundtable.

At each roundtable, the chair and vice-chairs of the Committee and MTC staff provided background information and history about the Committee and encouraged participation by all state tax attorneys but in particular by attorneys who were new to their position in state tax. Nancy Prosser, MTC General Counsel, introduced the members of the MTC legal team. Brian Hamer, MTC Legal Counsel, has provided the primary staff support for the Committee.

On May 19, 2021, the Litigation Committee held a special training and informational session, which was captioned: State Tax Attorneys Discuss Their Most Memorable Cases. This virtual program included presentations by ten of the country's most experienced public sector SALT attorneys. They described the challenges they faced, strategies and tools they employed, and lessons learned. The presenters included: Antonio Ferachi, Aaron Long, and Miranda Scroggins (Louisiana); Brett Goldberg (Massachusetts); Christine Mesirow (Ohio); Peter Roth and Derek Kline (New Hampshire); Dee Wald (North Dakota); and Ray Langenberg (Texas).

In the case of each of these sessions, attendance was limited to public sector tax attorneys in order to preserve confidentiality and attorney-client privilege. In accordance with the MTC's public participation policy, they were not decision-making meetings; rather they were opportunities for states to share information and ideas.

On June 9, 2021, the Committee held a public, online meeting to consider revisions to its charter. Meeting participants reviewed proposed changes and then voted to approve the changes. The updated charter has been forwarded to the Executive Committee for its review and consideration at its next meeting.

The number of public sector tax attorneys participating in MTC events has grown substantially over the past year. To ensure that interested state attorneys are aware of Litigation Committee programs and other MTC programs that may be of interest (and to identify attorneys that may be resources to attorneys in other states), MTC legal staff initiated a project this past year to update and expand the Litigation Committee attorney roster.

Derek Bell, one of the Committee's two vice chairs, recently resigned his position on the Committee due to his appointment to a non-attorney management position at the Montana Department of Revenue. Jessica Brown, the other vice chair, just announced that she will be leaving the Washington, D.C. Office of Tax and Revenue, so she also will be resigning her position on the Committee.

Report of the Nexus Committee

Christy Vandevender (Alabama), Chair

The Nexus Program FY 2021 results (July 1, 2020 through June 30, 2021) are provided below.

- Nexus states' collections: $20,269,587 ($21,551,287 FY 2020)
- Nexus states' executed agreements: 411 (544 FY 2020)
- Nexus states' average contract value: $49,318 (FY 2020: $39,616)

The above amounts include checks received by the Commission or amounts paid by the taxpayer directly to the states and reported to the Commission. Interest on back tax paid and the value of a new taxpayer are not included. Applications continue to increase in the post-*Wayfair* era. The Commission received applications from 296 taxpayers in calendar year 2020. For calendar year 2021 to date, 118 taxpayers have so far applied. Most of the applications are based on sales/use tax economic nexus.

The Nexus Committee met virtually on July 28, 2020, November 16, 2020, April 20, 2021 and July 27, 2021.

<u>The Committee considered and approved at the July 28, 2020 meeting</u>: (1) clarification to the state voluntary disclosure lookback period chart posted on the MTC website to indicate that for taxpayers coming forward for voluntary disclosure that have only sales/use tax economic nexus and no physical presence in the state, the state's sales/use tax lookback period would commence on the date that the state implemented sales/use tax economic nexus; and (2) an amendment to the Standard Agreement to accommodate states encouraging taxpayers to submit back tax returns and payments electronically directly to the state. Multistate voluntary disclosure applications continue to steadily increase since *Wayfair*, primarily for sales/use tax economic nexus, and back tax collections were $21,551,287 for FY 2020, a substantial increase over FY 2019 results ($14,695,429). The meeting was well attended with 92 attendees.

<u>The Committee considered at the November 16, 2020 meeting</u>: (1) tracking of voluntary disclosure case status and tax payments; (2) updates to the Uniform Sales and Use Tax Resale Certificate – Multijurisdiction Form to reflect the *Wayfair* decision and the states' subsequent economic nexus laws; and (3) updating language in our standard voluntary disclosure agreement concerning electronic signatures. Regarding tracking of voluntary disclosure cases and tax payments, participating states will send a quarterly report to

Richard Cram, Nexus Program Director, indicating the MTC #'s of voluntary disclosure matters for which the state has received necessary signed documents, returns and back tax payments, covering the time period July 1, 2020 forward. The Nexus Committee discussed updates to the MTC's Uniform Sales & Use Tax Exemption/Resale Certificate – Multijurisdiction form, which it has made available to taxpayers for decades. It is a simple form that a seller registered in one state may use to claim the resale or ingredient/component part exemption when purchasing inventory tax-free from a supplier located in another state. The seller would not be required to register in the other state if it did not have nexus. The MTC is now updating the form to reflect the *Wayfair* decision and states' new sales and use tax economic nexus laws. The proposed draft of the revised form was circulated to the Committee. The Nexus Program Director is requesting responses and revisions from the participating states by November 30th, 2020. Regarding electronic signatures on voluntary disclosure agreements, the current language in the standard agreement provides that digital images of signatures can be considered as originals in executed the agreement. This would include a pdf copy of a handwritten (wet) signature. The Committee decided that this provision should be updated to also permit digital signatures via such tools as Docusign, which arguably would be even more secure than a pdf copy of a signature. Richard will be circulating updated language to that effect to the Committee for consideration. The open session was well attended with 105 attendees, and the closed session also had good participation with 65 attendees.

<u>The Committee considered at the April 20, 2021 meeting</u>: (1) Christie Comanita, Director of Research and State Compliance, and Craig Johnson, Executive Director, Streamlined Sales Tax Governing Board (SSTGB), gave a presentation on the progress that the work group of the State and Local Advisory Council (SLAC) of SSTGB has made in developing, along with the Business Advisory Council (BAC), a disclosed practices matrix that its member states will complete, in order to provide guidance to remote sellers, marketplace facilitators, and marketplace sellers in the implementation of sales/use tax economic nexus laws and marketplace facilitator tax collection laws recently enacted. Christi and Craig encouraged non-SST states to consider providing their information for publication as part of this matrix. (2) The Committee adopted an amendment to Paragraph 5.1 of the Standard Agreement to add language expressly requiring the taxpayer to comply with the state's instructions concerning registration, filing returns/spreadsheets, and back tax payment. The purpose of the amendment is to clarify that the taxpayer not only must comply with the provisions of the agreement, such as registering with the state, filing returns/spreadsheets and paying back taxes, but must also comply with the state's specific instructions concerning those tasks. (3) The Committee approved by unanimous roll call vote the proposed draft Nexus Committee Charter, prepared by General Counsel Nancy Prosser and Deputy General Counsel Lila Disque for forwarding to the Executive Committee. The open session was well attended

with 106 attendees, and the closed session also had good participation with 54 attendees
Report of the Nexus Committee

Report of the State Intercompany Transactions Advisory Service Committee

Krystal Bolton, Chair

The State Intercompany Transactions Advisory Service (SITAS) Committee met via teleconference on March 23, 2021 and July 13, 2021.

During the March meeting, there were 75 attendees for this meeting including state participants, staff, and members of the public.

During this meeting, staff shared a brief history of the committee and the committee chair reviewed the results of the SITAS Interest Survey. State representatives responding to the survey indicated that they were interested in the committee for possible information exchange/audit collaboration and training opportunities. Respondents also indicated that it was extremely important that states work together to address improper income shifting by multinational/multistate corporations, but many respondents felt states are not very effectively working together at the present time.

During the July meeting, there were 63 attendees for this meeting including state participants, staff, and members of the public.

During the July meeting of the committee, state representatives reviewed and considered a proposed committee charter. Representatives also reviewed a revised Information Exchange Agreement. The agreement was revised to remove any obligation of the signatory state to participate in a SITAS program at the Commission should one ever be established. Participating state representatives suggested no changes to the agreement and it was finalized as written. MTC staff is currently awaiting signed contracts from states wishing to participate in the SITAS Committee.

