

SECOND
ANNUAL REPORT
MULTISTATE TAX COMMISSION



For The Period Ending
June 30, 1969

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December 22, 1969

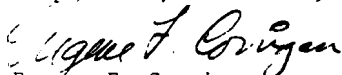
To the Honorable Governors and State Legislators of Member States of the Multistate Tax Commission:

I respectfully submit to you the second annual report of the Multistate Tax Commission.

The first annual report covered a 17-month period ending December 31, 1968.

This report is a partial one in that it covers only the six month period ending June 30, 1969, the end of the Commission's fiscal year. All future annual reports will then cover a full fiscal year.

Respectfully submitted,


Eugene F. Corrigan
Executive Director

June 30, 1969

GENERAL INFORMATION

CONCERNING

MULTISTATE TAX COMMISSION

Chairman.....George Kinnear
Director, Dept. of Revenue
State of Washington

Vice-Chairman.....James T. McDonald
Director, Dept. of Revenue
State of Kansas

Treasurer.....Roy E. Nickson
Secretary, Tax Commission
State of Nevada

Executive Committee:

John H. Heckers
Director, Dept. of Revenue
State of Colorado

Ralph Kondo
Director of Taxation
State of Hawaii

George E. Mahin
Director, Dept. of Revenue
State of Illinois

J. Ed. Straughn
Director, Dept. of Revenue
State of Florida

Executive Director.....Eugene F. Corrigan

Commission Office: 615 East 13th Street
Kansas City, Missouri 64106

New location effective
January 1, 1970.....1200 Lincoln Street
Denver, Colorado 80203

REPORT OF EXECUTIVE DIRECTOR

THE NEW YEAR BEGINS

The first six months of 1969 have been important ones for the Multistate Tax Commission. Early in January the Commission ended its year-long search for an Executive Director. The office of the Commission then opened on March 1 at its temporary site in Kansas City, Missouri. Missouri had generously made this space in its new Missouri State Office Building available to the Commission rent-free for a two-year period ending January 31, 1970. The new Executive Director joined the Chairman and other Commission spokesmen in efforts to attract to the Commission the interest and support of an increasingly large segment of the business community and of an increasing number of states.

MEMBERSHIP

On January 1, 1969, the Commission had 14 regular member states; by June 30, 1969, that number had been increased to 18 with the addition of Wyoming, Utah, Montana and North Dakota. By November 1, the number of associate members had increased to 14 with the addition, since the first of the year, of Tennessee, Louisiana, Virginia, South Dakota and New York. Thus, as of November 1, 32 states were participating in the activities of the Commission.

The four states which became regular member states during this period had all been associate member states previously. It was apparent that participation as associate members had helped to convince these states of the value of the commission and of the importance of regular membership.

Efforts were made in three other associate member states to convert those states into regular members. Narrow misses were scored in two. The third, Alabama, had passed the Compact in 1967 but with the provision that it will become effective only when Congress passes Consent legislation now before it (see below). Wyoming had originally enacted similarly conditioned legislation in 1967; and had become a full member in 1969 by legislatively removing the condition. It was hoped that Alabama's legislature would take similar action to become a regular member. Alabama failed to pass such amendatory legislation in 1969, however.

The Indiana legislature did pass the Compact and would have become a regular member had the bill been approved. Unfortunately, Governor Whitcomb vetoed the bill. We have been informed that the veto was occasioned by local political considerations rather than by opposition to the Compact on the Governor's part; and that there is an excellent likelihood that Indiana will become a regular member in 1971 when the legislature next meets.

The Michigan House of Representatives passed the Compact Bill; but the bill fell one vote short of the number needed to pass the Senate in the late Spring. The bill was called for a midnight vote at the end of an eleven-hour session in 95-degree heat, which may

explain its defeat. The bill was re-introduced later in the year and again passed the House. As this is written, the bill is awaiting consideration in the Senate once more.

The Commission is encouraging increased activity in these three important states to improve the possibility of the enactment of the Compact there. It is most important that the Commission maintain the momentum of its membership drive.

COMMITTEES

Meanwhile, the Special Problems Subcommittee on Income Tax was actively seeking to resolve the many differences of opinion concerning the means which should be used to determine, i.e. estimate, the amount of income earned in or derived from a state by a corporation which is closely affiliated with other corporations. Several lengthy meetings of this Subcommittee have revolved around the questions of whether or when consolidation of returns or combination of reports should be required for this purpose. The Subcommittee's recommendations are expected early in 1970.

The progress of the Special Problems Subcommittee discussions soon made it apparent that this type of discussion between representatives of the business world and of the states should be expanded to consider even wider areas of controversy. Accordingly, the so-called Ad Hoc Committee was formed. The activity of this Committee is discussed below in the Chairman's Report.

Meanwhile, the Rules and Regulations Committee has been meeting periodically. Its purpose is to develop uniform rules and regulations to be adopted by those member states which have income taxes as well as, hopefully, by those non-member states which have adopted the Uniform Division of Income for Purposes of Taxation Act. This Act is included in the Multistate Tax Compact on an optional basis.

The Committee has found that there is ample opportunity for the Commission to render important service in this area. The reason is that no state has yet published a complete set of rules and regulations which seek to clarify the state's position with respect to many day-to-day problems with which the taxpayer must cope.

The representatives of several states have been working closely with the Committee and expect to implement the Committee's recommendations in their states at an early date.

The Joint Audits Committee directed two groups of pilot income tax joint audits and one group of pilot sales and use tax joint audits on behalf of the Commission for several member states. Oregon auditors performed the income tax audits and Washington auditors performed the sales and use tax audits. From this experience, the Committee developed recommendations which will be useful in the future when joint audits become a regular feature of Commission activity.

The Committee on Jurisdictional Standards-Sales and Use Tax reported that none of the 18 regular member states are claiming sales and use tax jurisdiction beyond that established by the jurisdictional standard which the Commission adopted late in 1968. Thus, in this

field the Commission is succeeding in establishing the uniformity for the encouragement of which it was created.

At the Houston meeting of the Commission in June, a special hearing was conducted at the request of representatives of employees of interstate carriers. The subject was the manner in which the various states apply income taxes to the income which such an employee may earn in several states. As a result of this hearing, in which the nature of the problem and the seriousness of it were discussed at length, a new Committee was created by the Chairman. This Committee will be known as the Subcommittee on Withholding For Non-Resident Employees in Interstate Commerce.

BUSINESS PARTICIPATION

One of the most encouraging developments of the past year has been the obvious increase in interest in the Commission which has been shown by members of the business community. The Commission has experienced steadily increasing attendance at its meetings, many business leaders having become regular participants in the Commission's activities. The Multistate Tax Commission was conceived as a medium for the promotion of a continuing dialogue between the business world and representatives of state and local government. The purpose of the dialogue was to be the developing of solutions to mutual problems; and those solutions were to be implemented by the Commission. The willingness of the Commission to work problems out with business has, we believe, been the key to its increasing importance.

FEDERAL LEGISLATIVE ACTIVITY

The Willis Bill was re-introduced into the House of Representatives of the Congress early in the year in the form of H.R. 7906. Now called the Rodino Bill after the new chairman of the Subcommittee which produced it, the bill passed the House by a wide margin on June 25, 1969. It is now awaiting consideration by the Senate Finance Committee.

Meanwhile, early in the year Senator Magnuson and 32 co-sponsors introduced Senate Bill S. 1198 for the purpose of obtaining congressional consent for the Multistate Tax Compact. The bill was rather general in nature; and concern developed that it was a type of open-end consent that might meet with resistance in the Congress. Accordingly, the Advisory Commission on Intergovernmental Relations developed a substitute consent bill, which was introduced into the Senate in August as Senate Bill S. 2804. This bill includes the exact wording of the Multistate Tax Compact in its text. It also contains a provision that regular household deliveries constitute sufficient basis on which a retail seller may be subjected to the use tax collection requirement of a destination state. The bill also provides that the congressional salary of a congressman can be subjected to state and local income tax only in the state and district from which he was elected.

Also early in the year, Senator Ribicoff introduced Senate Bill S. 916, which would extend to certain large businesses many of

paper work involved.

After June of 1968, committees began to take up consideration of substantive business tax problems. The committees, their purpose, membership, reports and resolutions are all part of the commission record and I will not attempt to repeat them at this time, except to emphasize that committees were set up to consider the difficult and important issues of jurisdictional problems which have been of great importance to many businesses.

