Uniformity Committee & Work Groups
Report to the Commission

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

Thursday, July 30, 2026

BACKGROUND

Purpose of the Uniformity Committee

Through the Uniformity Committee, the Commission helps participating states deal with various issues created by interstate and foreign commerce that affect the functioning of their tax systems. These can be difficult issues but properly addressing them, while time consuming, can reduce the administrative and compliance costs as well as avoiding duplicative taxation.

In addition to this ongoing work, the complexity of today's economy continues to grow, which creates new challenges for our tax systems generally. This increases the need for, and benefits of, working together.

The Uniformity Committee and the work groups include a number of state members with a wide range of experience and expertise. The process used allows these state participants to interact with industry representatives and practitioners and share information that everyone can use in working through the problems they face.

Focus of Committee Work

The Uniformity Committee's general focus has been on:

- Dividing the Tax Base – Rules for sourcing and apportioning multistate sales and income.
- Limiting Abuse – Rules to address income shifting and other abusive tax strategies.
- Protecting State Taxing Authority – Arguing against preemption of state powers.
- Creating Administrative Solutions – Rules that aid both administrators and taxpayers.

Committee Process

Any state that wishes to participate in the Uniformity Committee and its work groups may do so—at no charge. The committee and work group meetings are fairly informal and states may also reach out to MTC staff as well as fellow state participants. In return for their participation, states receive valuable information on how to avoid problems and how to effectively use tools for addressing common state tax issues. We encourage states to take advantage of these benefits.

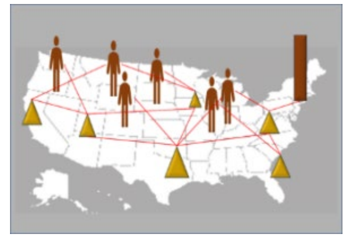
Impacts of Uniformity Work

The committee's work includes producing model tax provisions as well as identifying, highlighting, studying, and providing input on common state tax issues. Much of this work is "educational" and can be critical for states' ability to stay up to date on tax developments. This effort also helps support other state and MTC programs such as audit and nexus work, training, litigation, and advocacy. These other joint state efforts build upon and continue even after a particular uniformity project is completed.

CURRENT ON-GOING UNIFORMITY PROJECTS

The Uniformity Committee has three on-going uniformity projects, each of which is likely to have significant impacts on future state tax systems.

Project: State Taxation of Partnerships



The work group focusing on partnership tax issues is headed by Laurie McElhatton (California) and has regular participants from 27 states. See the project page on the MTC website – here: https://www.mtc.gov/uniformity/project-on-state-taxation-of-partnerships/.

- Importance –

  The share of income earned by partnerships and pass-through entities compared to C-corporations continues to grow. States that clarify and update their rules for sourcing and taxing partnership income, therefore, stand to benefit in terms of clearer reporting requirements and better compliance.

- Scope –

  The scope of this project is broad and includes all issues affecting the state taxation of partnership income and may include drafting of white papers and model provisions.

- Process –

  The work group has taken the following approach to the project:
  - Review existing state rules for taxing partnerships;
  - Identify issues where additional or uniform rules are needed;
  - Research specific state rules addressing these issues;
  - Draft white papers summarizing the questions raised and the possible approaches with findings and recommendations;
  - Draft model provisions following the recommendations of the white papers.

  At each step, the work group takes input from states, practitioners, taxpayers, and others.

- Actions to Date –

  The work group has developed the following:
  - A comprehensive issue outline which is updated as the project continues;
  - Detailed white papers and draft models on the sourcing of:
    - income of investment partnerships;
    - guaranteed payments for services made to individual partners;
    - partnership income of corporate and tiered partners.
  - A draft of model provisions that combine the model sourcing provisions above.

- Status –

  The work group is currently taking input on the combined model and has received comments from different practitioner and industry groups. The work group hopes to be able to provide recommendations to the Uniformity Committee on these draft provisions in the coming year.