Report of the Strategic Planning Committee

John Ficara (New Jersey), Chair

The Strategic Planning Committee created a work group on training and the work group met several times this fiscal year. The mission of the work group is to examine MTC training, provide feedback on the best training options, and to make recommendations to the Strategic Planning Committee. The work group created a report that gives detailed recommendations for additions and adjustments to the training program, including use of multiple training formats, improved virtual opportunities, perpetually available trainings, regular evaluations and flexibility. The full report is available on the MTC website.

The Committee's working group on training met virtually on November 6th at 1:00 p.m. eastern time and approved the report. The report and recommendations were approved unanimously. The report specifically recommends, among other things, that the work group continue its work. In addition to the report, the work group training survey findings were reported to the committee. The survey found, among other things, that 97% of respondents indicated that they would want to send staff members to MTC trainings, and a reasonable number would be willing to pay a fee for training. The survey findings can be found here: PowerPoint Presentation (mtc.gov)

The Strategic Planning Committee also met virtually on Friday, April 23rd at 2:00 p.m. eastern time. The Committee unanimously approved a revised Charter for the Committee. It was noted that the revised Charter was the result of the MTC staff's effort to revise all committee charters for consistency purposes. The substantive provisions relating to responsibilities of the Committee have not been changed. This led to a brief discussion regarding further review and potential recommendations for substantive revision of the Charter by the Committee. It was suggested that this be reconsidered later this year. In this regard, it was also suggested that consideration be given to retention of an outside consultant in the near-term to assist in any future "deep-dive" review strategic planning effort of the Charter, as well as including the MTC overall mission, vision, goals and responsibilities.

The Committee was also provided with an update on the training efforts of the MTC staff. In particular, the Committee was provided information on the new Learning Management System (LMS) that will be utilized to provide virtual training and on-line courses, including a demonstration of the LMS. The Strategic Planning Committee's work group on training met April 1st to receive a similar update briefing on the training program activities at the MTC. The work group on training will continue functioning through the remainder of calendar year 2021, to provide input on the MTC upgraded training efforts.

Strategic Planning Committee Mission Statement:

The Multistate Tax Commission is an intergovernmental state tax agency. Its mission is to achieve fairness by promoting compliance and consistent tax policy and practice; and to preserve the sovereignty of state and local governments over their tax systems

Strategic Planning Committee Vision:

MTC will be recognized as the "gold standard" for tax policy development, the primary authority for the public and public officials on issues of state and local tax uniformity and fairness, and the leading resource for ensuring equitable tax compliance.

Report of the Training Program

Sherry Tiggett, MTC Events and Training Manager

NASBA Certification and Continuation Education Credit

The Commission continues its registration with the National Association of State Boards of Accountancy (NASBA) as a CPE sponsor. This registration is for "group-live" programs. Accounting boards in 47 states and the District of Columbia recognize NASBA certification for granting of CPE credit for in-person courses. The Commission also certifies attendance for CLE credit at Commission sponsored training events.

Training Fees

The current fee schedule has been in place since October 2012 and no change in fees is expected for the coming year.

Report of the Uniformity Committee

Maria Sanders (Missouri), Chair

The status of Uniformity projects is summarized below. Any other developments from the meeting of the Uniformity Committee on July 28, 2021, will be reported orally by the committee chair.

1. Proposed Alternative Model Statute for Combined Filing - *Finnigan* Approach – The Bylaw 7 survey of the states has been conducted and a majority of the affected states have responded positively to that survey. The proposed alternative model is included in the agenda for the Commission.

2. Proposed Revisions to Statement of Information Concerning Practices of Multistate Tax Commission and Supporting States Under Public Law 86-272 – The Bylaw 7 survey of the states had been conducted and a majority of the affected states have responded positively to that survey. The proposed revisions are included in the agenda for the annual meeting of the Commission.

3. Other Projects:

    a. State Taxation of Partnerships – The Uniformity Committee has formed a work group which is beginning work on this comprehensive project focusing on creating detailed model rules for taxing the income from partnerships.

    b. Sales Taxation of Digital Products – The Uniformity Committee is taking up a recommendation from the Standing Subcommittee to draft a white paper on best practices for taxing digital products under state sales and use tax systems.

Report of the Executive Director

Gregory S. Matson, Executive Director

This report is a summary of the Commission's organizational and staff activities for the fiscal year July 1, 2020 through June 30, 2021 (unless otherwise noted).

I. Programs & Activities

A. Joint Audit Program

The Joint Audit Program completed seven (7) income tax audits and parts of six (6) other income tax audits during fiscal year 2021. Audit staff also completed six (6) sales tax audits and parts of ten (10) other sales tax audits. Currently, there are eighteen (18) income tax audits and twenty-nine (29) sales tax audits in progress.

During the fiscal year, the income tax program proposed net assessments of \$40,161,302 (proposed assessments of \$42,525,382 less taxpayer requested adjustments of \$2,364,080) for completed and partially completed income tax audits. Income tax program staff also proposed tax credit, NOL, and refund reductions of \$2,020,131. The sales tax program proposed net assessments of \$9,767,932 (proposed assessments of \$10,243,451 less taxpayer requested refunds of \$475,519) for completed and partially completed sales tax audits. Sales tax program staff also proposed \$203,571 in tax refund reductions.

The following chart summarizes hourly data for completed audits during the 2021 fiscal year:

	Income & Franchise	Sales & Use	Total
Total Audits	7	6	13
Total States Audited	112	66	178
Total Hours	38275	11141	49416
Average Hours per State	342	169	511

The Audit Committee met three times in fiscal year 2021: July 28, 2020, November 17, 2020, and April 21, 2021. Due to the global COVID-19 pandemic, all meetings of the Audit Committee were held via teleconference.

During its spring meeting, the committee reviewed a proposed charter for the Audit Committee and recommended that it be accepted by the Executive Committee. The committee also voted to add nine additional companies to the income tax audit inventory. As always, the audit supervisors provided an update on the on-going income tax and sales tax audits.

A note about the State Intercompany Transactions Advisory Service Committee (SITAS): The State Intercompany Transactions Advisory Service (SITAS) Committee met twice via teleconference on March 23, 2021, and July 13, 2021. During the July meeting of the committee, state representatives reviewed and considered a proposed committee charter. Representatives also reviewed a revised Information Exchange Agreement. The agreement was revised to remove any obligation of the signatory state to participate in a formal MTC SITAS program should one ever be established. Participating state representatives suggested no changes to the agreement and it was finalized as written. MTC staff is currently awaiting signed information exchange and participation agreement from states wishing to participate in SITAS Committee activities.

B. National Nexus Program

Multistate Voluntary Disclosure Program

The Nexus Program FY 2021 results (July 1, 2020 through June 30, 2021) are provided below:

Nexus states' collections: $20,269,587 ($21,551,287 FY 2020)
Nexus states' executed agreements: 411 (544 FY 2020)
Nexus states' average contract value: $49,318 (FY 2020: $39,616)

The above amounts include checks received by the Commission or amounts paid by the taxpayer directly to the states and reported to the Commission. Interest on back tax paid and the value of a new taxpayer are not included. Applications continue to increase in the post- *Wayfair* era above what they were before that decision. The Commission received applications from 296 taxpayers in calendar year 2020. So far this calendar year 2021 (as of June 30, 2021), 118 taxpayers have applied. Most of the applications continue to be based on sales/use tax economic nexus.

Membership

We are pleased to announce that Delaware has rejoined the National Nexus Program, effective July 1, 2021. There are currently thirty-nine participating states (including the District of Columbia) in the program. Commission staff continues to reach out to non-member states.

