



To: Commission
From: Kelly Hancock, Treasurer
Date: July 30, 2026
Subject: The FY 2027 Budget

I. Commission Budget Process

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

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

The Executive Committee may at this time, as at any other, consider special requests for expenditures, the establishment or modification of appropriated funds (funds dedicated to a particular purpose) or the authorization of fees for special projects.

This is also the time when the Executive Committee reviews and approves the expenditures budget for the upcoming fiscal year, subject to any major issues developing between now and the Annual Commission Business Meeting. If anything like this were to occur, then the proposed budget could be revised, and a teleconference meeting of the Executive Committee could be held before the late July 2026 Commission meeting.

If both the fees section of the budget and the expenditures section of the budget are approved, there would be no need (*based on what is now known*) for any additional budget-related meetings of the Executive Committee before the ratification of the FY 2027 budget at the upcoming July Commission meeting.

II. Commission Fee Structure

General Membership Assessment (Compact & Sovereignty Members)

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

The total membership assessment is distributed among the states according to a formula in the Multistate Tax Compact whereby 10 percent of the fees are divided on an equal basis, and 90 percent on the basis of relative shares of certain state and local revenues (as specified in Art. VI, Sec. 4(b) of the Compact). The state and local revenues are determined using information from the U.S. Bureau of the Census.

Joint Audit Program Fees

Overall audit fees are set on a cost basis to cover the operations of the program (as required by Article VIII of the Multistate Tax Compact). The audit fees support the audit services provided to states through the Joint Audit Program. They are distributed among the states by a schedule approved by the Executive Committee. The distribution of the fees among participating states is based on a long-range schedule of fee changes adopted in May 1991.

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

National Nexus Program Fees

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

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

Training Fees

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

III. The FY 2027 Budget

Overall

The FY 2027 budget has been prepared with an overall surplus of \$669,879. The Commission recognizes that 40 states will have a structural deficit in their budgets, and that could have an impact on our overall budget.

The unusual aspects for the FY 2027 budget behind the request for a surplus are:

- The 15-month rent abatement ended in October 2025, returning MTC rent to the full amount.
- The FY 2026 budget included vacant positions that have been released to the general operations of the FY 2027 budget while the Executive Director determines how to most appropriately staff the Commission in the upcoming fiscal year.
- Subject to approval of this budget, the MTC has agreed to reduce California's sovereignty member assessment to \$60,000 for the upcoming fiscal year.
- MTC audit staff has not gathered in-person since 2022. The FY 2027 budget includes a \$54,000 expenditure for an in-person staff retreat.

Revenues

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

Membership Assessments:

The Multistate Tax Commission was informed by the two California tax agencies which participate in MTC that due to a potential budget deficit it would only be able to pay \$60,000 of Sovereignty membership fees for FY 2027.

Audit Program Fees:

The basic 2-tax audit fee is requested for FY 2027 at \$244,200 versus the FY 2026 approved amount of \$238,300, a increase of \$5,900 per year. The total requested FY 2027 Audit Program Fees will increase to \$6,057,356 from the FY 2026 approved amount of \$5,768,910.

Nexus Program Fees:

The total Nexus Program fee for FY 2027 is requested to be set at \$1,137,531 which is a \$54,168 increase over the approved FY 2026 fee.

General Operations Support Surcharge

This 20% surcharge is added to the Joint Audit Program fee and National Nexus Program fee for states which are neither a Compact nor Sovereignty member. This amount is assessed on non-Compact and non-Sovereignty members to support the general operations of the Commission. As such this amount is transferred from either the Audit Program or the Nexus Program to support the General Operations of the Commission. For FY 2025 the general operations support surcharges total \$338,461 from the Audit Program and total \$88,982 from the Nexus Program. These surcharges help mitigate the need for additional increases in the total Membership fees.

Expenditures

In general, the requested expenditure amounts in the attached requested FY 2025 budget reflect a continuation of current activities.

Important factors related to the FY 2025 expenditures budget are:

- MTC's rent abatement ended September 30, 2025, effectively increasing MTC's rent by \$117,000 in FY 2027.
- A 3% COLA salary adjustment is being requested for FY 2027.
- Audit Program-wide salary adjustments are requested to be made for the Auditor 1, Auditor 2, and Senior Auditor level positions. This needed salary upgrade is being done so that the salaries of these MTC auditor positions remain competitive with the current labor market. This will help ensure the retention and hiring of qualified audit staff.
- No additional positions have been added to the FY 2027 budget request. Instead the budget contemplates adding new positions as the Executive Director determines appropriate staffing for the Commission.