During this time we have had the valuable assistance of a number of experts who have acted as advisors in regard to various issues with which the Commission has been concerned. The Commission is also deeply indebted to these men. These advisors include:

Charles P. Bayly, Jr., Tax Counsel, Columbia Broadcasting System
Robert Coulson, Executive Vice-President, American Arbitration Assn.
John Due, Professor of Economics, University of Illinois
Lee Hill, General Tax Counsel, Humble Oil & Refining Company
Max Kaminoff, Tax Attorney, Bogle, Gates, Dobrin, Wakefield and Long, Seattle
Art McCourt, Assistant to the Comptroller, Weyerhaeuser Co. representing the Tax Executives Institute
William Pierce, Professor, University of Michigan Law School, former President and current Chairman of Taxation Committee, National Conference of Commissioners on Uniform State Laws
Donald H. Webster, Professor of Political Science, University of Washington
Jerome Hellerstein, Professor of Law, New York University
William Fisher, Chief Tax Attorney, American Telephone & Telegraph Co.
Allan Polasky, Professor, University of Michigan Law School
Paul Hartman, Professor, Vanderbilt Law School

STATUS OF COMPACT

The Multistate Tax Compact offers the most exciting promise for progress in the field of taxation. Its possibilities for good are unlimited. It is not a new mechanism for dominating the states, but rather an association to stimulate action, state by state, by providing the necessary information which is not now available regarding many important problems; and by providing a vehicle for cooperative state action.

The tax problem was early defined and the Compact solution first proposed in the Yale Law Journal some 43 years ago. I quote: "No one can scan the flood of cases dealing with jurisdiction to tax, rules for apportionment and the like, without realizing that the opportunities for taxation open to the states against common resources might find a more economic and more effective solution through negotiation than through litigation. At all events, in view of the growing burden upon time and feelings, as well as the cost in money due to conflicts and to confusion arising from the administration of independent systems of state taxation, the possibilities of amelioration and economy realizable through an alert use of the compact clause calls for more intensive study as part of a disciplined attack upon the entire tax problem."

We are attempting to establish a medium whereby the states, exercising their independent authority, can effectively work together in those areas where modern business techniques call for quicker, more efficient state response to their problems.

The states and the Compact will have failed if the Commission becomes a dreary, slow moving, unimaginative, routine organization--or if it sinks into a hold-the-line, drag-the-feet, protect-the-established-way, state-rights organization.

We all know that there are problems in the taxation of multi-state businesses. I am convinced that Washington D.C. cannot do the job that must be done to solve these problems--without doing violence to our federal system--and without creating new problems for our economic system. The tragedy is: that unless the states move--and continue to move--to solve these problems independently and cooperatively, the Federal government will act and then it will be too late for the states.

The committee on Economic Development in a study on state government published in July 1967 concluded: "Either the states must enter into voluntary compacts or the national government should use its power and responsibility under the interstate commerce clause of the Constitution to reduce tax interference by the states upon the free flow of commerce across state lines.

"A system of uniform regulations establishing equitable and clear limits of tax jurisdiction upon interstate businesses by individual states should be enacted by Congress if not assured by a compact of the states."

Multistate Business activities are certainly going to increase and will undoubtedly change in character. This has been the history of the past. This will cause new, presently unforeseen problems. Along with this intensified demand for uniformity, simplicity and equity will increase. It is necessary to attend to both present and future problems. The Commission provides a medium to proceed efficiently with consideration of these new problems.

More important, perhaps, the Commission will have available the best tax minds in a growing majority of states.

This resource will be an invaluable supplement to the skills and knowledge of each of the states; and particularly those with limited research personnel and facilities. This will provide a major force for improved state tax administration across the nation at a very nominal cost to each state, which would not otherwise be available to every state. This alone constitutes a most valuable contribution to good government, and will unquestionably be of value to states and taxpayers alike.

An able and thought-provoking analysis of "Why Business Should Support the Multistate Tax Commission" has been written by Charles P. Bayly, Jr., Tax Counsel, Columbia Broadcasting System. Rather than diminish the thought development of this analysis by quotation, I am including it in entirety as Appendix "B" to my remarks, and ask you to read it in full. This study concludes that "the state and local tax problems of business will not only not be solved on

enactment (of the Rodino measure), but instead will be compounded. Business will find even more essential than ever a strong Multistate Tax Commission, representing all or at least as many of the states as possible, to work out uniform interpretations and applications in the uncharted areas that will then have been opened up".

BUSINESS LIAISON

We early realized that the Commission had no value, and could not function, in isolation. Since the subject of our existence was the taxation of business, it has always been important that we establish broad contacts with business, and generally encourage them to work with, to make use of the Commission. I took early steps to establish direct contact and liaison with the Tax Executives Institute; Taxation Section of the American Bar Association; National Retail Federation; United States Chamber of Commerce; National Association of Manufacturers; National Association of Certified Public Accountants; National and State Chambers of Commerce.

In addition to the formal organization contacts, I continued, in my position as chairman of the Business Liaison Committee, and with an express vote of approval of the Commission, to make extended and continuous efforts to expand direct and personal contacts with business tax consultants. Mr. McCourt and others invited me to both speak or, otherwise, attend several T.E.I. conferences. I was invited to attend meetings of tax committees of the U.S. Chamber of Commerce, of the State Chambers of Commerce, the National Transportation Tax Executives, and to meet with a number of ad hoc groups across the country. I was also given opportunities to be active on behalf of the Commission at annual meetings of the Tax Institute of America and the National Tax Association.

In addition, having been a member of the Tax Section of the American Bar Association, I again had repeated opportunity to meet with the tax counsel representing many of the nation's principal industries. These discussions have involved disagreement, concurrence and debate.

Most encouraging, however, has been the fact that a growing number of tax experts who were, originally, either opposed to the Compact methodology, doubtful of its potential, or skeptical of the ability and will of the state administrators to make it successful, have altered their viewpoint. They, in growing numbers, believe it can work for the good of the states and business alike; for the protection and good of the Federal system of government-- in which these men all believe. This changed viewpoint is a credit to every Administrator, every Attorney General, every staff member who has taken part in building the Commission; it also must be an incentive for us to continue as vigorously as we have begun. The increasing numbers of business representatives who are attending our meetings is evidence of what I have just stated. However, while this is most exciting and encouraging to me, it is not enough. These developments have been an absolutely essential first step toward real achievement. Success will not be real until business in large numbers comes to accept the Commission as a sound and useful arm of state government and commences to utilize it regularly--

not just on a tentative level of testing.

With this warning, I want to add another word to my real sense of optimism. It is doubtful that any new machinery for accomplishing governmental responsibilities has moved so far so quickly, and created such an initial degree of confidence.

As I have stated, I have made myself available to meet with every business group seeking to confer about the Commission, its purpose and its potential. This has resulted in one positive effort which I wish to describe. To understand this development fully I must digress a moment and tell you of a part of my activities in carrying out the responsibilities of Congressional Liaison.

SENATE FINANCE COMMITTEE AND CONSENT LEGISLATION

Various portions of the next part of this report were presented before at the regular Commission meeting in Kansas City in November, 1968; at the Tax Executives Institute Conference in Los Angeles in December, 1968 in a panel discussion to which all Commission members were invited as State Tax Administrators, (either 11 or 12 were present); and at the Commission meeting held in Kansas City in January of this year.

In June, 1968, following the N.A.T.A. meeting in Baltimore, I had a lengthy conference with Senator Russell Long, Chairman of the Senate Finance Committee, which Committee, only a short time before, had received the Willis Bill for consideration after its passage by the House of Representatives. Two developments arose from this meeting. Senator Long asked me to meet with the senior staff personnel of the two tax committees of which he is Chairman. These are the Senate Finance Committee and the Joint Committee on Internal Revenue Taxation, headed respectively by Tom Vail and Dr. Laurence Woodworth.

Secondly, Senator Long later gave me assurance, in writing, that the Consent Bill for the Multistate Compact would be granted a hearing and considered along with the House drafted legislation as an alternate approach to meeting the business tax problems which caused the drafting of both measures. Specifically, the House legislation would not be given priority of consideration.