Outreach

Staff continues to urge states to put a link to the program on their voluntary disclosure web pages and provide other outreach. Nexus Director Richard Cram has participated in numerous events which are listed under item III.

Nexus School

While no Nexus Schools are currently scheduled, please let a member of the Commission staff know if your state would like to host a Nexus School.

Amnesties

The National Nexus Program posts on its web page a list of upcoming and current state tax amnesties. Please inform program staff if you would like the Commission to post your state's amnesty.

Staffing

The Program presently has four permanent full-time staff members: Richard Cram, Director, Diane Simon-Queen, Voluntary Disclosure Program Manager, Michelle Lewis, Paralegal, and James Lee, Program Specialist.

Nexus Program staff has implemented a new software system that makes our processing of voluntary disclosure applications much more efficient. Now, all applications are received online, instead of some coming in online and others submitted in pdf form, due to difficulties with submitting online under the old software system.

C. Legal Division

The six legal division attorneys:

- Staff the Uniformity Committee and its various work groups (including research, drafting, presentations, and reports);

- Staff the Litigation Committee;
- Staff the State Intercompany Transaction Advisory Service (SITAS) Committee;
- Provide attorney and other training;
- Offer litigation and *amicus* support and legal advice to states;
- Provide legal support to the Commission and its programs and projects, including the Joint Audit and National Nexus Programs and general administrative functions;
- File *amicus* briefs on behalf of the Commission;
- Oversee the MTC Alternative Dispute Resolution Program established and governed by Bylaw 14;
- Publish articles in tax journals;
- Speak at conferences and seminars (as detailed elsewhere in this report); and
- Oversee the annual Paull Mines Award, which the Litigation Committee established to recognize contributions to state tax jurisprudence by public- sector attorneys.

Uniformity Work

By the end of the fiscal year, the status of various Uniformity Committee projects was as follows:

- Finnigan Combined Filing Project:

  The project to draft an alternative to the MTC model combined filing statute using the *Finnigan* approach resulted in a proposed model that was approved by the Executive Committee for a Bylaw 7 Survey of the states at its July 30, 2020, meeting. A majority of the states responded to the survey that they would consider adopting the proposed model, which will, therefore, go to the Commission for approval at its annual meeting on August 4, 2021.

- P.L. 86-272 Project:

  The project to revise the statement of position on P.L. 86-272 was approved by the Executive Committee for a Bylaw 7 Survey of the states at its November 20, 2020, meeting. A majority of the states responded to the survey that they would consider adopting the proposed revisions, which will, therefore, go to the Commission for approval at its annual meeting on August 4, 2021.

- Partnership/RAR Project:

  The project to address potential technical corrections to the partnership provisions of the model statute for reporting federal adjustments (partnership/ RAR project), undertaken by the work group that drafted that model statute, concluded its work and the Uniformity Committee approved the corrections at its November 5, 2020, meeting. Those technical corrections were also ratified by the Executive Committee and are now included in the adopted model for the states to use.

- Standing Subcommittee Convened:

  As a result of a new project selection work group, established by the Uniformity Committee last year, the committee established a Standing Subcommittee at its July 2020 meeting. The Standing Subcommittee had its inaugural meeting in September 2020 to discuss the process it will generally use. Since its formation, the Standing Subcommittee has been having monthly calls—on the third Thursday of every month—to evaluate projects assigned to it by the Uniformity Committee.

- Project on State Taxation of Partnerships:

  The Uniformity Committee assigned a proposed project on state taxation of partnerships to the Standing Subcommittee to evaluate at the committee's November 2020 meeting. The Standing Subcommittee concluded that the project would be worthwhile and recommended to the committee that it establish a work group to undertake the project. The committee accepted that recommendation at its April 2021 meeting. Subsequently, the MTC solicited volunteers for the project work group, headed up by Laurie McElhatton, California, who agreed to act as chair. The work group has had a kick-off meeting and will begin having regular bi-weekly meetings in the coming year.

- Proposed Project on Sales Taxation of Digital Products:

  Representatives of the Washington state Department of Revenue, led by Gil Brewer, gave a presentation to the Uniformity Committee on the experience that state has had with sales taxation of digital products. As a result, the committee asked the Standing Subcommittee to review a potential uniformity project with the goal of developing a white paper on the subject. The Standing Subcommittee considered the scope of that project and the possible issues that might be addressed and, at its June 2021 meeting, approved a recommendation that the committee take up the project.

MTC staff also participated in these related uniformity activities:

- On January 14, 2021, MTC staff provided a training and information session for the Compact and Sovereignty Member state representatives about the uniformity process and the changes to Commission bylaws which now allow Sovereignty Members to participate more in the approval of uniformity proposals.
- At the end of 2020, MTC staff became aware that the Council on State Taxation (COST), which had been a supporter of federal mobile workforce legislation, would be asking state lawmakers to consider state legislation which it had drafted. Commission staff analyzed the COST draft, along with the federal legislation that had been introduced in the past and compared those proposals to the Commissions own model Mobile Workforce Statute—setting out the reasons for why the Commission continues to believe its model is the most workable. The resulting analysis was provided to the states for their use in their legislative sessions. A new federal bill has recently been filed, so this analysis will be updated in the next fiscal year.
- The MTC was asked to participate as an observer in the Uniform Law Commission project to draft a model act for direct shipping of alcoholic beverages—including provisions necessary for the enforcement of state taxes. The Uniformity Counsel is participating for the MTC.
- Because of the Uniformity Committee's decision to take up a project on state taxation of partnerships, Bloomberg asked the MTC Uniformity Counsel to participate in its annual webinar presenting information from a survey of the states which is expected to occur in the coming fiscal year.

Litigation Committee Support

The Litigation Committee has traditionally held in-person training and informational sessions (commonly referred to as roundtables) 2-3 times a year where state tax attorneys in departments of revenue and attorney general offices around the country discuss current and recent tax cases and key litigation issues and share ideas with colleagues in other states. Due to the pandemic, these roundtables have been shifted to the web.

On July 27, 2020, MTC attorneys helped organize the first virtual roundtable, which included both in-depth presentations on significant state tax cases around the country and shorter presentations offered by participants. Since then, the Litigation Committee has held four additional virtual roundtables:

- Income tax and other business activity taxes: October 21, 2020, and March 25, 2021
- Sales tax and other transaction taxes: December 1, 2020, and April 8, 2021.

MTC attorneys also helped organize a special training and informational session held on May 19, 2021, captioned: State Tax Attorneys Discuss Their Most Memorable Cases. This 2-hour virtual program included presentations by ten of the country's most experienced public sector SALT attorneys who discussed interesting and mind-expanding tax cases they had handled. The presenters described the challenges they faced, strategies and tools they employed, and lessons learned. The audience included tax attorneys from three dozen states.

On June 9, 2021, the Committee held an online meeting to consider revisions to its charter. Meeting participants reviewed and discussed proposed changes and then voted to approve them. The proposed charter will become effective if approved by the Executive Committee.

To ensure that interested state attorneys are aware of Litigation Committee programs and other MTC programs that may be of interest to them (and also to identify attorneys that may be a resource to attorneys in other states), MTC legal staff initiated a project to update and expand the Litigation Committee attorney roster. The roster now includes more than 300 attorneys. Moreover, the number of public sector tax attorney participating in MTC events has grown significantly over the past year. This project is ongoing.