Staffing levels as budgeted for FY 2027 are as follows:

	<u>FTEs</u>
General Operations (Executive, Legal, Legislative, and Uniformity)	8
Audit Program	26
Nexus Program	3
Administration (Information Technology and General Administration)	<u>6.5</u>
TOTAL	43.5

Staff time is allocated to and charged to Training & Education as staff perform duties associated with the various schools (Nexus schools, Statistical Sampling schools, *etc.*).

IV. The FY 2028, FY 2029, and FY 20 Budget Projections

Revenue Increases

The fee increases (percentages) projected for fiscal years *beyond* the FY 2027 budget year are:

Description	FY 2028	FY 2029	FY 2030
Membership Assessments - Total	3%	3%	3%
Audit Program Fees – Total	4%	4%	4%
Nexus Program Fees - Total	5%	5%	5%

Expenditure Increases

The percentage increases used for each annual expenditure increase shown *beyond* the FY 2027 budget year are:

Description	FY 2028	FY 2029	FY 2030
Salaries and Retirement	3%	3%	3%
Other Operating Expenses	3%	3%	3%

The Executive Director is looking into hybrid plans for employee insurance as new hires join the Commission. He will be having discussions with the MTC's insurance provider, Brown & Brown, and the MTC's accounting firm MVB to determine the best way to reduce employee insurance costs moving forward.

Multistate Tax Commission
Annual Budget
Fiscal Year 2027

	31-Mar-26				Fiscal Year 2027 - Annual Budget				
	FY24-Actual	FY25-Actual	FY26 Budget	YTD-Actual	Total	Gen Ops	Programs	Events	Training
Revenue									
Member Assessments	\$ 1,705,999	\$ 1,136,850	\$ 1,709,600	\$ 1,281,185	\$ 1,760,888	\$ 1,760,888			
Programs	\$ 6,567,621	\$ 6,797,628	\$ 6,852,273	\$ 5,138,810	\$ 7,194,887		\$ 7,194,887		
Audit Program Fee	\$ 5,561,155	\$ 5,749,715	\$ 5,768,910	\$ 4,321,557	\$ 6,057,356		\$ 6,057,356		
Special Project Fees/Nexus	\$ 1,006,466	\$ 1,047,913	\$ 1,083,363	\$ 817,253	\$ 1,137,531		\$ 1,137,531		
Events	\$ 40,205	\$ 33,644	\$ -	\$ 6,138	\$ 27,888			\$ 27,888	
Annual Seminar	\$ 40,205	\$ 33,644	\$ -	\$ 6,138	\$ 27,888				
Spring Conference									
Fall Conference									
Training Program Fees	\$ 36,290	\$ 153,711	\$ 114,136	\$ 8,150	\$ 114,136				\$ 114,136
Miscellaneous Revenue	\$ 4,749	\$ -		\$ -		\$ -			
Total Revenue	\$ 8,354,863	\$ 8,121,833	\$ 8,676,009	\$ 6,434,284	\$ 9,097,799	\$ 1,760,888	\$ 7,194,887	\$ 27,888	\$ 114,136
Year-over-Year Operating Revenue Change									
Operating Expenses									
Labor	\$ 6,568,466	\$ 6,008,052	\$ 7,038,344	\$ 5,019,947	\$ 6,868,797	\$ 2,996,559	\$ 3,841,745	\$ 29,104	\$ 1,389
Program/Event	\$ 255,476	\$ 390,681	\$ 256,000	\$ 187,203	\$ 281,975		\$ 279,719	\$ 2,256	
Finance	\$ 23,960	\$ 57,729	\$ 85,000	\$ 48,000	\$ 76,700	\$ 76,700	\$ -	\$ -	\$ -
HR	\$ 20,039	\$ 6,098	\$ 1,500	\$ 39,575	\$ 47,422	\$ 20,998	\$ 26,216	\$ 199	\$ 9
Technology	\$ 170,844	\$ 131,722	\$ 97,850	\$ 177,241	\$ 102,743	\$ 102,743	\$ -	\$ -	\$ -
Travel	\$ 213,309	\$ 230,715	\$ 309,950	\$ 97,348	\$ 232,463	\$ 101,413	\$ 130,017	\$ 985	\$ 47
Insurance	\$ 23,231	\$ 25,782	\$ 20,000	\$ 23,746	\$ 22,000	\$ 22,000	\$ -	\$ -	\$ -
Occupancy	\$ 495,072	\$ 140,048	\$ 532,589	\$ 256,467	\$ 616,467	\$ 616,467	\$ -	\$ -	\$ -
General	\$ 254,497	\$ 217,356	\$ 421,528	\$ 215,911	\$ 329,604	\$ 143,792	\$ 184,349	\$ 1,397	\$ 67
						\$ -	\$ -	\$ -	\$ -
Total Operating Expenses	\$ 8,024,893	\$ 7,208,182	\$ 8,762,761	\$ 6,065,439	\$ 8,578,169	\$ 4,080,671	\$ 4,462,045	\$ 33,940	\$ 1,513
Year-over-Year Operating Expense Change									
Net Operating Income (NOI)	\$ 329,970	\$ 913,651	\$ (86,752)	\$ 368,845	\$ 519,629	\$ (2,319,783)	\$ 2,732,841	\$ (6,052)	\$ 112,623
Net Non-Operational	\$ 181,575	\$ 274,397	\$ 127,500	\$ 79,880	\$ 150,250	\$ 150,250	\$ -	\$ -	\$ -
Net Revenue	\$ 511,545	\$ 1,188,048	\$ 40,748	\$ 448,725	\$ 669,879	\$ (2,169,533)	\$ 2,732,841	\$ (6,052)	\$ 112,623

