To:	Executive Committee
From:	Keith J. Richardson
Date:	November 12, 2026
Subject:	Report of the Executive Director

This report is a summary of the Commission's organizational and staff activities for the first quarter of fiscal year 2027 (July 1, 2026, to September 30, 2026).

I. Programs & Activities

A. Joint Audit Program

The Joint Audit Program completed one (1) income tax audit and parts of five (5) other income tax audits and parts of eight (8) sales tax audits during the first quarter of fiscal year 2027. Currently, there are thirteen (13) income tax audits and twenty-two (22) sales tax audits in progress.

During the first quarter, the income tax program proposed net assessments of $64,150,937 for completed and partially completed income tax audits. Income tax program staff also proposed NOL and tax credit reductions of $13,991,382. The sales tax program proposed net assessments of $851,611 for partially completed sales tax audits.

The Audit Committee met once during the fiscal year on July 27, 2026, in Detroit, Michigan. During the meeting, the committee received an update on the progress of open audits and a SALT case update from MTC legal staff.

B. National Nexus Program

The National Nexus Program results for the first quarter of FY 2027 (July 1, 2026 – September 30, 2026) are provided in the following table:

	1Q FY 2027	Previous FY (2026) Totals
Collections	**$10,938,076**	$28,308,873
Executed Agreements	**162**	464
Average Contract Value per State	**$67,519**	$61,010

The above amounts include amounts paid by the taxpayer directly to the states and reported to the Commission.

During the first quarter of FY 2027, Richard Cram participated in the following outreach events:

presentation with Gregory Matson and Jonathan Feldman, Eversheds-Sutherland law firm, entitled "Administrative Procedure, Settlements and Voluntary Disclosure," at Tax Executives Institute seminar in McLean, Virginia on September 9, 2026;

presentation of CPAacademy Webinar entitled "Nexus Basics and the MTC Multistate Voluntary Disclosure Program," on September 16, 2026 and rebroadcasted on October 21, 2026;

presentation of CPAacademy Webinar entitled "Achieving Multistate Tax Compliance: Sales Tax, Nexus Laws, and Best Practices," on October 22, 2026, and rebroadcasted on November 17, 2026; and

update on National Nexus Program provided virtually to AICPA Society SALT TRP Fall Meeting on October 21, 2026.

Nexus School
No Nexus Schools are scheduled at this time. Please contact Sherry Tiggett, MTC Staff, if your state would like to host a Nexus School.

C. Legal Staff

In addition to the activities described below, lawyers on the legal staff —

- Staff the Uniformity and Litigation Committees;
- File amicus briefs on behalf of the Commission;
- Oversee the MTC Alternative Dispute Resolution Program established and governed by Bylaw 14;
- Speak at conferences and seminars; and
- Oversee the annual Paull Mines Award, which the Litigation Committee established to recognize contributions to state tax jurisprudence by public-sector attorneys.

<u>Uniformity Work</u>

The Uniformity Committee submits a separate report to the Executive Committee detailing the status of projects undertaken by that committee. The uniformity counsel and other lawyers on the legal staff support the committee, standing subcommittee, and uniformity work groups in a variety of ways, including providing counsel, performing research, drafting reports and other documents related to the uniformity process, and making and organizing presentations and training, as directed.

Litigation Committee Support

To ensure that interested state attorneys are aware of Litigation Committee programs and other MTC programs that may be of interest to them, and to identify attorneys that may be a resource to attorneys in other states, lawyers on the legal staff update and expand the Litigation Committee attorney roster, which includes more than 400 attorneys across all states, plus the District of Columbia and one U.S. territory. Lawyers on the legal staff also work with Litigation Committee leadership to organize attorney training programs in conjunction with the MTC's spring and fall in-person meetings and organize virtual training and information sharing opportunities throughout the year.

Training

The legal staff provides a combination of in-person and online training programs for state attorneys and other state tax personnel. After a multi-year effort, the Commission has an established CLE policy and dedicated webpage that helps attorneys claim CLE credits in many states.

A NASBA-compliant ethics course was made available on the learning management system in December of 2025. It is still available free of charge for anyone seeking a self-study ethics credit.

Litigation Support and Legal Advice

The legal staff regularly consults with state attorneys and other state representatives, by request, on litigation matters, including strategy, issues, arguments, and by serving as expert witnesses. Lawyers on the legal staff also work on legislative and policy issues on request, including review of draft legislation, assistance to implement MTC model laws and other guidance, and providing testimony on SALT issues.

During the fiscal year, legal staff provided litigation support and legal advice to the following states:

- Alabama
- Alaska
- Arkansas
- California
- District of Columbia
- Florida
- Hawaii
- Idaho
- Kentucky
- Mississippi
- Massachusetts
- Maryland
- Montana
- New Mexico
- Oregon
- Pennsylvania
- Rhode Island
- Utah
- Vermont
- Washington

Support for the Commission's Programs and Projects

Legal staff support the Commission's Multistate Joint Audit and National Nexus Programs, and other Commission programs and projects, as requested. For example, at each in-person Audit Committee meeting MTC counsel provides a court case update. MTC legal staff 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; reviewing and drafting contracts; and filing corporate registrations and reports.