Training

The legal division traditionally provides a combination of in-person and online training programs. Due to the Covid-19 pandemic of 2020-21, the legal division staff presented these online training and information sessions for state tax attorneys, department of revenue staff, and the public:

- Special Roundtable to Discuss Tax Issues Relating to Teleworkers (August 20, 2020)
- Reconsidering Economic Development Tax Incentives (October 1, 2020)
- Ethics, Confidentiality, and Data Security in the Remote Workplace (December 16, 2020)

- Supreme Court Amicus Briefs: A Discussion – Joint Presentation with the State and Local Legal Center (January 26, 2021)
- Exclusive Joint Audit Committee SALT Update (February 2, 2021)
- Special Training and Informational Session: State Tax Attorneys Discuss Their Most Memorable Cases (May 19, 2021)

MTC attorneys also participated in the Strategic Planning Training Workgroup meetings and helped research, test, and select a learning management system platform for the Commission. They also helped create an online course using a statistical sampling training that MTC audit staff recorded for a Georgia training program. The legal team is currently providing development and production support for an online market-based sourcing training program that will be available to member states in the latter part of 2021 and is working on content and plans for additional training materials for the LMS and other training programs.

Litigation Support and Legal Advice

The legal division regularly consults with state attorneys and other state representatives by request on litigation matters – including strategy, issues, arguments, and moot courts – and on legislative and policy issues. During this fiscal year, legal staff have worked with the following states: California, Colorado, Idaho, Iowa, Kansas, Louisiana, Maryland, Massachusetts, Mississippi, Missouri, Montana, Nebraska, New Hampshire, New Jersey, New Mexico, North Carolina, Oregon, Pennsylvania, South Carolina, Texas, Vermont, Virginia, and Washington, DC. The legal issues were diverse and involved such matters as litigation assistance; review of draft legislation; help implementing Partnership/RAR models, the MTC *Finnigan* alternative, and market-based sourcing; and testimony on SALT issues.

Support for the Commission's Programs and Projects

The legal division supports the Commission's Joint Audit and National Nexus Programs and other Commission programs and projects as requested. The legal division also provides support for the Commission's general administration by addressing open meetings issues, maintaining confidentiality policies, handling records requests, researching and making recommendations for record retention policies, resolving lease disputes, reviewing and drafting contracts, and filing corporate registrations and reports.

MTC attorneys assisted the MTC auditors with updates of the Income Tax and Sales and Use Tax Audit Manuals, including updated waiver forms and policies for each audit program.

Legal staff also completed updates to the MTC Litigation, Nexus, Audit, Strategic Planning, SITAS, and Uniformity Committee charters and updated the program materials for the MTC Alternative Dispute Resolution program.

Amicus Briefs Filed on Behalf of the Commission

On Feb. 12, 2021, the legal division filed an *amicus* brief urging the U.S. Supreme Court to review the Idaho Supreme Court's decision in *Noell Industries, Inc. v. Idaho State Tax Commission*, 470 P.3d 1176 (Idaho 2020). In its decision, the Idaho Supreme Court held that Idaho could not tax a holding company on any portion of its gain from the sale of a multistate business that had operated in that state for almost two decades. In its *amicus* brief, the Commission pointed out that the U.S. Supreme Court has never considered the application of the unitary business principle to a business enterprise that includes a holding company, resulting in a gap in Due Process Clause jurisprudence, and that the Idaho Supreme Court's decision contributes to a growing conflict among state courts and administrative tribunals. Given the now commonplace use of holding companies, the Commission encouraged the Court to take this opportunity to provide needed guidance on how to apply the unitary business principle when a holding company sells a controlling interest in a multistate business. The U.S. Supreme Court denied the petition on February 22, 2021.

Publications

- Uniformity Counsel Helen Hecht is a member of the *State Tax Notes* Advisory Board and submits periodic "board briefs" on various topics.
- An interview of state tax attorneys, including Helen Hecht and Brian Hamer, appeared in *State Tax Notes* on July 20, 2020, entitled "A Conversation on False Claim Act Expansion--Does It Make Sense?
- Illinois Partial Merger of Sales and Use Tax: Partly a Good Idea, Richard Cram, December 14, 2020, *Tax Notes State*
- An Insider's View of the MTC's P. L. 86-272 Project, Brian Hamer, March 22, 2021, in *State Tax Notes.*
- Anatomy of a Domestic Tax Shelter, by Senior Counsel Bruce Fort, was published in *Tax Notes State, Tax Notes Federal* and *Tax Notes International* on May 17, 2021.

D. Legislative Activities and Resources

The legislative advisor at the MTC engages in these activities:

- Publishes federal and state legislative newsletters.
- Analyzes and reports on current and emerging congressional actions and threats to state-tax sovereignty.
- Analyzes and reports on state legislation that touches on important, multistate issues.
- Maintains a list of high-level legislative and policy professionals in state revenue departments to facilitate their communication with each other on legislative developments.
- Provides technical information and shares information with other state organizations such as the National Governors Association and National Council of States Legislatures.

Federal Issues

The highlight issue in Congress recently has been the *American Rescue Plan Act*, H.R. 1319, P.L. 117-2. The bill became law on March 11, 2021. Like the stimulus/relief bills before it, the bill appropriates funds with the stated purpose to stimulate the economy and provide relief to struggling Americans. The budget reconciliation process was used in the Senate to avoid a filibuster. The legislation passed with no Republican support. The House approved the bill with two Democratic defections and no Republican votes.

Unlike its predecessors, ARPA includes $350 billion for the general funds of states, D.C., tribes, and territories with few restrictions — except for section 1099. Amended into the bill late in the approval process, section 1099 requires that no ARPA funds be used to reduce net tax revenue by any change in "law, regulation, or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit, or otherwise) or delays the imposition of any tax or tax increase." The covered period is the earlier of expenditure of all appropriated federal funds and December 31, 2024. Localities are not prohibited from using the funds to lower net taxes.

Republicans in Congress and in the states strongly protested their stated belief that the bill prohibits all tax cuts. Supporters state that it prohibits only tax cuts that decrease *net* revenue. Citing perceived ambiguity in the language and constitutional arguments such as the anti- commandeering principle, several state attorneys general have sued the U.S. Treasury Department. The Secretary offered guidance on March 23rd that did not go beyond the language of the statute and promised further guidance as soon as possible.

As to remote and mobile workforce legislation, action is not expected to occur in Congress this year. Efforts to pass legislation addressing this issue have shifted to state by state.

State Issues

Interstate Compact Against Incentives

Thirteen states filed bills in 2020 to join an interstate compact to limit interstate poaching of business through tax incentives. The compact is to be ratified by Congress when a sufficient number of states have adopted it. Fourteen states introduced bills in 2021. This is a small, interesting, and possibly growing movement that bears watching.

Remote Collection

Florida SB 50 (2021), Ch. 2021-2, approved legislation to extend jurisdiction to remote sellers and marketplace facilitators, becoming the last state with a sales tax to extend their jurisdiction over remote sales and marketplace facilitators pursuant to *South Dakota v. Wayfair*.

Digital Advertising

Maryland took the bold step in the 2020 session to be the first state to tax digital advertising that is perceived within the state. The bill employed heavily progressive tax rates starting at a high level to ensure that it did not encumber smaller advertisers. Governor Hogan vetoed and the legislature overrode. The General Assembly amended the law in the 2021 session to exclude broadcasting and prohibit the passing of the cost of the tax on to users. Nebraska LB 989 (2021), and New York SB 8056 (2020) proposed the same type of tax but were not approved.

Streamlined Sales Tax

Missouri HB 244 (2021), Act 131, requires the Department of Revenue to enter into the Streamlined Sales Tax Agreement and makes changes in state law to conform to the Streamlined Sales Tax Agreement.

Paycheck Protection Program

The federal PPP program (described in the federal section) granted forgivable loans to businesses that spent the money on allowed purposes, mostly on salaries to prevent layoffs. The IRS initially disallowed deductions for business expenses paid for with

PPP loan money, but Congress reversed the decision. Most states followed, allowing the deductions.

Marijuana

States that legalized recreational use of marijuana during the reporting period: Delaware, Virginia, and Montana. Alabama legalized medical marijuana.