General Membership Assessments Compact & Sovereignty Member States			
	FY 2025 Actual	FY 2026 Approved	FY 2027 Proposed
Alabama	44,411	59,931	70,148
Alaska	8,409	11,347	13,281
Arkansas	33,382	45,047	52,727
California	60,000	256,440	60,000
Colorado	65,904	88,934	104,095
Delaware	19,290	26,031	30,468
District of Columbia	21,101	28,475	33,330
Hawaii	28,372	38,287	44,813
Idaho	22,842	30,824	36,079
Kansas	34,188	46,135	54,000
Kentucky	42,947	57,955	67,835
Louisiana	32,906	44,405	51,975
Michigan	74,617	100,692	117,857
Minnesota	74,514	100,553	117,695
Missouri	52,000	70,171	82,134
Montana	13,294	17,939	20,997
New Jersey	115,411	155,742	182,292
New Mexico	26,165	35,309	41,328
North Dakota	11,805	15,930	18,646
Oregon	40,368	54,475	63,762
Rhode Island	15,878	21,427	25,080
Texas	152,815	206,216	241,371
Utah	40,953	55,264	64,685
Vermont	11,793	15,915	18,628
Washington	75,408	101,759	119,107
West Virginia	18,078	24,396	28,555
Total	1,136,851	1,709,600	1,760,888

Multistate Tax Commission - Apportionment of FY 2027 Budget

	STATES' FISCAL 2022 REVENUES UNDER COMPACT (THOUSANDS)	Percent of Total Revenue	26 STATES' EQUAL SHARE: 10% of 151,316	APPORTIONED SHARE: 90% of 1,361,844	TOTAL FEE BEFORE FEE CAP	FEE IN EXCESS OF CAP	STATE'S PERCENT OF TOTAL FEE MINUS FEES FOR CAPPED STATES	ADJUSTMENT TO CAP ANY MEMBERSHIP FEE	TOTAL APPORTIONED SHARE OF FY2027 BUDGET
Alabama	15,332,541	2.412%	6,773	38,221	44,994	0	4.124%	25,154	70,148
Alaska	700,518	0.110%	6,773	1,746	8,519	0	0.781%	4,763	13,281
Arkansas	10,850,004	1.707%	6,773	27,047	33,820	0	3.100%	18,907	52,727
California - DTFA & FTB (Sovereignty)	266,020,387	41.844%	6,773	663,140	669,913	\$ 609,913	0.000%	(609,913)	60,000
Colorado	24,067,389	3.786%	6,773	59,996	66,768	0	6.120%	37,327	104,095
Delaware	5,122,732	0.806%	6,773	12,770	19,543	0	1.791%	10,925	30,468
District of Columbia	5,859,075	0.922%	6,773	14,606	21,378	0	1.960%	11,952	33,330
Hawaii	8,813,870	1.386%	6,773	21,971	28,744	0	2.635%	16,069	44,813
Idaho	6,566,374	1.033%	6,773	16,369	23,141	0	2.121%	12,937	36,079
Kansas	11,177,718	1.758%	6,773	27,864	34,637	0	3.175%	19,364	54,000
Kentucky (Sovereignty)	14,737,518	2.318%	6,773	36,738	43,511	0	3.988%	24,325	67,835
Louisiana (Sovereignty)	10,656,558	1.676%	6,773	26,565	33,338	0	3.056%	18,637	51,975
Michigan (Sovereignty)	27,608,351	4.343%	6,773	68,823	75,595	0	6.929%	42,262	117,857
Minnesota (Sovereignty)	27,566,716	4.336%	6,773	68,719	75,491	0	6.920%	42,204	117,695
Missouri	18,416,532	2.897%	6,773	45,909	52,682	0	4.829%	29,452	82,134
Montana	2,685,900	0.422%	6,773	6,695	13,468	0	1.235%	7,529	20,997
New Jersey (Sovereignty)	44,187,839	6.951%	6,773	110,152	116,925	0	10.717%	65,367	182,292
New Mexico	7,917,142	1.245%	6,773	19,736	26,509	0	2.430%	14,820	41,328
North Dakota	2,080,843	0.327%	6,773	5,187	11,960	0	1.096%	6,686	18,646
Oregon	13,689,317	2.153%	6,773	34,125	40,898	0	3.749%	22,864	63,762
Rhode Island (Sovereignty)	3,736,236	0.588%	6,773	9,314	16,086	0	1.474%	8,993	25,080
Texas	59,389,186	9.342%	6,773	148,046	154,819	0	14.191%	86,552	241,371
Utah	13,926,864	2.191%	6,773	34,717	41,490	0	3.803%	23,195	64,685
Vermont (Sovereignty)	2,076,119	0.327%	6,773	5,175	11,948	0	1.095%	6,680	18,628
Washington	27,929,859	4.393%	6,773	69,624	76,397	0	7.003%	42,710	119,107
West Virginia (Sovereignty)	4,630,421	0.728%	6,773	11,543	18,315	0	1.679%	10,239	28,555
Total	\$ 635,746,009	100%	\$ 176,089	\$ 1,584,799	\$ 1,760,888	\$ 609,913	100%	\$ 0	\$ 1,760,888