My conversation with the staff was extended and thorough--lasting several hours. Ultimately the staff agreed among themselves to recommend to the Committee that they were willing and should make a new staff study of the subject before the Committee holds hearings, and takes up consideration of the subject. They recognized that many years had passed since the Willis committee had made the study upon which its report was based, and they accepted that a great deal had happened within the states to correct many criticized practices--as well as acknowledging that the Compact Commission had not even been thought of while the original staff study was under way.

They did ask whether the states would give them full cooperation in making a current study. I gave them my confident assurance, pointing out that the Governors Conference had expressed unanimous

opposition to the House proposed legislation, and unanimous support for the Compact. The Attorneys General had acted likewise. I was--and am--convinced that Administrators would find strong state executive support for the requested cooperation. This support has been repeatedly declared on several occasions up to and including this year's National Conferences.

I have at all times considered this opportunity to be a great strategic opportunity for the states. The states were not allowed a reasonable hearing or voice in drafting the eventual Willis Bill--nor were business tax consultants listened to in many respects.

I was warned that the Senate would not approve what they termed a "blank check" consent bill, but would certainly desire to draft some provisions establishing standards of performance (such as that a stated percent of the states must participate in a given period of time). They also tentatively accepted my statement that the House bill did a lot of things but did not promote uniformity of taxpayer treatment, and surmised that some standards of uniformity would be required by the Senate.

Finally, they agreed to consider, at the appropriate time, drafting legislation including consent for the Compact, thus preserving the independence and integrity of state tax administration--and including in it defined objectives to achieve desired uniformity in tax administration, then give the states, perhaps, five years to draft and adopt a compact to achieve these goals. In the meantime the present compact would be approved for the interim.

After having publicly described this plan of procedure and stating my strong support for it, I met with a number of business groups, including, finally, the Taxation Committee of the U. S. Chamber of Commerce. This last meeting occurred the day after our January Commission meeting--and up to this point my recitation of events is a resume of previous statements.

During this same period the Advisory Commission on Intergovernmental Relations added its considerable influence to the Council of State Governments in support of the states and the Compact methodology and in support of Congressional Consent legislation. While attending a T.E.I. Conference in Washington, D. C. in February, I conferred again with Bill Colman, Executive Director of A.C.I.R. and his staff. He expressed two warning thoughts to me and urged further action on my part in both regards. First, he thought it imperative that we be responsible for asserting support for a positive consent bill, in place of the general statement of principles included in our first bill--even though Senator Magnuson filed an accompanying statement setting forth our belief that it should be expanded but only after a full Committee study. (This position, incidentally, was also pressed upon me by two Senators who are co-sponsors and supporters of the states' position.) This advice I accepted and it has since been followed with the introduction of S. 2804.

Secondly, Mr. Colman said that he did not believe I dare wait until the Committee was ready to take up the bill to commence some sort of active study of details. When the Committee is ready to

move and consider, it is his belief that they will move quite promptly and not allow much time for discussion beyond that which we might have prepared in advance. He feared the results could be most unsatisfactory without careful advance preparation. Because of his extensive experience with Congress, and because the arguments made sense to me, it was decided to follow this advice.

AD HOC COMMITTEE - FORMATION AND ACTIVITIES

It seemed reasonably clear then, and still does now, that the states no longer have standing in the House of Representatives so far as this tax subject is concerned. The Administrators, in too large numbers, have lost the confidence or following of their Representatives. On the other hand, the picture in the Senate is completely different. This is for a number of reasons, which I will not take the time to enumerate now. But it is extremely doubtful that the supporters of Willis-Rodino can push their present legislation through the Senate. I further feel certain that I have been able to establish a number of areas of friendly influence on behalf of the states which have not previously been available.

My present conviction that the legislation which has passed the House will not be approved in the Senate is further strengthened by policy statements and legislative proposals of leaders of both parties. President Nixon has strongly advocated strengthening the authority of the states in our Federal structure, and has recommended Federal tax sharing. Senator Muskie has introduced legislation directed toward the same objective. For the Senate to approve legislation which would restrict state tax jurisdiction and thereby reduce existing revenues would be utterly contradictory, in my opinion.

However, there were moving and decisive reasons why I deemed it essential to accept Mr. Colman's advice and proceed to maximize the states' efforts and continue to work towards creating a reasonable legislative position that could work eventually to the benefit of the state governments. I will outline these reasons later.

I returned that afternoon to the T.E.I. conference, which was still in session. I knew there were men there, with influence and position in every major business organization in the country, men who I had been talking with--and with whom I had developed a mutual personal confidence and respect, even though we were certainly not in agreement on all issues.

Thus Mr. Leonard Kust of Westinghouse Corporation and I organized an ad hoc committee to attempt to determine what might be developed in the way of agreement between business and the states that would fit the procedural formula suggested by the Senate Finance Committee staff. The men selected were chosen for their knowledge and ability in the field of taxation.

There could be no effort to include every industry or every section of the country among the states--the committee would have been out of hand. Men were selected so that we would have an

influential voice in most major business or governmental organizations--if successful in achieving agreement among ourselves.

While this committee came about as a result of contacts I was developing as Business Liaison Chairman for the Commission, it was clearly understood and agreed, that I was sitting in without officially representing or speaking for either the Tax Compact Commission or the State of Washington. In the same manner, no one else there was considered as representing a state, or his corporation or any national organization of which he might be an officer.

Also, it was agreed at the beginning, that we would consider each subject separately as we proceeded on a tentative basis until we had finished all items. In other words, if we should agree on 90% of the subjects and disagree on only 10%--or, perhaps, on only one issue, any member has the full right to conclude that the one point is more significant to him than all the rest and to withdraw his agreement to the other issues.

We have had three meetings and had maximum success to date. By that, I don't suggest there has been full agreement. We have agreed on many points, but remain hung up on several. However, we have not reached an impasse, a deadlock on any issue. Areas for adjustments to achieve fair and reasonable agreements have been suggested and are being considered in each instance of disagreement. The heartening development here is that, in each instance, such affirmative suggestions have come from both sides. No one yet has considered it necessary to take an unequivocally negative position.

I know there has been talk of our meetings and so I wished to tell you first hand what is going on. One of our initial agreements was that we would keep the progress of the meetings private until we determined whether we might have something worth presenting. We will have one and perhaps two meetings before Christmas, and maybe another in January, if all goes well. That should be ample to finalize an affirmative program.

If our efforts fail, everything will be scrapped, of course. If we achieve a common agreement, then our package of proposals will be carried by the respective members to each of several national business organizations, to this Commission, to the various states, for consideration and, we hope, for approval. Then we would expect to proceed to Congress with a total constructive proposal for Consent legislation.

Some of you may be asking yourselves why we should be concerned if there is little chance that the Consent bill will pass in this session, particularly in light of our legal opinion that Consent legislation is not essential to this type of Compact. I can very briefly state my convictions in this regard:

First, the reasons holding a considerable number of Senators with the states--a sufficient number to provide a majority either way--are not so basic as to keep them from reconsidering and reversing their position--and this includes some sponsors of the consent legislation. These Senators do believe that multistate business has suffered some unfair treatment at the hands of state

tax administrators. They prefer that the states handle the situation themselves, and, at the moment, they are impressed with and hopeful for this Commission. They do believe, though, that they have some responsibility to business--which is talking to them all the time--to establish some performance standards. I believe that, if this issue remains hot, Rodino type legislation will pass--and the only way to defeat it is to seize the constructive affirmative.

Secondly, the mere continued existence of the political battle in Congress is extremely harmful to the full potential success of the Commission. The fact that it is a constant threat causes many businesses, that would otherwise enthusiastically work with us, to shy away--in doubt as to how secure may be the status of the Commission. Some state administrators have not had the confidence to join for the same reason.

In addition, the time and effort, and money, required to maintain constant watch on Congress seriously diverts the available time of your officers, and equally dilutes the time of a limited staff for the real business of the Commission. This continuing political battle distorts the entire effort of the Commission, which should be concentrating on administration.

CRITICISMS OF COMPACT COMMISSION

We have faced opposition of course, and criticism has been expressed. I am certain that typically some criticism will continue regardless of the caliber of administration of the Commission or its success. I think it worthwhile to briefly consider some of the critical comments which have been repeatedly pressed.