Amicus Briefs Filed on Behalf of the Commission

On June 30, 2026, the MTC filed an amicus letter urging the California Supreme Court to grant review in X*avier Garcia-Rojas & Sana Garcia-Rojas v. Franchise Tax Board*, California Supreme Court No. S297035. The case involves the question of whether, in order to be considered a "unitary business" under California law, a multistate business must be comprised of separate business segments or entities. The lower court found that it did; the MTC encouraged the higher court to grant review and correct this misunderstanding of the unitary business theory. The higher court has since granted review.

On September 1, 2026, the MTC filed an amicus brief in *JetBlue Airways Corporation v. Florida Department of Revenue*, Case No. 1D25-3167. The case concerns how Florida defines "revenue miles in this state" when apportioning airline income. Florida counts miles flown over its land area, and also miles flown within the "Florida Box," a zone defined by geographic coordinates that reaches over parts of the Atlantic Ocean and the Gulf of Mexico. JetBlue argues that counting miles flown over this offshore area violates the Dormant Commerce Clause and the Due Process Clause, because it taxes activity outside Florida's physical borders. The MTC's brief addressed general principles of income apportionment, including the constitutional requirements of fair apportionment and internal and external consistency.

Legislative Tracking and Newsletter

Legal staff track state and federal bills that address primarily income, franchise, and sales and use taxes and that relate to the Multistate Tax Compact or core MTC programs and uniformity initiatives and issues periodic newsletters. Any public sector tax administrator or attorney may sign up to become a subscriber by emailing bhamer@mtc.gov or jwhite@mtc.gov.

Advisory Boards & Publications

Uniformity Counsel Helen Hecht is a member of the State Tax Notes Advisory Board and submits periodic "board briefs" on various topics. She also serves, along with Director of Operations Chris Barber, on Bloomberg Tax's State Tax Advisory Board, which helps that platform expand and improve its state tax content and analysis. Chris also serves on the Bloomberg Pass-Through Entity Navigator working group.

D. Training and Events

Training is an important focus for many of the Commission's staff, across program and staffing areas. Staff are continuing to develop content for the new virtual learning platform (LMS).

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 providing real-time support to various online and in-person events and meetings.

II. Staffing & Administration

Alicia Grant joined the Commission as a Corporate Income Tax Auditor in August.

III. Outside Presentations & Events

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

JULY 2026

- NCSL Legislative Summit (Hamer, attendee); Chicago, Illinois

AUGUST 2026

- 2026 Northeastern States Tax Officials Association (NESTOA) Annual Meeting, *News from the SaLT Mine* (Disque, panelist); Washington, DC
- 2026 Northeastern States Tax Officials Association (NESTOA) Annual Meeting, Update on Sales Taxation of Digital Products (Hecht, panelist); Washington, DC
- Washington Department of Revenue's Investment Income Apportionment Workgroup, *Discussion of Options* (Fort & Hecht, presenters); Via Zoom for Government
- Washington Department of Revenue Income Tax Advisory Workgroup, Consulting for future training and presentations (Merrien & Hecht)

SEPTEMBER 2026

- 2026 Midwestern States (Members of the Midwestern States Association of Tax Administrators (MSATA) Annual Meeting, *News from the SaLT Mine*, (Disque, panelist); Sioux Falls, SD
- 2026 Midwestern States Association of Tax Administrators (MSATA) Annual Meeting, *Hot Topics and Sales and Use and Digital Taxes* (White, panelist); Sioux Falls, SD
- 2026 COST Annual Meeting (Hecht, Panelist); San Antonio, Texas
- 2026 FTA Revenue Estimators Annual Conference (Hecht, Hamer, Merrien, panelists); Jacksonville, FL
- Washington Department of Revenue Income Tax Advisory Workgroup, Individuals with Pass-Through Entities (Merrien and Hecht); remote

- Taxpayers' Federation of Illinois Annual State & Local Tax Conference, *Agreement & Disagreement* (Hamer, panelist); Rolling Meadows, Illinois

OCTOBER 2026

- Tax Analysts, *Taxing Issues* webinar addressing OB3's impact on the states (Hamer panelist)
- Streamlined Sales Tax Governing Board Annual Meeting, *Sales Tax on Digital Products Status Report* (White); Jackson, WY
- Hartman State & Local Tax Forum, *Are Data Mining and Social Media Taxes the New Gold Rush?* (Hamer panelist); Nashville, Tennessee
- Hartman State & Local Tax Forum, *The Changing Landscape: State Taxation of Pass-Through Entities* (Barber, panelist); Nashville, Tennessee
- Hartman State & Local Tax Forum, *Top Ten Income Tax Cases to Watch* (Fort, panelist); Nashville, Tennessee