TOTAL AUDIT FEES - MTC JOINT AUDIT PROGRAM			
	FY 2025 Actual	FY 2026 Approved	FY 2027 Proposed
Alabama	235,500	238,300	244,200
Alaska	127,170	128,682	131,868
Arkansas	235,500	238,300	244,200
Colorado	235,500	238,300	244,200
Delaware	127,170	128,682	131,868
District of Columbia	211,950	214,470	219,780
Georgia	169,560	171,576	175,824
Hawaii	235,500	238,300	219,780
Idaho	235,500	238,300	244,200
Iowa	282,600	285,960	293,040
Kansas	235,500	238,300	244,200
Kentucky	235,500	238,300	244,200
Louisiana	141,300	142,980	146,520
Maryland	282,600	285,960	293,040
Massachusetts	-	60,052	131,868
Minnesota	105,975	142,980	146,520
Mississippi	59,346	128,682	175,824
Montana	127,170	128,682	131,868
Nebraska	169,560	171,576	175,824
New Hampshire	152,604	154,418	158,242
New Jersey	235,500	238,300	244,200
New Mexico	141,300	142,980	146,520
North Dakota	211,950	214,470	219,780
Oregon	141,300	142,980	146,520
Pennsylvania	169,560	171,576	175,824
Pennsylvania, City of Philadelphia	114,453	154,418	158,242
Rhode Island	211,950	128,682	131,868
Tennessee	282,600	285,960	293,040
Utah	235,500	238,300	244,200
Vermont	127,170	128,682	131,868
Washington	20,000	20,000	20,000
West Virginia	141,300	142,980	146,520
TOTAL - BEFORE TRANSFER OF SURCHARGE	5,638,088	5,822,128	6,055,647
BASE AUDIT FEE	235,500	238,300	244,200

REVENUE - NATIONAL NEXUS PROGRAM FEES			
	FY 2025 ACTUAL	FY 2026 APPROVED	FY 2027 PROPOSED
Alabama	23,730	24,262	25,243
Arizona	31,878	32,980	34,921
Arkansas	22,023	21,748	22,859
Colorado	26,023	25,342	26,375
Connecticut	31,586	33,205	34,379
Delaware	13,085	12,284	12,920
District of Columbia	20,411	19,909	20,762
Florida	48,780	56,713	58,837
Georgia	36,570	38,846	40,872
Hawaii	21,567	21,461	22,265
Idaho	20,566	20,359	20,927
Iowa	27,110	27,031	28,433
Kansas	22,141	22,218	23,336
Kentucky	23,728	24,330	25,493
Louisiana	23,169	24,040	25,251
Maryland	34,370	37,157	38,099
Massachusetts	41,409	44,909	46,048
Michigan	31,016	33,451	35,380
Minnesota	30,867	33,429	34,428
Mississippi*	-	25,752	27,117
Missouri	24,127	24,983	25,977
Montana	12,286	11,158	11,757
Nebraska	24,569	24,298	24,942
New Hampshire	14,195	12,761	13,389
New Jersey	38,128	41,731	43,235
New Mexico	20,868	22,932	24,403
North Carolina	39,059	42,585	44,651
North Dakota	19,644	19,136	20,121
Oklahoma	27,241	27,200	28,867
Oregon	17,977	17,531	20,248
Rhode Island	19,428	18,856	19,741
South Carolina	28,540	30,092	30,049
South Dakota	13,907	12,468	13,062
Tennessee	31,667	33,763	35,154
Texas	47,408	48,833	52,427
Utah	22,934	22,868	23,971
Vermont	18,800	17,904	18,696
Washington	22,970	25,153	26,877
West Virginia	20,311	19,692	20,947
Wisconsin	31,959	34,489	35,074
Total	1,026,047	1,087,862	1,137,531