Mobile Workforce

Proponents of mobile workforce legislation have largely turned their efforts to passing bills state by state. There are three basic models of mobile workforce: 1. the MTC model approved in 2011, which is more detailed, allows twenty days in state, and does not have the compliance problem of the other two in which an employee may self-certify his anticipated out-of-state presence for the coming year and the employer must accept the estimate in most circumstances absent fraud or collusion, which are hard to prove; 2. The S. 3995 version of U.S. Senator Thune that has self-certification problem and allows thirty days protected presence; and 3. a bill drafted by the Council on State Taxation (COST) that also calls for thirty days and has the self-certification problem. The legislative program and the legal division produced a detailed comparison of the three models.

Louisiana approved a mobile workforce bill HB 157, Act 171 (2021) to exempt from state income tax those who work in the state 25 or fewer days per year. However, the exemption is only effective when the worker's state of residence offers a substantially similar exemption. The bill allows workers to self-certify their estimated time to work in the state in the upcoming year, which varies from the Commission's model legislation and may present and enforcement problem. Persons of prominence, professional entertainers, professional athletes and qualified production crews (movie and TV incentives) are not eligible for the exemption.

West Virginia approved HB 2026, Ch. 257 (2021) a mobile workforce bill that exempts a worker from income tax when he or she works in the state 30 or fewer days in a year. An employee may self-certify an estimate of the amount of time estimated to be in the state in the upcoming year. Contrary to most mobile workforce legislation, qualified production crews (movie and TV incentives) are excluded from the usual list of workers who do not receive the benefit of the thirty-day exemption, such as persons of prominence, professional entertainers, and professional athletes.

Convenience [of the employer] Rule

A bill similar to the mobile workforce issues, but at its core just a repudiation of the convenience [of the employer] rule, is Arkansas S.B. 484. It clarifies the intent of the legislature that Ark. Code sec. 26-51-202 impose an income tax only on that part of the income earned by an employee of an in-state business that he or sh earns while physically working in-state. The bill rejects the convenience [of the employer] rule that allows a state to impose its income tax on an individual's earnings from an in-state employer when the work is performed out-of- state for the employee's convenience rather than business necessity.

Attraction of Remote Workers

Louisiana SB 31, Act 387 (2021) exempts from income tax for two years a worker who moves to the state and works for an out of state employer or is self-employed. The bill intends to encourage so-called "digital nomads", people who work from their vehicles or move about frequently because they can perform all their work online and tend to have higher salaries that might boost local economies.

E. Training and Events

Training has been an important focus of the MTC staff throughout the fiscal year. The goal is to utilize technology to expand the availability of training and augment in-person training offerings. MTC staff across sections worked together to choose a technology platform that would be appropriate to provide on demand virtual training courses. The technology chosen was the Talent Learning Management System (LMS). The first course developed was Statistical Sampling for tax credit auditors primarily in Georgia. This project allowed the staff to have a real-world example to work with as the LMS was developed and implemented. The staff developed new skills and new expertise as part of this project to create an actual course. The staff is in the process of developing the second course on market-based sourcing and more will be added in the future.

A work group of the Strategic Planning Committee gave detailed recommendations for adjustments to the MTC training program, including use of multiple training formats, improved virtual opportunities, perpetually available trainings, regular evaluations and flexibility. The Strategic Planning Committee approved a report from the committee's working group on training during its November 6, 2020 meeting. The full report is available on the MTC website: http://www.mtc.gov/The-Commission/Committees/Strategic-Planning. Training report recommendations are being implemented and will lead to continuous improvement in MTC course offerings.

In addition to the LMS and course development, the training and event staff have been setting up virtual event and meeting registrations, performing back-end support, and provide real- time support to various online events and meetings.

In person events will be returning the fall and the events and training staff have been preparing for those meetings for months. They continue to work with hotels and are preparing for the logistical work of planning and implementing in person activities. Upcoming meetings have been scheduled:

- 2021 Fall Committee Meetings, November 8-11, 2021 – Alexandria, Virginia
- 2022 Spring Committee Meetings, April 19-22, 2022 – Albuquerque, New Mexico
- 55th Annual Conference and Meetings, July 31 to August 5, 2022 – Anchorage, Alaska
- 2022 Fall Committee Meetings, November 13-18, 2022 – Little Rock, Arkansas

II. Administration

No employees were hired nor did any terminate or retire during the period of July 1, 2020 through June 30, 2021. In response to the coronavirus pandemic, all D.C. staff were set up to work remotely and did so. The D.C. office was open throughout the pandemic with very strict health protocols being followed. Loretta King, our staff assistant, came in daily. Many members of the D.C. office staff came into the office at least once a week during the pandemic.

This ensured smooth and uninterrupted regular operations at the MTC. The normal maintenance of server hardware in the D.C. office occurred on a regular basis through on-site visits by the network administrator. In the second half of June 2021 and at the time numerous emergency orders were lifted, the D.C. office reopened to a hybrid work schedule, with employees asked to work in the office at least two days per week with some coming into the office more than that amount.

Technology Addendum

In response to the coronavirus pandemic, all D.C. staff were set up to work remotely during the MTC 2021 fiscal year. The network administrator configured laptops and held individual training for D.C. staff that do not normally work remotely. The

Checkpoint firewalls and firewall manager appliance in the D.C. data center have been upgraded. The Firewall Manager appliance was successfully upgraded.

The network administrator has facilitated video and audio conference capabilities during this time of remote work for the D.C. office staff. Also, at the request of the Audit Director, the sales tax auditors had additional solid state disk drive space added to their laptops.

The new version of the Voluntary Disclosure Application and the Online Application for the Nexus program have been implemented.

To ensure the protection of MTC information and data, as well as supporting continuity of operations planning, a small office has been procured in Covington, Kentucky, for the housing of off-site back up servers and other information. Even with much of our data protected on the cloud, this is necessary if some significant action in Washington, D.C. prevented access to our office and hardware.

The network administrator has begun testing of hardware tokens for multi-factor authentication. Yubikey and two other hardware solutions will be tested. A roll out of multi- factor authentication will occur as soon as possible. Also, the Ring Central phone system is being replaced by Microsoft Teams phone system. Because Teams in already integrated into MTC staff daily life, the migration from Ring Central to Teams calling should be relatively painless.

III. Outside Presentations & Events

The executive director served as a member of the Georgetown University Law Center's State and Local Tax Institute advisory board (GULC has suspended the institute indefinitely), and serves on the advisory boards for the Hartman State and Local Tax Forum, the New England State and Local Tax Forum, and New York University's State and Local Tax Institute.

The executive director has been named a member of the Virginia General Assembly's Work Group to Assess the Feasibility of Transitioning to a Unitary Combined Reporting System for Corporate Income Tax Purposes. The first work group meeting was June 16, 2021.

The following are the programs, conferences, and other events of outside organizations at which members of the legal division represented the Commission:

JULY 2020

- None.