1. The N.A.M. has spoken of the compact as "inadequate". This only expresses continuing pressure by some elements of business upon Senators, which I referred to previously. It is a fundamental part of my reason for helping initiate the ad hoc committee effort. This attack has also been one reason for my pressing for the Compact Commission to face up to and consider all problems presented to us. I believe the total activities of the Commission is a continuous and expanding answer to this charge. The compact is "adequate" to the degree that the Commission is "adequate" in performing its task.

2. Some critics have alleged that we have taken on too much! I believe that, to be fully responsible, we must be prepared to consider all matters of concern to business. This doesn't mean we must always agree--but we cannot be a responsible organization and limit our consideration to subjects which are easy. It is true that this was an exceptionally tough commission problem before we had a full time staff--and remains difficult because so much of the staff time is necessarily being used in political activities in Congress and with non-member states.

3. Some concern has been expressed that a large number of small states can dictate to the fewer large states, and,

4. contrarily, the larger states will tend to dictate decisions. These arguments are both beside the point, of course. The right of a state to withdraw at any time provides maximum protection

against any unreasonable pressure or conduct. The member states have shown a consistent desire to respect the varying situations of other states.

5. The Compact creates a new independent level of government. This is clearly no more true than with any of the dozens of other compact in existence between states. This represents the exercise of sovereign jurisdiction by each state, agreeing to procedures and laws in areas where their independent actions may otherwise either collide, overlap or, at least call for joint procedures in administration (not joint administration!).

6. The Commission is a "red herring" developed by the National Association of Tax Administrators. I refer you to the record and the reactions of those businessmen who have been willing to test the Commission and confer with us. The "red herring" label is mighty tattered by now.

7. The Compact does not address itself to the jurisdictional problem. The fact is that from the very beginning we recognized that this area of jurisdictional problems would be one on which we would have to concentrate. We have an active committee working in this area. It has proposed a uniform sales and use tax jurisdictional rule, and is currently considering other uniform rules in this area. The Compact also provides machinery for resolving jurisdictional conflicts.

CONCLUSION

Before closing, I want to commend Gene Corrigan for a dedicated, imaginative, skilled, and constructive production as Executive Director. We were certainly immensely fortunate to gain his services. He has more than lived up to expectations. Larry Johnson has also provided capable and energetic assistance to Gene and to me. Finally, Bob Barker was a most fortunate find. He is young but has proven to be of immense value on our staff.

I must express my personal thanks and appreciation for the way in which each has performed. Building a new organization is difficult, and could have been even more difficult for a Chairman residing many miles from Headquarters. Mutual confidence, trust and loyalty has been complete and I know this has resulted in accomplishments that would not otherwise have been achieved.

Jim McDonald has been of invaluable assistance, both in direct help and in advice. Again I have been most fortunate in the character of the individual chosen to work with me, and the Commission has profited from his ability and dedication.

Roy Nickson taking over as Treasurer just as we shifted accounts and got into business has maintained a careful and thorough administration of our finances, relieving me of all concern, and I know, giving invaluable advice and aid to Gene.

Finally, I would like to express my appreciation to many others, both here and absent, for the truly yeoman work done on various assignments. But I am afraid to start--I wouldn't want to overlook even one. We have faced up to many tough tasks and have been provided with some highly capable services.

Some of these men have now left state service and others transferred. Thus our original skilled manpower has been gradually depleted. We recently asked each state to review its personnel and determine who at this time might be available from time to time to assist in research, study, committee assignments, advice, so as to maintain the quality of Commission endeavor.

Although the annual meeting of the Commission is three months ahead, this is my final report, except for a possible supplement relating any occurrences during this period. The next meeting, in my opinion, should be the meeting of the next Chairman. He should have full opportunity to start fast.

These last four years of participation with all of you in state government, and in other states, with you representing business, and with Congress, and others, on behalf of this nationwide venture in the development of the machinery of state governments, has been exciting and challenging to me. Above all, the greatest profit and the true pleasure for me has been the gaining of so many enjoyable and valued friends--and for this, I do want to express my special thanks to each of you.

CHAIRMAN'S REPORT
APPENDIX "A"

HISTORY OF MULTISTATE TAX COMMISSION

I have included, as an appendix to my report, some details of the background and history of this organization, so that this report can provide a brief outline of information for those in government and business who have not previously had opportunity to become informed about the Multistate Tax Commission.

I have chosen, in ordinary conversation, to speak of this organization as the Tax Compact Commission. The word "Multistate" is unfamiliar to most people. It has been used rather than "Interstate" because the latter term created false inferences due to its use in the U.S. Constitution and the existence of an Interstate Commerce Commission in the Federal governmental structure. I will use this informal title in my remarks herein.

The germ of creation of the Commission was born at a national meeting of N.A.T.A., held in Chicago in January of 1966. The idea of creating a State Tax Compact Commission was unanimously approved there. Many were skeptical that an effective document could be drafted in the limited time remaining before the 1967 legislative sessions that any material number of states could agree upon. This first decision was admittedly made in direct response to the threat of Federal legislation drafted to restrict state tax jurisdiction.

During the ensuing ten months intensive efforts upon the part of Attorneys General and other representatives of many states, working under the guidance of and with invaluable assistance from the Council of State Governments, did result in a draft which has now been approved by the Legislatures of 20 states. Since that time, the development of the Commission has proceeded with remarkable conformity to the original plans of organization. Except for one error in judgment, which delayed the formation of a permanent

staff by nine months and thus sharply limited our ability during 1968 to advise and confer with many interested states, we would have fully achieved our original two-year goal of Regular members of more than 30 states. We are well on the way to catching up now, though. Such a delay is minimal in development of governmental programs, I am sure you would agree.

I would digress for a moment to describe briefly the issues that required some state action with regard to state taxation of multistate business, and that eventually resulted in creation of the Tax Compact Commission.

The problems of state and local taxation of multistate business have been well documented. While many of you are no doubt sensitive to the national barrage of criticism aimed at state and local tax administrators--which grew out of the research of the Willis subcommittee--you must recognize that many businessmen believe that current state and local tax systems are inequitable and ineffective. Federal legislation in the area of interstate taxation has been supported by numerous individual business firms as well as many national business organizations--the Chamber of Commerce of the United States, the National Association of Wholesalers, the National Association of Manufacturers, the National Food Brokers Association, and the National Industrial Council--to mention some of the more outspoken supporters of federal action. Business firms and business organizations have supported federal legislation, at least in part, because they do not believe that the states would act to solve the problems.

It has generally been agreed that business for many years has been facing increased complexity in dealing with conflicts and even confusion arising from different interpretations and varying regulations in state tax laws. There being no one place where business could go in an effort to discuss and solve these complexities at state level of authority, business eventually went to Congress; and out of these practical problems of business operations arose the Willis Bill. Support for it in Congress was quite strong because there was a record, up until recent years, of inaction on the part of state administrators, which was interpreted as being indicative of lack of concern.

Regardless of disagreement, all parties, including the supporters of the Compact, the opponents of the Compact and the Willis Committee itself, agree that the main objective is to achieve and provide maximum uniformity in the administration of state taxes as they affect companies engaged in multistate business.

However, the proposal now presented in Congress does not in any way provide uniformity in tax administration. Initially these proposals were to superimpose Federal administration over state administration--this has been withdrawn temporarily. The proposals continue to provide material limitations on the jurisdiction of states to levy taxes. This limitation, however, is just that. It does not provide uniformity but, as a matter of fact, in a number of material ways, provides new preferences--in other words, new areas of nonuniformity.

It does not provide uniformity except that of a most specious type. To exemplify, we have a growing and serious crime rate in the country. If arson, assault, and rape were to be stricken from the list of crimes, were to be exempt from the jurisdiction of the courts, it would reduce the crime rate and statistically show an improvement in the overall crime picture. In fact, all we would have accomplished is an increase in our ignorance as to what is really happening.

In this regard may I make two subpoints. First, the House Subcommittee has already been functioning for approximately ten years in considering just a few aspects of multistate taxation. Do you really want to wait this many more years for answers to each new set of problems which have not as yet been considered?

Secondly, we cannot ignore that uniformity or the lack of uniformity is not a consideration of tax legislation alone. It necessarily and essentially involves tax administration as it is carried out through the use of regulations. In fact, I believe a major part of nonuniformity is in the field of regulations. Clearly, this is an area where the cooperative approach of the Compact can be immediately and significantly effective. Thus, if an individual chooses to turn his back on the effort of the states at this time, he must commit himself to a theory of extremely limited steps towards uniformity through Federal legislation, and on the other hand a continuing expansion of Federal authority and eventual dictation over state tax administration.