Statements of Changes in Fund Balance - Restricted Funds For the Years Ended June 30,		
	National Nexus Program	Total
Fund Balance - June 30, 2022 - audited	\$1,200,517	\$1,200,517
Revenues	\$886,983	\$886,983
Expenses	\$905,054	\$905,054
Surplus (Deficit)	(\$18,071)	(\$18,071)
Annual Audit related accruals	(\$10,332)	(\$10,332)
Fund Balance - June 30, 2023 - audited	\$1,172,114	\$1,172,114
Revenues	\$930,844	\$930,844
Expenses	\$865,225	\$865,225
Surplus (Deficit)	\$65,619	\$65,619
Annual Audit related accruals	(\$11,889)	(\$11,889)
Fund Balance - June 30, 2024 - audited	\$1,225,844	\$1,225,844
Revenues	\$970,773	\$970,773
Expenses	\$587,722	\$587,722
Surplus (Deficit)	\$383,051	\$383,051
Annual Audit related accruals	\$0	\$0
Fund Balance - June 30, 2025 - audited	\$1,608,895	\$1,608,895
Revenues	\$1,083,363	\$1,083,363
Expenses	TBD	TBD
Surplus (Deficit)	--	--
Annual Audit related accruals	--	--
Fund Balance - June 30, 2026 - estimated	TBD	TBD
Revenues	\$1,137,531	\$1,137,531
Expenses	TBD	TBD
Surplus (Deficit)	--	--
Annual Audit related accruals	--	--
Fund Balance - June 30, 2027 - estimated	TBD	TBD
Revenues	\$1,171,657	\$1,171,657
Expenses	TBD	TBD
Surplus (Deficit)	--	--
Annual Audit related accruals	--	--
Fund Balance - June 30, 2028 - estimated	TBD	TBD
Revenues	\$1,205,868	\$1,205,868
Expenses	TBD	TBD
Surplus (Deficit)	--	--
Annual Audit related accruals	--	--
Fund Balance - June 30, 2029 - estimated	TBD	TBD
Revenues	\$1,241,284	\$1,241,284
Expenses	TBD	TBD
Surplus (Deficit)	--	--
Annual Audit related accruals	--	--
Fund Balance - June 30, 2030 - estimated	TBD	TBD

Statements of Changes in Fund Balance
Appropriated Funds
For the Years Ended June 30,

Description	Equipment Reserve	Enterprise Automation Project	Total
Fund Balance - June 30, 2022 - audited	\$120,206	\$555,715	\$675,920
Appropriations	\$0		\$0
Expenditures	(\$21,172)		(\$21,172)
Fund Balance - June 30, 2023 - audited	\$99,034	\$555,715	\$654,749
Appropriations	\$0		\$0
Expenditures	\$0		\$0
Fund Balance - June 30, 2024 - audited	\$99,034	\$555,715	\$654,749
Appropriations	\$0		\$0
Expenditures	\$0		\$0
Fund Balance - June 30, 2025 - audited	\$99,034	\$555,715	\$654,749
Appropriations	\$0		\$0
Expenditures	\$0		\$0
Fund Balance - June 30, 2026 - estimated	\$99,034	\$555,715	\$654,749
Appropriations	\$0		\$0
Expenditures	(\$70,000)		(\$70,000)
Fund Balance - June 30, 2027 - estimated	\$29,034	\$555,715	\$584,749
Appropriations	\$0		\$0
Expenditures	\$0		\$0
Fund Balance - June 30, 2028 - estimated	\$29,034	\$555,715	\$584,749
Appropriations	\$0		\$0
Expenditures	\$0		\$0
Fund Balance - June 30, 2029 - estimated	\$29,034	\$555,715	\$584,749