AUGUST 2020

- Reimagined SEATA 2020 Annual Conference - *2020 Sales Tax Case Update: The Past, Present, and Future* (Prosser, panelist) and *Federal Partnership Regime and Effect on State Taxation* (Hecht, panelist)
- 2020 Georgetown Law Advanced State & Local Tax Institute, *A State-Taxpayer Discussion: The Project to Update the MTC P.L 86-272 Statement of Information* (Hamer, panelist) and *Marketplace Providers: The Next Phase in the "Mail Order" Saga* (Cram, panelist)

SEPTEMBER 2020

- FTA Celebrity Speakers Series, *Legal Landscape 2020* (Hecht, panelist)
- FTA Celebrity Speakers Series, *Legal Landscape 2020* (Patttison)
- MyCPE.com webinar, *Trends in Sales/Use Tax Economic Nexus and Marketplace Facilitator Tax Collection Laws plus Multistate Voluntary Disclosure* (Cram)

OCTOBER 2020

- Reimagined MSATA 2020 Annual Conference, *2020 Sales Tax Case Update: The Past, Present, and Future* (Prosser, panelist) and *Federal Partnership Regime and Effect on State Taxation* (Hecht, panelist)
- CPAAcademy.com webinar, *Trends in Sales/Use Tax Economic Nexus and Marketplace Facilitator Tax Collection Laws plus Multistate Voluntary Disclosure* (Cram)
- Tax Executives Institute – Annual Conference, *State Budgetary Issues and Potential Tax Changes* (Hecht, panelist)
- Hartman State Tax Forum, *Top Ten Income Tax Cases to Watch* (Fort, panelist)
- The State Tax Show (podcast) with Matt Hunsaker of BakerHostetler – *Women in SALT* (Prosser, panelist)
- National Association of State Bar Tax Sections, *Evolving State Sales & Income Taxes in the Post-Wayfair World* (Hamer, panelist), and update on sales tax economic nexus and marketplace facilitator tax collection laws (Cram, panelist)

NOVEMBER 2020

- Alaska Municipal League Annual Conference - *About the Multistate Tax Commission and Trends in Sales/Use Tax Economic Nexus and Marketplace Facilitator Tax Compliance Issues* (Cram and Prosser)
- Reimagined NESTOA 2020 Annual Conference, *2020 Sales Tax Case Update* (Disque, panelist), and *Federal Partnership Regime and Effect on State Taxation* (Hecht, panelist)
- National Conference of State Legislatures, Task Force on State and Local Taxation,
  Remote Work/Mobile Workforce State Taxation Issues (Hecht, panelist)
- MACPA 2020 Advanced Tax Institute, *National Developments in State and Local Tax*
  (Disque, panelist)
- NJCPA Society Multistate Tax Conference 2020, to provide update on multistate tax issues (Cram, panelist)

DECEMBER 2020

- Law360 "Tax Trends" Webinar (Prosser, panelist)
- Sales Tax Update for Intuit Tax Experts Webinar (Prosser, panelist)
- AICPA State and Local Tax Technical Resource Panel Meeting with Outside Organizations (Cram, Hecht, and Prosser)
- Iowa Taxpayers Association Tax Symposium, "*Uncertainty Abound, Good Tax Policy is Still a Must*" (Pattison, panelist)
- Reimagined WSATA 2020 Annual Conference, *Federal Partnership Regime and Effect on State Taxation* (Hecht, panelist); *2020 Sales Tax Case Update* (Disque, panelist)

JANUARY 2021

- Independent SALT Alliance, *Proposed Revision to the P.L. 86-272 Statement of Information*
  (Hamer and Matson)
- MTC and State and Local Legal Center host online seminar, *Supreme Court Amicus Briefs: A Discussion,* featuring three former Supreme Court clerks (Prosser, co-host)

FEBRUARY 2021

- NYU State and Local Tax Luncheon Group; *MTC Update* (Matson)
- 2021 Deloitte National Multistate Tax Symposium: *State Officials Panel—States' Perspectives on the New Normal* (Prosser, panelist)

MARCH 2021

- American Bar Association/Institute of Professionals in Taxation Advanced Tax Seminars, *What To Do With P. L. 86-272* (Hamer, panelist)
- Tax Executives Institute Midyear Conference, *P.L. 86-272—How Much Protection Is Left*
(Hamer, panelist)
- Webinar on teleworker nexus issues at Southern Legislative Conference, Fiscal Affairs & Governmental Operations Committee virtual meeting on March 31, 2021. (Cram, panelist)

APRIL 2021

- Institute for Professionals in Taxation—St. Louis chapter, *Proposed Revision to the P. L. 86-272 Statement of Information* (Hamer and Matson)

MAY 2021

- Tax Analysts Taxing Issues Webinar, *The Era of Digital Goods: How State Tax Legislation is Developing in a Modern World* (Prosser, panelist)
- SALTovation Podcast, *Interview with Helen Hecht, MTC Uniformity Counsel* (Hecht)

JUNE 2021

- Federal Communications Bar Association Webinar, *Recent Developments in State and Local Tax and Privacy Laws* (Prosser, panelist)
- 2021 SEATA Annual Conference; *Future Economic Trends: What Impacts to Watch for on State Policy, Taxation and Revenue Decision Making* (Pattison); *The Impact of International and Federal Tax Reform on State Income Tax Laws* (Fort, panelist); and *Applying P.L. 86- 272 to the Modern World* (Matson); Biloxi, Mississippi

- AICPA State and Local Tax Technical Resource Panel Meeting with Outside Organizations (Cram and Prosser)

MULTISTATE TAX COMMISSION

Financial Statements, Supplementary Information and Independent Auditor's Report

For the Years Ended June 30, 2021 and 2020

LSWG

CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

MULTISTATE TAX COMMISSION
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For the Years Ended June 30, 2021 and 2020

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LSWG
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Independent Auditor's Report

To the Executive Committee of
Multistate Tax Commission

We have audited the accompanying financial statements of Multistate Tax Commission, which comprise the balance sheets as of June 30, 2021 and 2020, and the related statements of revenue and expenses and changes in fund balance; unappropriated funds, changes in fund balance; appropriated funds, changes in fund balance; restricted funds, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Multistate Tax Commission as of June 30, 2021 and 2020, and the changes in its fund balances and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

LSWG, P.A.

Rockville, Maryland
October 14, 2021

MULTISTATE TAX COMMISSION
Balance Sheets
June 30,

ASSETS

		2021		2020
Current Assets				
Cash and cash equivalents	$	185,266	$	590,154
Accounts receivable		10,775		1,550
Prepaid expenses		176,662		173,013
Total Current Assets		372,703		764,717
Property and Equipment - at Cost				
Office furniture and equipment		522,575		601,929
Leasehold improvements		429,396		429,396
Less: accumulated depreciation and amortization		(637,468)		(654,287)
Property and Equipment - Net		314,503		377,038
Other Assets				
Investments		5,806,070		6,138,083
Expense account advances		5,600		5,600
Deposits		335		2,200
Total Other Assets		5,812,005		6,145,883
TOTAL ASSETS	$	6,499,211	$	7,287,638

LIABILITIES

	2021	2020
Current Liabilities		
Accounts payable and accrued expenses	$ 19,362	$ 161,887
Accrued salaries and vacation pay	564,344	493,793
Unearned membership, program and registration fees	259,184	185,602
Deferred lease liability - current portion	23,238	23,238
Total Current Liabilities	866,128	864,520
Long-Term Liabilities		
Deferred lease liability - net of current portion	104,569	127,807
Total Long-Term Liabilities	104,569	127,807
TOTAL LIABILITIES	970,697	992,327
Fund Balances		
Unappropriated	3,642,540	4,331,653
Appropriated	675,921	675,921
Restricted	1,210,053	1,287,737
Total Fund Balances	5,528,514	6,295,311
TOTAL LIABILITIES AND FUND BALANCES	$ 6,499,211	$ 7,287,638

The accompanying notes are an integral part of these statements.