Project: Sales Taxation of Digital Products

The work group for this project is headed by Tim Jennrich (Washington) and Mia Strong (Louisiana), has regular participants from 21 states and a number of public contributors. See the project page on the MTC website – here: https://www.mtc.gov/uniformity/sales-tax-on-digital-products/.

- Importance –

  The digital sector of the economy, including consumer goods, continues to grow and change. Many products are unique while others replace more traditional goods and services. Because state sales taxes often exclude digital products, unless specifically included in the tax base, this growth in the digital sector represents a bigger portion of the consumer economy that is not subject to tax. This, in turn, may put pressure on tax rates or result in limits on state revenue.

- Scope –

  The project's focus is the drafting of a white paper to address the various issues that policy-makers should consider in deciding how to tax digital products and, in general, exploring whether a broad approach to taxing these products may be workable.

- Process and Actions to Date –

  The committee and work group have taken the following approach to the project:
  - The project began by holding stakeholder interviews with states, taxpayers, practitioners, industry organizations, and academics.
  - Based on stakeholder input and staff research, the Uniformity Committee approved an issue outline for use in drafting a white paper and created a work group to oversee that process.
  - This outline has also been used to create a detailed set of webpages to capture work group discussions and other resources on the various topics.
  - The committee agreed that the project should coordinate closely with Streamlined to avoid conflicts and to benefit from the work Streamlined has done in this area.
  - The work group has:
    - held monthly meetings to discuss topics and take input;
    - directed MTC staff to conduct research into current state approaches to taxing digital products;
    - solicited presentations on various issues; and
    - established study groups to address –
      - bundling issues - headed by Mia Strong (Louisiana) and including several states – discussing whether digital products create unique bundling questions.
      - defining digital products and providing for a business inputs exemption – headed by Ray Langenberg (Texas) and including both states and members of the public.

- Status –

  MTC staff are in the process of drafting sections of the white paper, by topic, using the input and research developed by the work group and summarizing important findings in each area for state policymakers to consider. As those drafts are produced and reviewed by the work group leadership, they will be shared with the work group members and the public, for review and comment.

Project: Model Receipts Sourcing Regulation Review

The work group for this project is headed by Katie Frank (California) with a number of regular state participants and other contributors depending on the topic.

- Importance –

  A significant state tax trend in recent years has been the adoption of market-based sourcing for the receipts from sales of services and intangibles, as well as shift to single-sales-factor apportionment formulas. So, the rules for determining how receipts are sourced to the states are more important than ever.

- Scope –

  The goal of this project is to identify areas where rules may need to be drafted or updated, including special industry rules or rules aimed at specialized activities.

- Process –

  The work group has taken input from states and members of the public on the issues that may need to be addressed—looking first at existing model rules. In general, the work group has:
  - Held regular meetings to hear reports from staff, discuss particular issues, and take input;
  - Directed staff to provide information including briefing books on particular issues;
  - Established study groups to consider particular questions;
  - Reviewed draft revisions to model rules.

- Status –

  The work group has reviewed the model rules on receipts of businesses engaged in transportation including trucking, railroads, and airlines. More recently, the work group has also considered revisions to the model rules for sourcing receipts from broadcasting.

  - Sourcing of Airline Receipts – The MTC has a model special industry rule for apportioning the income of airlines, including the treatment and sourcing of airline receipts. The work group has completed its work on revisions to the rules for sourcing those receipts. Those revisions have been recommended by the Executive Committee to the Commission for its consideration.

  - Sourcing of Broadcast Receipts – The MTC has a model special industry rule, most recently updated in 1996, which addresses the sourcing of receipts of television and radio broadcasters. The MTC model general allocation and apportionment regulations also address similar issues—using a market, or audience, approach. The work group has drafted revisions to the model industry rule which were approved by the Uniformity Committee and referred to the Executive Committee, which recently directed staff to conduct a public hearing. The results of that hearing will be presented to the Executive Committee in the coming months.

- Next Steps

  The work group is now soliciting additional receipts sourcing topics for consideration including issues which may not be sufficiently addressed in current model rules.