We truly believe that the effect of H.R. 7906 constitutes a direct threat to the independent authority and political integrity of every state as a direct result of inevitable Federal dictation of state tax administration and state tax structure. This is based upon the opinions of American constitutional authorities commencing with Alexander Hamilton and John Marshall. And we further believe that the principal supporters of H.R. 7906 intend this.

Also, it is certain that this Federal legislation, since the Federal Government can deal only with companies in interstate commerce, does and must create discriminatory preferences--as one authority has put it, the act is intended to achieve substantial uniformity of exemption through many common practices, such as the use of agents, subsidiary or related corporations, transient salesmen, consignments, and so on.

The Committee on Economic Development in a study on state government published in July 1967 concluded: "Either the states must enter into voluntary compacts or the national government should use its power and responsibility under the interstate commerce clause of the Constitution to reduce tax interference by the states upon the free flow of commerce across state lines.

"The Council of State Governments has recently proposed an interstate compact which deals with the jurisdictional aspects of state taxation of multistate businesses and this has already been introduced in eight state legislatures. But if most of the states do not voluntarily enter into agreements of this kind the Congress should undertake action.

"A system of uniform regulations establishing equitable and clear limits of tax jurisdiction upon interstate businesses by individual states should be enacted by Congress if not assured by a compact of the states."

One further comment should be made as to the threat to the states. Some administrators, from states not participating in Commission activities either as Regular or Associate members, have said that "the threat is past", that "we can live with the present legislation"; that "only a few minor amendments to the Willis or Rodino bill will make this legislation palatable". This viewpoint is self-deluding, in my judgment.

First, the proposed legislation would reverse the Scripto decision as the law of the land and would in the language of the Supreme Court in Scripto "open the gates to the stampede of tax avoidance".

Second, the proposed Federal legislation specifically declares and warns that Congress is continuing a study of state taxation with the intention of proposing additional Federal legislation to resolve "any problems" arising from state taxation of interstate commerce--regardless of established law under decisions of the Supreme Court.

Finally, the proposed federal legislation is just an opening wedge. The threat of the future can be found most clearly in the words of the floor leaders for the federal legislation and their supporters.

One declared "the future may indicate some of those situations that need even greater attention".

A second advocate--"what we are trying to do here is to take a necessary first step".

And still another--"H.R. 2158 is a monumental bill as far as it goes but I wish to reiterate it does not go quite far enough.*** fortunately Title IV of this legislation provides for continued congressional scrutiny".

Then again--"the Commerce Clause is cited as justification for every conceivable type of federal program. On the table at Mrs. Murphy's boarding house there stands a salt shaker containing salt sold in interstate commerce. We have been told that Congress has a responsibility to regulate purely local matters". The speaker concluded that this responsibility should encompass state taxation of business.

And finally--it is not pretended that "this bill is perfect"; it is a "pioneering effort in a challenging field".

The efforts of those who have proposed and worked to establish the Commission have been directed toward constructively solving a new problem of our times. The C.E.D. quote in my report underlines this. The following excerpts from remarks of several governors who were actively interested in the formation of this Commission illustrate this.

"* * *the most expeditious is the methodology of the Multistate Tax Compact which provides the machinery for voluntary and collective interstate solutions * * *". -- Otto Kerner, Illinois.

"The Multistate Compact is an effort by the states to insure that taxes are equitable to multistate taxpayers, and also equitable to local taxpayers and to local and state governments * * *". -- John A. Love, Colorado.

"The states should be free to design and make rules for the equitable administration of taxes. This Multistate Tax Compact is a step toward the realization of this goal * * *". -- Stan Hathaway, Wyoming.

"The Compact is drafted in such a manner as to provide equitable treatment for the multistate taxpayer and maintain the necessary autonomy to allow state and local governments to operate effectively * * *". -- Roger D. Branigin, Indiana.

"The states must be willing to assume the responsibilities of self-government, which includes providing adequate financial resources. Only by such action can they keep their fiscal and political independence. The Compact provides us with the tool to take such action. It is a test of our whole Federal system * * *". -- Daniel J. Evans, Washington.

For a number of years the National Governors' Conference has expressed opposition to federal legislation which would restrict the taxing jurisdiction of the state and provide preferential tax immunity to favored multistate businesses, and has expressed full support for legislation which would give congressional approval to the enactment of the Multistate Tax Compact by the states.

This Conference now goes one step further in supporting an expanded and/or specific version of a congressional consent bill for the Multistate Tax Compact to allay expressions of concern in the Congress that the original consent bill set out only a broad statement of purpose, and to counter claims that the states were seeking a sort of blank check in the area of multistate taxation.

The Conference therefore urges Congress to enact legislation, drafted by the Advisory Commission on Intergovernmental Relations in collaboration with the Council of State Governments, which incorporates the Multistate Tax Compact and expresses congressional consent to enactment by the states of a compact substantially the same thereto, plus the following additional provisions:

- (1) The three-factor formula (Uniform Division of Income for Tax Purposes Act) developed by the National Conference of Commissioners on Uniform State Laws is made mandatory for net income taxes upon states which have not enacted the Compact by July 1, 1971;
- (2) States are given jurisdiction to require collection of sales tax by sellers making interstate deliveries into a state if the seller makes regular household deliveries there; and

- (3) Income taxes may be imposed on congressional salaries only by the district and state represented by the Congressman.

Resolution of National Governors' Congerence, Colorado Springs, Colorado, August 31 - September 3, 1969.

CHAIRMAN'S REPORT
APPENDIX "B"

WHY BUSINESS SHOULD SUPPORT THE MULTISTATE TAX COMMISSION

by Charles B. Bayly, Jr.

When our Founding Fathers created these United States under the Constitution, the need for the Multistate Tax Commission was laid. It took one hundred and seventy years from 1789 to 1959 for this need to become pressing. During this time each State, as one of the United States with all powers of government, not delegated to the Federal Government, raised most of its needed tax revenue under its own taxing system by taxing its own residents and businesses.

TAXING OUT-OF-STATE TAXPAYERS

With the growth of the corporate business structure, the growth and mobility of our population, and more recently and especially the ever-increasing need of the states and their localities for additional tax revenue, all states and localities have looked to the out-of-state resident and out-of-state business, deriving income there and receiving governmental protection and services, to pay their share of these taxes. This trend has been based upon three objectives to:

- (1) raise the necessary tax revenue;
- (2) prevent the ever-increasing tax burden from falling exclusively on resident taxpayers and state-based businesses; and
- (3) require out-of-state residents and businesses to shoulder their share of the tax burden, commensurate with the governmental protection that their in-state and local activities entitle them to receive along with all other persons within the community.

During this 170-year period, previously referred to, the Supreme Court of the United States, making law on a case-by-case basis, decided how far the states and localities could go in taxing the out-of-stater. The trend of determining what in-state activities gave jurisdiction over out-of state business:

- (1) in the field of franchise and income taxation began with the requirement of doing a local business and qualification in the taxing state and expanded to merely the requirement of doing an interstate business in the taxing state or locality through non-resident representatives; and
- (2) in the field of sales and use taxation and collection

began with the same requirement of doing a local business and qualification in the taxing state and expanded to merely the requirement of making sales by any means there. This is the market theory of tax jurisdiction.

With business, large and small making sales in more and more states and localities and the increasing number of states and localities, imposing all of these kinds of taxes on out-of-state business at ever-increasing rates, taxpayers found themselves facing a more and more impossible burden of tax compliance in all states and localities, granted this newly conferred taxing power. This situation was compounded, not only by the diversity of state and local taxing provisions under the same general tax structures, but also by the diversity in interpretation and administration of the same general statutory provisions.

JURISDICTIONAL BALANCE RESTORED BY PUBLIC LAW 86-272 AND SUPREME COURT

Congress and the United States Supreme Court both have declared a halt to this trend toward the ultimate state and local tax jurisdictional claim -- that merely furnishing a market gives tax jurisdiction.