MULTISTATE TAX COMMISSION
Statements of Revenue and Expenses
and Changes in Fund Balance
Unappropriated Funds
For the Years Ended June 30,

	2021	2020
Revenue - Unappropriated and Appropriated		
Membership assessments and program fees- net of discount	$ 5,542,902	$ 6,544,101
Interest and dividends	101,470	130,561
Realized gain on sale of investments	20,434	-
Unrealized gain (loss) on investments	(58,916)	74,286
Other income (loss)		
Training fees	27,550	126,010
Conference fees	-	26,355
Loss on sale of equipment	(239)	(1,418)
Miscellaneous	272	-
Total Revenue	5,633,473	6,899,895
Expenses - Unappropriated and Appropriated		
Advertising	-	250
Auditing and payroll services	18,438	19,077
Business insurance	21,620	17,453
Catering and audio-visual	15,488	116,236
Depreciation	89,390	98,750
Employee benefits	955,624	890,056
Payroll taxes	146,571	143,552
Miscellaneous	20,361	14,581
Consumable and durable supplies	43,638	48,864
Postage	5,971	9,488
Printing and duplicating	2,355	1,019
Professional services	66,722	97,826
Internet access	51,310	55,599
Rent	335,047	358,767
Repairs and maintenance	11,232	15,566
Defined contribution plans	403,259	406,068
Salaries	4,024,638	3,869,166
Software licenses	106,780	64,084
Staff training	8,334	9,174
Subscriptions, publications, dues	81,502	104,903
Telephone	44,403	46,103
Travel	13,002	180,028
Allocation of administrative expenses	(143,099)	(149,651)
Total Expenses	$ 6,322,586	$ 6,416,959

(continued)

MULTISTATE TAX COMMISSION
Statements of Revenue and Expenses
and Changes in Fund Balance
Unappropriated Funds
For the Years Ended June 30,

	2021	2020
Excess of Revenue Over (Under) Expenses	$ (689,113)	$ 482,936
Transfer (to) from Appropriated Fund Balance	-	(6,000)
Total Amount Transferred	-	(6,000)
FUND BALANCE - Unappropriated - Beginning of Year	4,331,653	3,854,717
FUND BALANCE - Unappropriated - End of Year	$ 3,642,540	$ 4,331,653

The accompanying notes are an integral part of these financial statements.

MULTISTATE TAX COMMISSION
Statements of Changes in Fund Balance
Appropriated Funds
For the Years Ended
June 30, 2021 and 2020

	Equipment Reserve	Enterprise Automation Project	Total
Fund Balance - June 30, 2019	$ 114,206	$ 555,715	$ 669,921
Transfer from Unappropriated Fund Balance	6,000	-	6,000
Transfer to Unappropriated Fund Balance	-	-	-
Net Amount Transferred (To) From Unappropriated Fund Balance	6,000	-	6,000
Fund Balance - June 30, 2020	120,206	555,715	675,921
Transfer from Unappropriated Fund Balance	-	-	-
Transfer to Unappropriated Fund Balance	-	-	-
Net Amount Transferred (To) From Unappropriated Fund Balance	-	-	-
Fund Balance - June 30, 2021	$ 120,206	$ 555,715	$ 675,921

The accompanying notes are an integral part of these statements.

MULTISTATE TAX COMMISSION
Statements of Changes in Fund Balance
Restricted Funds
For the Years Ended
June 30, 2021 and 2020

	National Nexus Program	Total
Fund Balance - June 30, 2019	$ 1,305,742	$ 1,305,742
Revenue	810,417	810,417
Expenses	828,422	828,422
Revenue Over (Under) Expenses	(18,005)	(18,005)
Fund Balance - June 30, 2020	1,287,737	1,287,737
Revenue	722,195	722,195
Expenses	799,879	799,879
Revenue Over (Under) Expenses	(77,684)	(77,684)
Fund Balance - June 30, 2021	$ 1,210,053	$ 1,210,053

The accompanying notes are an integral part of these statements.

MULTISTATE TAX COMMISSION
Statements of Cash Flows
For the Years Ended June 30,

	2021	2020
Increase (Decrease) in Cash and Cash Equivalents		
Cash Flows From Operating Activities		
Excess of revenue over (under) expenses	$ (766,797)	$ 464,931
Adjustments to reconcile excess of revenue over (under) expenses to net cash provided by (used in) operating activities		
Depreciation	92,418	98,750
Unrealized (gain) loss on investments	58,916	(74,286)
Realized gain on sale of investments	(20,434)	-
Loss on sale of equipment	239	1,418
Changes in assets and liabilities		
Accounts receivable	(9,225)	23,145
Prepaid expenses	(1,784)	(28,557)
Accounts payable and accrued expenses	(142,525)	94,222
Accrued salaries and vacation pay	70,551	47,468
Deferred lease liability	(23,237)	(23,237)
Unearned membership, program and registration fees	73,582	(46,581)
Net Cash Provided by (Used in) Operating Activities	(668,296)	557,273
Cash Flows From Investing Activities		
Purchase of property and equipment	(30,122)	(85,245)
Purchase of investments	(101,470)	(1,288,154)
Proceeds from sale of investments	395,000	10,000
Net Cash Provided by (Used in) Investing Activities	263,408	(1,363,399)
Net Decrease in Cash and Cash Equivalents	(404,888)	(806,126)
Cash and Cash Equivalents - Beginning of Year	590,154	1,396,280
Cash and Cash Equivalents - End of Year	$ 185,266	$ 590,154
Supplemental Disclosures		
Income taxes paid	$ -	$ -
Interest paid	$ -	$ -

The accompanying notes are an integral part of these financial statements.

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 2021 and 2020

1. Summary of Significant Accounting Policies

The Multistate Tax Commission (the Commission) was organized in 1967. It was established by the Multistate Tax Compact, which became effective August 4, 1967. The Commission is an intergovernmental state tax agency working on behalf of states and taxpayers to administer, equitably and efficiently, tax laws that apply to multistate and multinational enterprises.

Cash Equivalents

For purposes of the statement of cash flows, the Commission considers all highly liquid instruments purchased with a maturity of three months or less to be cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount management expects to collect from outstanding balances. The Commission considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operations when that determination is made.

Property and Equipment

Property and equipment are defined as assets with an initial, individual cost of more than $1,000 and an estimated useful life of one year or more. All property and equipment is stated at cost and depreciated using the straight-line basis based upon estimated useful lives as follows: Leasehold Improvements – 5 to 7 years and Office Furniture and Equipment - 5 to 7 years.

Expenditures for maintenance and repairs are charged to the appropriate expense accounts as incurred. Expenditures for renewals or betterments which materially extend the useful lives of assets or increase their productivity are capitalized at cost. The costs and related allowances for depreciation of assets retired or otherwise disposed of are eliminated from the accounts. The resulting gains or losses are included in the determination of excess of revenue over expenses.

Income Taxes

The Commission is exempt from Federal income taxes 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 taxes.

1. Summary of Significant Accounting Policies (continued)

Revenue Recognition

Membership assessments and program fees are due from the respective states on July lst of each year (unless other specific arrangements are made with a State) and cover the following twelve-month period. Membership assessments and program fees received prior to July 1st for the following year are unearned and considered deferred income until recognized as revenue in the following year. Training program and conference fees are recognized as revenue when the event takes place. Training program and conference fees received in advance are unearned and considered deferred until the event takes place.

Fair Value

Financial Accounting Standards Board (FASB) Codification Standards defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements and establish a hierarchy for valuation inputs.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. A fair value measurement assumes that the transaction to sell the asset or transfer the liability occurs in the principal market for the asset or liability or, in the absence of a principal market, the most advantageous market. Valuation techniques that are consistent with the market, income or cost approach are used to measure fair value.

The fair value hierarchy prioritizes the inputs to valuation techniques used to measure fair value into three broad levels:

- Level 1 - inputs are based upon unadjusted quoted prices for identical instruments traded in active markets.

- Level 2 - inputs are based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

- Level 3 - inputs are generally unobservable and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. The fair values are therefore determined using model-based techniques that include option pricing models, discounted cash flow models, and similar techniques.

2. Defined Contribution Plans

Effective June 30, 1986, the Commission adopted the Multistate Tax Commission Defined Contribution Plan to be funded at a rate of 12.4% of each participating individual's annual salary. To participate in this plan, employees are required to work more than certain pre-determined hourly and monthly levels throughout the plan year. Effective January 1, 2018, this Plan was closed to any newly hired employees.

On January 1, 2018, the Commission adopted the Multistate Tax Commission Social Security Participant Defined Contribution Plan, coincident with the Commission's participation in Social Security. To participate in this plan, participants must be hired after January 1, 2018 and work at least 1,000 hours per year. The Plan also includes certain employees from the Commission staff who opted to be covered by Social Security during an election process held in late 2017. The Plan is to be funded at the rate of 6.2% of each participant's individual annual salary.

The total expense relating to the defined contribution plans for the years ended June 30, 2021 and 2020 was $447,034 and $453,357, respectively.

3. Commitments

The Commission rents its office facilities in Washington, D.C., Kentucky and Illinois under lease agreements with terms expiring on various dates through December 31, 2026. In March 2018, the Commission amended its Washington D.C. lease to increase the office space and extend the lease to December 31, 2026. In addition, the landlord provided the Commission with $185,901 of tenant improvement allowance, which is accounted for in leasehold improvements and deferred lease liability on the balance sheet. The Illinois lease expired July 31, 2020 and was not renewed. In March 2021, the Commission signed a license agreement for temporary use of office space in Kentucky for a one year period ending March 31, 2022. These leases provide for the following minimum annual base rentals exclusive of utility charges and certain escalation charges:

Fiscal Year Ended:	Minimum Annual Payment
2022	$ 401,651
2023	398,636
2024	398,636
2025	398,636
2026	398,636

3. Commitments (continued)

The leases include certain escalation charges based on various factors including utility, operating expense and property tax increases from a base year. Rent expense, exclusive of utility charges and real estate taxes, for the years ended June 30, 2021 and 2020 was $436,438 and $457,852, respectively.

4. Appropriated Fund Balances

The Commission's Executive Committee authorized the Enterprise Automation Project fund in the amount of $73,000 during the year ended June 30, 1997. An additional $882,218 has been authorized in subsequent years. The purpose of this fund is to provide support, through professional services, for developing enterprise-wide applications for managing the Commission information resources in a manner that enhances its operations. As of June 30, 2021 and 2020, the Enterprise Automation Project fund balance was $555,715.

The Commission's Executive Committee authorized the Equipment Reserve fund in the amount of $17,500 during the year ended June 30, 2009. An additional $116,000 has been authorized in subsequent years. The purpose of this fund is to provide support for purchases of computer equipment for the Commission's audit program and information technology department. As of June 30, 2021 and 2020, the Equipment Reserve fund balances was $120,206.

5. Restricted Fund Balances

During the year ended June 30, 1992, the National Nexus program was established. This program, funded by participating states, aims to encourage and secure taxpayer compliance with current state laws, a liability resolution process, and information sharing among member states. The contributions received from the participating states are restricted for this purpose. As of June 30, 2021 and 2020, the National Nexus program fund balances were $1,210,053 and $1,287,737, respectively.

6. Deferred Compensation Plan

The Commission offers employees a deferred compensation plan in accordance with Internal Revenue Code Section 457. The plan permits employees to defer a portion of their salary until future years. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. In accordance with federal law, participants' deferred compensation under the plan is trusteed and thus shielded against the claims of the creditors of the Commission and therefore, not included in these financial statements.

6. Deferred Compensation Plan (continued)

The Commission believes it has no liability for losses under the plan but does have a duty of due care that would be required of an ordinary prudent investor. The plan provides approximately fifteen investment options or a combination thereof. The participants make the choice of the investment option(s).

7. Investments

The following is a summary of investments along with their respective fair values, all of which are considered level one:

	2021			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 5,046,452	$ -	$ -	$ 5,046,452
Money market funds	759,618	-	-	759,618
Total	$ 5,806,070	$ -	$ -	$ 5,806,070

	2020			
	Level 1	**Level 2**	**Level 3**	**Total**
Mutual funds	$ 4,128,793	$ -	$ -	$ 4,128,793
Money market funds	2,009,290	-	-	2,009,290
Total	$ 6,138,083	$ -	$ -	$ 6,138,083

The Commission invests in an investment portfolio that consists of a mutual fund and a money market fund. Such investments are exposed to various risks such as interest rates, market and credit. Due to the level of risk associated with such investments and the level of uncertainty related to changes in the value of such investments, it is at least reasonably possible that changes in risks in the near term could materially affect investment balances and the amounts reported in the financial statements.

8. Allocation of Administrative Expenses

The administrative costs of providing the various programs and other activities have been allocated among the programs and supporting services, based on total operating costs.

9. Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses during the reporting period, and disclosures. Actual results could differ from those estimates.

10. Concentration of Credit Risk

Cash held by the Commission in bank accounts may at times exceed the Federal Deposit Insurance Corporation (FDIC) coverage limit. Management believes the Commission is not exposed to any significant credit risk related to cash. The Commission maintains a money market account with an investment company that is not insured by FDIC. The balance of the money market account at June 30, 2021 and 2020 was $759,618 and $2,009,290, respectively.

11. Subsequent Events

Management has evaluated subsequent events through October 14, 2021, the date that the financial statements were available to be issued. There were no significant events to report.

SUPPLEMENTARY INFORMATION

LSWG
CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS ADVISORS

Independent Auditor's Report on Supplementary Information

To the Executive Committee of
Multistate Tax Commission

We have audited the financial statements of Multistate Tax Commission as of and for the year ended June 30, 2021, and our report thereon dated October 14, 2021, which expressed an unmodified opinion on those financial statements, appears on pages 1 and 2. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

LSWG, P.A.

Rockville, Maryland
October 14, 2021

MULTISTATE TAX COMMISSION
Schedule of Expenses
For the Year Ended June 30, 2021

	Unappropriated and Appropriated Funds					Restricted Funds		
	General Expenses	Audit Program	Administrative Expenses	Training and Education	Total Unappropriated and Appropriated Funds	National Nexus Program	Total Restricted Funds	Total All Funds
Auditing and payroll services	$ 14,500	$ -	$ 3,938	$ -	$ 18,438	$ -	$ -	$ 18,438
Business insurance	-	-	21,620	-	21,620	-	-	21,620
Catering and audio-visual	6,385	1,445	-	7,658	15,488	1,445	1,445	16,933
Depreciation	-	-	89,390	-	89,390	3,028	3,028	92,418
Employee benefits	152,414	683,743	111,233	8,234	955,624	63,676	63,676	1,019,300
Payroll taxes	32,364	94,108	18,724	1,375	146,571	14,991	14,991	161,562
Miscellaneous	6,126	7,084	6,003	1,148	20,361	75	75	20,436
Consumable and durable supplies	6,453	5,604	31,571	10	43,638	482	482	44,120
Postage	710	1,357	3,510	394	5,971	2,054	2,054	8,025
Printing and duplicating	348	-	-	2,007	2,355	-	-	2,355
Professional services	461	-	65,698	563	66,722	-	-	66,722
Internet access	5,736	27,278	18,560	(264)	51,310	-	-	51,310
Rent	126,696	26,113	182,238	-	335,047	101,391	101,391	436,438
Repairs and maintenance	-	631	10,601	-	11,232	339	339	11,571
Defined contribution plans	83,305	259,593	56,984	3,377	403,259	43,775	43,775	447,034
Salaries	817,414	2,646,743	526,172	34,309	4,024,638	415,258	415,258	4,439,896
Software licenses	671	629	103,252	2,228	106,780	968	968	107,748
Staff training	3,777	532	4,025	-	8,334	-	-	8,334
Subscriptions, publications, dues	61,965	18,192	550	795	81,502	5,120	5,120	86,622
Telephone	14,186	21,347	8,820	50	44,403	4,178	4,178	48,581
Travel	3,608	4,879	4,515	-	13,002	-	-	13,002
Allocation of administrative expenses	292,682	831,623	(1,267,404)	-	(143,099)	143,099	143,099	-
Total Expenses	$ 1,629,801	$ 4,630,901	$ -	$ 61,884	$ 6,322,586	$ 799,879	$ 799,879	$ 7,122,465

The accompanying notes are an integral part of this schedule.