Thus under Public Law 86-272 of September 14, 1959 states and localities cannot impose income and franchise taxes, measured by income, on an interstate business, unless engaging in more than solicitation there by its own employees.¹ The result of the method by which interstate business generally operates is that such taxing jurisdiction is not generally asserted, unless the out-of-state business maintains an office in the taxing state for doing at least an interstate business. The United States Supreme Court applies the same rule to gross receipts or other direct taxes² and in addition requires either some personal sales activity or inventory held for future sale in a state before the obligation can be imposed on out-of-state businesses to collect a state's use tax.³ The Court has also even strongly indicated that these same rules apply to find jurisdiction for local taxation and that each country, city and school district cannot per se borrow its state's taxing power over out-of-state business.⁴

UNIFORM STATE AND LOCAL TAX APPROACH NEEDED UNDER PRESENT JURISDICTIONAL RULES

For ease of and resulting better taxpayer compliance under existing tax law:

- 1 - 73 STAT. 555, 15 U.S.C. Sections 381-384
- 2 - Nippert v City of Richmond, 327 U.S. 415 (1946); see Dunbar-Stanley Studios, Inc. v. State of Alabama, 393 U.S. 818 (1969).
- 3 - National Bellas Hess, Inc. v. Department of Revenue, 386 U.S. 753 (1967).
- 4 - Note 3 at 759-760.

- (1) All of these statutory and court-made jurisdictional rules require uniform interpretation.
- (2) The common statutory provisions of state and local income, franchise, capital stock, and sales and use taxes require uniform interpretation.
- (3) The Uniform Division of Income For Tax Purposes Act for Corporation income and franchise tax allocation and apportionment, now enacted in about thirty states, requires uniform interpretation.
- (4) Tax reporting forms for the same taxes in all states and localities require more uniformity.

Achieving this uniformity is the work of the Multistate Tax Commission, operating under both existing law (statutory and case) and the Multistate Tax Compact. Committees of the Commission, made up of both tax administrators and taxpayer representatives, are engaged in formulating uniform regulations in all of these areas. All business is invited to join and participate in the work of each one of these committees. If this invitation is not accepted, business can at least participate in hearings before these regulations are promulgated, similar to hearings under the Federal and State administrative procedure laws. In addition business can make its constructive view known and influence felt in many other ways and at any time in the work of the Commission.

ALL BUSINESS IS BOTH AN OUT-OF-STATE AND IN-STATE TAXPAYER

Business also has a direct financial interest in supporting the work of the Commission.

Under present circumstances of taxpayer compliance states and localities are not about to cease increasing their rates of presently existing taxes, broadening their tax base, and imposing new taxes. States and localities are not about to cease either attempting to tax out-of-state business to help ease the tax load on their own in-state businesses and residents or requiring the out-of-stater, conducting business activities in the state, to pay for governmental services and protection furnished. Taxpayers can do a multistate business only under these conditions.

All business is a large taxpayer (from his point of view) in his home state. If for no other reason than to slow down the ever-increasing tax burden in and ease his own home-state tax load, business should not only want to require out-of-state business to help share this load, but also in order to insure such result to ease the burdens of compliance by such out-of-state business in his own home state. Under uniform and reciprocal tax treatment at the same time this will ease his own tax compliance burdens in those other states with tax jurisdiction over him.

The states and localities through the Multistate Tax Commission are attempting to the extent of their ability and taxpayers' help and cooperation to achieve that uniformity of statute, interpretation, and administration necessary to facilitate tax compliance by

out-of-state business. This work presently is the only effort that has a chance of achieving these goals.

INCREASED NEED FOR MULTISTATE TAX COMMISSION
IF FEDERAL LEGISLATION ENACTED

The work of and support and participation by business in the Multistate Tax Commission are needed, if the Federal Interstate Taxation Act (H.R. 7906 - the Rodino Bill) is not enacted. The need will be even more urgent, if this Bill in its present form or in any form changing existing law is enacted. In this event the major question will be to what extent the rules of state and local taxation of multistate business, developed by the Supreme Court over many years to date, as modified by Public Law 86-272 (previously referred to) in the area of income and franchise taxes, measured by income, will have been swept away or otherwise changed. The problem now is one of uniform application, interpretation, and enforcement of well-established rules. On enactment of H.R. 7906 the problem will be--what are the new rules? Business will not only welcome, but desperately need one spokesman for fifty states and their localities with whom to work them out. That spokesman is the Multistate Tax Commission.

How will these new problems arise, to be solved through the joint efforts of the Commission and business? Congress can constitutionally give states and localities more taxing power than previously allowed by the Supreme Court. The issue will then be to what extent has the Rodino Bill, if enacted, done so.

Thus after setting out the jurisdictional rules Section 101 of the Bill reads:

"A state or political subdivision shall have power to impose a corporate net income tax or capital stock tax, or a gross receipts tax with respect to a sale of tangible personal property, or to require seller collection of a sales or use tax with respect to a sale of tangible personal property, if it is not denied power to do so under the preceding sentence."

This full grant of power is limited by Public Law 86-272, previously referred to, and is withdrawn only in the case of income and capital stock taxes of those taxpayers, not covered by the Act, and also gross receipts taxes on the sale of tangible personal property but only "without regard to the provisions of this Act." Section 523 of the Bill. As a result, state and local taxing power will now be based upon this Act. This grant is very broad. Thus:

- (1) States can enter into compacts to require of their own residents or businesses sales and use tax collection for any other state. Section 301(a)(2).
- (2) Tax jurisdiction can be based upon merely:
 - (a) making sales on approval within a state. Section 511(a)(3).
 - (b) owning inventory, drop-shipped from a supplier in any other state. Section 511(a)(3).

- (c) Maintaining an in-state resident employee, performing more than solicitation there. Section 513(c).
- (3) These jurisdictional rules are to be applied:
- (a) under a new Statutory definition of interstate commerce that makes interstate commerce what has been judicially determined to be intrastate commerce and intrastate commerce what has been judicially determined to be interstate commerce. Section 508-510.
 - (b) with abolition of the distinction between unitary and nonunitary business, allocation and apportionment, and the judicially determined rules of nexus⁵. Sections 101, 201, and 301(b).

These are only a few of the major problems that will arise, if the Rodino Bill becomes law.

In that event state tax administrators will not drop all efforts to collect taxes from out-of-state business, as hoped for and predicted by the proponents of this measure. Instead its grant of broadened state and local taxing will upset the balance of taxation of multistate business that both Congress by Public Law 86-272 in 1959 and the Supreme Court in numerous decisions over many years has developed. No body of law, settled on a case-by-case basis over 180 years, can be so changed without creating the need to formulate a new set of rules to take its place. In short the Rodino Bill contains a lawsuit in virtually every line.

When the state and local tax problems of business will not only not be solved on enactment of this measure, but instead will be compounded, business will find even more essential than ever a strong Multistate Tax Commission, representing all or at least as many of the states as possible, to work out uniform interpretations and applications in the uncharted areas that will then have been opened up.

⁵ - American Oil Co. v Neill, 380 U.S. 451 (1965) (tax jurisdiction above does not give nexus to tax particular transaction.)

COMPACT ENACTMENTS

The Multistate Tax Compact has been enacted as a uniform law by the nineteen states as shown below:

| <u>State</u> | <u>Effective Date</u> |
|--------------|-----------------------|
| Kansas | April 20, 1967 |
| Washington | June 8, 1967 |
| Texas | June 13, 1967 |
| New Mexico | June 19, 1967 |
| Illinois | July 1, 1967 |
| Florida | August 4, 1967 |
| Nevada | August 4, 1967 |
| Oregon | September 13, 1967 |
| Missouri | October 13, 1967 |
| Nebraska | October 23, 1967 |
| Arkansas | January 1, 1968 |
| Idaho | April 10, 1968 |
| Hawaii | May 7, 1968 |
| Colorado | July 1, 1968 |
| Wyoming | January 24, 1969 |
| Utah | May 13, 1969 |
| Montana | July 1, 1969 |
| North Dakota | July 1, 1969 |
| Michigan | July 1, 1970 |

ASSOCIATE MEMBER STATES

The Commission has made provision for associate membership by Section 13 of its bylaws, as follows:

13. Associate Membership.

(a) Associate membership in the Compact may be granted, by a majority vote of the Commission members, to those States which have not effectively enacted the Compact but which have, through legislative enactment, made effective adoption of the Compact dependent upon a subsequent condition, or have, through their Governor or through a statutorily established State agency, requested associate membership.

(b) Representatives of such associate members shall not be entitled to vote or to hold a Commission office, but shall otherwise have all the rights of Commission members.

Associate membership is extended especially for states that wish to assist or participate in the discussions and activities of the Commission, even though they have not yet enacted the Compact. This serves two important purposes: (1) it permits and encourages states that feel they lack knowledge about the Commission to get an education through meeting with the members and (2) it gives the Commission an opportunity to seek the active participation and additional influence of states who are eager to assist in a joint effort in the field of taxation while they consider or work for enactment of the Compact to become full members.

The following are associate members at this time:

| | |
|---------------|---------------|
| Alabama * | New York |
| Alaska | Pennsylvania |
| Arizona | South Dakota |
| California | Tennessee |
| Indiana | Virginia |
| Louisiana | West Virginia |
| Massachusetts | |

*Compact enacted but with contingent provisions making it not yet effective.

MULTISTATE TAX COMMISSION

COMMITTEES

EXECUTIVE COMMITTEE

| | |
|----------------|----------------------------|
| Chairman: | GEORGE KINNEAR, Washington |
| Vice-Chairman: | James T. McDonald, Kansas |
| Treasurer: | Roy E. Nickson, Nevada |
| Members: | John H. Heckers, Colorado |
| | Ralph Kondo, Hawaii |
| | George E. Mahin, Illinois |
| | J. Ed Straughn, Florida |

BUSINESS LIAISON

JAMES T. McDONALD, Kansas
Charles B. Bayly, New York
Donald Bishop, Texas
F. Frank Buehler, Ohio
James F. Devitt, Illinois
William F. Fisher, New York
Herbert F. Freeman, California
Allison Green, Michigan
Robert Hampton, New Mexico
John E. Hogan, Illinois
Kenneth Kimbro, Texas
George Kinneer, Washington
Charles H. Mack, Oregon
Paul E. O'Brien, Georgia
Dr. E.W. Sandberg, Colorado
James Schaffner, Missouri
Michael Seltzer, Missouri

ARBITRATION

F. NOLAN HUMPHREY, Arkansas
Owen Clarke, Massachusetts
Melvin Soong, Hawaii
Neil Williams, Texas

JOINT AUDITS

THURE LINDSTROM, Oregon
Herbert F. Freeman, California
Tomotaru Ogai, Hawaii
Leon Postawko, Nevada
William Grier, Kansas
R.H. Munzinger, Washington
Howard Vralsted, Montana
Bruce Walker, California

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Tom Benson, Tennessee
Byron Dorgan, North Dakota
Allison Green, Michigan
John H. Heckers, Colorado
Francis Hillard, Wyoming
Paul Holt, Utah
Bruce Hughes, Texas
Franklin Jones, New Mexico
George Kinneer, Washington
Ralph W. Kondo, Hawaii
Clyde Koontz, Idaho
Howard H. Lord, Montana
Charles H. Mack, Oregon
George E. Mahin, Illinois
James O. Mathis, Indiana
George A. Morrison, Alaska
Roy E. Nickson, Nevada
Harvey L. Rabren, Alabama
Albert M. Spradling, Missouri
J. Ed Straughn, Florida

PROPERTY TAX

HARRY J. LOGGAN, Oregon
Kenneth Back, D. of C.
Fairfax Brown, West Virginia
Joseph T. Burlingame, Arkansas
A.A. Hall, Colorado
Clyde Rose, Washington
Roy E. Nickson, Nevada

COMMITTEES, Continued

JURISDICTIONAL STANDARDS-
SALES AND USE TAX

TIMOTHY MALONE, Washington
Stuart Connock, Virginia
William Dexter, Michigan
Robert D. Hamlin, California
Clyde E. Koontz, Idaho
E.S. MacClean, Wyoming
Murrell B. McNeil, Nebraska
Walter W. Nowotny, Missouri
Harry O'Riley, Kansas
Harvey L. Rabren, Alabama
James R. Stanford, Washington
J. Ed Straughn, Florida
Walter C. Thompson, D. of C.

JURISDICTIONAL STANDARDS-INCOME TAX
Prof. Louis Del Duca, Pennsylvania

Subcommittee on Uniformity of
Enabling Acts for Local Non-
Property Taxes (Joint Committee
with Local Taxes)

WILLARD LIVINGSTON, Alabama
Elias Abelson, New Jersey
Mrs. Louise Barr, West Virginia
Emmett E. Batson, Louisiana
Carl W. Brieske, Ohio
Herbert F. Freeman, California
Saul Heckelman, New York
Henry A. Heinmuller, Jr., Maryland
John R. Herman, Illinois
Paul Holt, Utah
James C. Lien, Nevada
William Reed, Kentucky
James R. Willis, Colorado

Subcommittee on Compromise &
Arbitration, Personal Income Tax

BEN D. ROWLAND, Arkansas
Orval F. Baldwin, Kansas
Charles B. Bayly, Jr., New York
Daniel B. Breen, Massachusetts
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Stanley C. Fruits, Wisconsin
Elmer R. Hermes, Nebraska
David M. Jones, Missouri
George J. Leibowitz, D. of C.
Benjamin F. Marsh, Maryland
Prof. William J. Pierce, Michigan
Alfred Walker, Texas

RULES AND REGULATIONS

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James Bradshaw, Alabama
Prof. Louis Del Duca, Pa.
William H. Forst, Iowa
Thomas C. Frost, Idaho
Sidney Glaser, New Jersey
Russell Hendricks, Ohio
John J. Klee, California
Elwynn J. Miller, Mass.
William Reed, Kentucky
David Sarver, Illinois

Subcommittee on Special
Problems, Income Tax

WILLIAM DEXTER, Michigan
John D. Bixler, Illinois
Theodore deLooze, Oregon
James Devitt, Illinois
William A. Fisher, New York
James Hamilton, California
Robert Hampton, New Mexico
Prof. Paul J. Hartman, Tenn.
Russell L. Hendricks, Ohio
John J. Hollis, Texas
Leonard Kust, Pennsylvania
Thomas S. Miller, Pennsylvania
Paul E. O'Brien, Georgia
Prof. William J. Pierce, Mich.
Prof. Alan Polasky, Michigan
Lloyd Slater, New York
Raymond Slater, New York
James Willis, Colorado

Subcommittee on Withholding
for Non-Resident Employees
in Interstate Commerce

WILLIAM HARRIS, Kansas
Orval Baldwin, Kansas
Thomas Frost, Idaho
Elmer Hermes, Nebraska
Robert McDowell, Nebraska
Vernon Snow, Alaska

MULTISTATE TAX COMMISSION

Apportionment of Budget

For Fiscal 1969-1970

| | <u>#Revenues Under Compact</u> | <u>% of Total</u> | <u>*Appor- tioned Share of 90%</u> | <u>*Appor- tioned Share of 10%</u> | <u>Total Share of 1969 - 1970 Budget</u> |
|--------------|--|-----------------------|--|--|--|
| ARKANSAS | 145,089,388 | 3.278 | 4,199.57 | 790.84 | 4,990.41 |
| COLORADO | 236,693,206 | 5.348 | 6,851.55 | 790.84 | 7,642.39 |
| FLORIDA | 376,781,608 | 8.512 | 10,905.11 | 790.84 | 11,695.95 |
| HAWAII | 195,805,665 | 4.424 | 5,667.77 | 790.84 | 6,458.61 |
| IDAHO | 79,401,258 | 1.794 | 2,298.38 | 790.84 | 3,089.22 |
| ILLINOIS | 1,160,098,613 | 26.209 | 33,577.60 | 790.84 | 34,368.44 |
| KANSAS | 222,762,204 | 5.033 | 6,447.99 | 790.84 | 7,238.83 |
| NEBRASKA | 80,103,972 | 1.810 | 2,318.85 | 790.84 | 3,109.69 |
| NEVADA | 33,764,865 | .764 | 978.97 | 790.84 | 1,769.81 |
| NEW MEXICO | 101,345,069 | 2.289 | 2,932.52 | 790.84 | 3,723.36 |
| NORTH DAKOTA | 46,573,759 | 1.052 | 1,349.02 | 790.84 | 2,139.86 |
| MISSOURI | 421,167,813 | 9.511 | 12,184.98 | 790.84 | 12,975.82 |
| MONTANA | 36,902,356 | .834 | 1,068.44 | 790.84 | 1,859.28 |
| OREGON | 212,618,000 | 4.804 | 6,154.60 | 790.84 | 6,945.44 |
| TEXAS | 446,461,585 | 10.086 | 12,921.64 | 790.84 | 13,712.48 |
| UTAH | 116,792,373 | 2.639 | 3,380.92 | 790.84 | 4,171.76 |
| WASHINGTON | 488,695,000 | 11.041 | 14,145.46 | 790.84 | 14,936.30 |
| WYOMING | 25,264,416 | .572 | 731.51 | 790.84 | 1,522.35 |
| Totals | <u>4,426,321,150</u> | <u>100.000</u> | <u>128,114.88</u> | <u>14,235.12</u> | <u>142,350.00</u> |

*10% in equal shares; 90% on basis of tax revenue.

#For fiscal year ended June 30, 1968.

LEO THEODORE
CERTIFIED PUBLIC ACCOUNTANT
5131 N. Western Avenue
CHICAGO, ILL.60625

Member American Institute
of Certified Public Accountants

Business • 271-8990
Residence- 271-7604

September 2, 1969

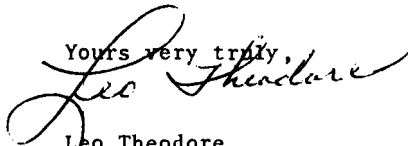
Mr. Eugene F. Corrigan
Executive Director
Multistate Tax Commission
Missouri State Office Building
Kansas City, Missouri 64106

Dear Mr. Corrigan:

I have examined the statement of cash receipts and disbursement of the Multistate Tax Commission for the period January 1, 1969 through June 30, 1969, and the statement of investments of temporary funds for the period January 1, 1969 through June 30, 1969. My examination was made in accordance with generally accepted auditing standards and accordingly, included such tests of the accounting of records and such auditing procedures as I deemed necessary in the circumstances.

In my opinion, the accompanying statements present fairly the cash receipts and disbursements and cash balance of the Multistate Tax Commission for the period of January 1, 1969 through June 30, 1969.

Yours very truly,

A handwritten signature in cursive script that reads "Leo Theodore". The signature is written in dark ink and is positioned above the typed name.

Leo Theodore

MULTISTATE TAX COMMISSION
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
JANUARY 1, 1969 THRU JUNE 30, 1969

CASH RECEIPTS

| | |
|--------------------------------------|---------------------|
| Membership assessments | \$1847.99 |
| Interest on Certificates of Deposits | 2488.40 |
| Matured Certificates of Deposit | 191,924.05 |
| Miscellaneous | 9.35 |
| Total Receipts | <u>\$196,269.79</u> |

CASH DISBURSEMENTS

| | | |
|--|-------------|--------------------|
| Purchase Time Certificates of Deposit | \$74,124.34 | |
| Payroll | 17,899.92 | |
| Traveling Expenses | 7,672.91 | |
| Library | 1,770.95 | |
| Furniture & Equipment | 3,893.72 | |
| Stationery Printing | 3,033.07 | |
| Telephone | 1,386.31 | |
| Payroll Taxes | 918.69 | |
| Relocation Expenses | 889.15 | |
| Airline Deposit | 425.00 | |
| Consulting Fees | 1,000.52 | |
| Audit Fee 1968 | 225.00 | |
| Legal | 151.00 | |
| Secretarial Service | 275.55 | |
| Insurance | 34.00 | |
| Auto Parking | 45.00 | |
| Miscellaneous | 16.30 | |
| Bank Charge | 11.77 | |
| Management Services | 3,446.41 | |
| Moving Expense | 1,129.04 | |
| Performance Bond | 125.00 | |
| Registration Fees | 40.00 | 118,513.65 |
| Excess of receipts over disbursement | | 77,756.14 |
| Cash Balance January 1, 1969 | | 4,325.96 |
| Cash Balance June 30, 1969 | | <u>\$82,082.10</u> |

SUMMARY

| | |
|------------------------------|--------------------|
| Main State Bank of Chicago | (2,882.68) |
| Civic Center Bank of Chicago | 738.20 |
| Commerce Bank of Kansas City | 500.00 |
| Time Certificates of Deposit | 44,340.08 |
| Treasury Bills | 39,386.50 |
| | <u>\$82,082.10</u> |

MULTISTATE TAX COMMISSION
INVESTMENT OF TEMPORARY FUNDS
JANUARY 1, 1969 THRU JUNE 30, 1969

| | |
|--|--|
| Balance January 1, 1969 Time Certificates of Deposit | \$117,799.71 |
| PURCHASES: | |
| January 1969 | \$24,827.42 |
| March 1969 | 49,296.92 |
| April 1969 | 44,340.08 |
| June 1969 | <u>39,386.50</u> |
| Total Available | <u>157,850.92</u> <u>275,650.63</u> |
| MATURED: | |
| Certificates on hand of Jan. 1, 1969 | 117,799.71 |
| January 1, 1969 | 24,827.42 |
| Purchases of January 1969 | 49,296.92 |
| Purchases of April 1969 | <u>49,296.92</u> |
| Balance June 30, 1969 | <u>191,924.05</u> <u>\$ 83,726.58</u> |
| Interest received on above investments | <u>\$ 2,488.40</u> |

RECAPITULATION I

| | |
|--|---------------------|
| Cash Assets December 31, 1968 | \$122,125.67 |
| Plus Receipts: | |
| Membership assessments | \$1,847.99 |
| Interest on Certificates of Deposit | 2,488.40 |
| Miscellaneous | <u>9.35</u> |
| | <u>4,345.74</u> |
| | 126,471.41 |
| Less Expenses | <u>44,389.31</u> |
| Cash Assets June 30, 1969 | <u>\$ 82,082.10</u> |

PERFORMANCE AGAINST BUDGET

July 1, 1968 - June 30, 1969

| | <u>Budget</u> | <u>Actual</u> | <u>(Over) or Under Budget</u> |
|------------------------------------|---------------------|--------------------|---------------------------------------|
| Salaries | \$83,100.00 | \$27,654.39 | \$55,445.61 |
| Employee Benefits | 12,900.00 | 1,394.89 | 11,505.11 |
| Traveling Expenses: | | | |
| Committee Meetings | 2,000.00 | 959.25 | 1,040.75 |
| Staff | 7,000.00 | 9,656.26 | (2,656.26) |
| Relocation Expenses | 3,000.00 | 2,018.19 | 981.81 |
| Bonds and Insurance | 500.00 | 159.00 | 341.00 |
| Office Supplies | 1,500.00 | 1,512.15 | (12.15) |
| Freight and Postage | 1,050.00 | 259.85 | 790.15 |
| Printing and Duplicating | 7,500.00 | 4,452.87 | 3,047.13 |
| Telephone and Telegraph | 3,500.00 | 1,707.53 | 1,792.47 |
| Other Operating Expenses: | | | |
| Conferences and Committee Meetings | 1,000.00 | 67.74 | 932.26 |
| Professional Services | 500.00 | 376.00 | 124.00 |
| Books and Periodicals | 3,000.00 | 1,770.95 | 1,229.05 |
| Capital Outlay: | | | |
| Furniture and Equipment | 7,150.00 | 3,893.72 | 3,256.28 |
| Airline Deposit | | 425.00 | (425.00) |
| Contingencies | <u>7,700.00</u> | <u>12,578.16*</u> | <u>(4,878.16)</u> |
| | <u>\$141,400.00</u> | <u>\$68,885.95</u> | <u>\$72,514.05</u> |

RECAPITULATION II

| | |
|-----------------------------|--------------------|
| Revenue | |
| Beginning Balance, 7-1-68 | \$26,139.09 |
| Interest Received | 3,742.18 |
| Assessments Paid by Members | <u>121,086.78</u> |
| Total | 150,968.05 |
| Expenditures | <u>68,885.95</u> |
| Balance, 6-30-69 | <u>\$82,082.10</u> |

*Consists of:

| | |
|-------------------------|--------------------|
| Personnel Search | \$ 6,882.70 |
| Advertising of Hearings | 1,954.76 |
| Consultant Fees | 3,380.97 |
| Miscellaneous | 359.73 |
| | <u>\$12,578.16</u> |