SIXTH
ANNUAL REPORT
MULTISTATE TAX COMMISSION

For the Fiscal Year
of
July 1, 1972 – June 30, 1973

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PURPOSE OF THE MULTISTATE TAX COMMISSION:

To bring even further uniformity and compatibility to the tax laws of the various states of this nation and their political subdivisions insofar as those laws affect multistate business, to give both business and the states a single place to which to take their tax problems, to study and make recommendations on a continuing basis with respect to all taxes affecting multistate businesses, to promote the adoption of statutes and rules establishing uniformity, and to assist in protecting the fiscal and political integrity of the states from federal confiscation.

January 31, 1974

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

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

This report covers the fiscal year beginning July 1, 1972 and ending June 30, 1973.

Respectfully submitted,

Eugene F. Corrigan
Executive Director

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Byron L. Dorgan, Chairman
State Tax Commissioner
North Dakota

Richard Heath, Vice Chairman
Director of Finance and Administration
Arkansas

Donald H. Clark, Treasurer
Commissioner of Revenue
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MULTISTATE TAX COMMISSION

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Keith Colbo
Director of Revenue
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Allison Green
State Treasurer
Michigan

Ewing H. Little
Commissioner, State Tax Commission
Idaho

William E. Peters
Tax Commissioner
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The three officers are also members of the Executive Committee. Terms of the above officers and committee members end June 30, 1974.

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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 become familiar with it through meeting with the members, and (2) it gives the Commission an opportunity to seek the active participation and additional influence of states which 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*
Arizona
California
Georgia
Louisiana
Maryland
Massachusetts
Minnesota
New Jersey
Ohio
Pennsylvania
South Dakota
Tennessee
Virginia
West Virginia

Names and addresses of tax administrators of Associate Member states are indicated on the reverse side of this sheet.

* Compact enacted in Alabama but not effective unless and until the United States Congress enacts legislation specifically giving its consent for the States to enter into this Compact.

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FOREWORD

by

BYRON L. DORGAN
Chairman

Members and Associate Members of the Multistate Tax Commission:

In this annual report you will find a slight change in format; the Report of the Chairman and of the Executive Director will be combined. That Report begins at page 1. The Report discusses rules and regulations, the joint audit program, and the status of membership in the Multistate Tax Commission.

The fiscal year ending June 30, 1973, marked another year of progress for the Multistate Tax Commission in the field of joint auditing, the increasing of uniformity in tax laws and the adoption of uniform rules and regulations among the states.

I want to thank the state tax administrators from over 40 states who have participated in the Multistate Tax Commission activities during the past year. I also want to thank the interested business executives from all over the country who have worked with us in our efforts to achieve progress in establishing fair and uniform state tax laws and tax administration practices.

SCHEDULE OF

FUTURE MULTISTATE TAX COMMISSION MEETINGS

June 24-25, 1974	Stouffer's Inn Denver, Colorado
January 20-21, 1974	L'enfant Plaza *Washington, D. C.*

The Commission will decide at the June meeting whether a Fall meeting will be held and, if so, when and where.

REPORT OF THE CHAIRMAN AND THE EXECUTIVE DIRECTOR OF THE MULTISTATE TAX COMMISSION FOR THE YEAR ENDING JUNE 30, 1973

This report reviews the Commission's activities during the past year and the manner in which it has affected and been affected by events in the field of state taxation of multistate business.

I. MEMBERSHIP

The number of regular member states remained at 21; and of associate member states at 15. The Multistate Tax Compact bill was introduced into the Minnesota legislature, but too late in the session to permit consideration of it. The same was true of South Dakota. The California Assembly did approve the Compact bill in August of 1973; and the California Senate will consider it early in 1974.

II. UNIFORM REGULATIONS

The Multistate Tax Commission approved revised Uniform Apportionment and Allocation Regulations on February 21, 1973. Those regulations interpret the Uniform Division of Income for Tax Purposes Act (UDITPA). That Act has been adopted by 29 states (see Appendix A at page 29). Seventeen of those 29 states are members of the Multistate Tax Commission.

Adoption of regulations by the Multistate Tax Commission constitutes only a recommendation that member states adopt them. The Multistate Tax Commission has no directory powers. Nevertheless, several states have already adopted the revised regulations in substantially complete form. They include California, Idaho, Montana, Nebraska, New Mexico, North Dakota, Oregon and Utah. Alaska, Illinois, Indiana and Michigan are in the process of doing so, while other states are considering doing so; and Texas is applying the regulations to its Franchise Tax to the extent possible. The Multistate Tax Commission's regulations represent and are producing significant progress toward the type of uniform administrative practices for the promotion of which the Commission was created.

III. UNIFORM SALES & USE TAX EXEMPTION CERTIFICATE

For many years retailers have been plagued with the problem of obtaining various types of resale and/or exemption certificates for various states with respect to non-taxable sales in or into those states.

In 1972, the Sales & Use Tax Committee of the Multistate Tax Commission began a study to determine the feasibility of designing a certificate which could be utilized for the purposes of complying with the requirements of many states. In June of 1973, that committee, under the chairmanship of Fred O'Cheskey, New Mexico Commissioner of Revenue, reported to the Multistate Tax Commission that it had devised a proposed uniform certificate; and that many states had already indicated their approval of it for their tax purposes.

At its January 25, 1974 meeting, the Multistate Tax Commission adopted a resolution approving that certificate. The adoption of that resolution constituted a recommendation that all member sales and use tax states agree to accept that certificate with respect to non-taxable sales in or into those states.

To date, 25 states have reported that they will accept the uniform form for resale and exemption certificate purposes. That form and a list of the states which accept it are included in Appendix B at page 30. Further efforts will be made to incorporate wording which will make possible the acceptance of the certificate by additional states.

IV. UNIFORM SALES & USE TAX JURISDICTIONAL STANDARD

As reported in its Third Annual Report, as one of its first acts, the Multistate Tax Commission codified a Uniform Sales and Use Tax Jurisdictional Standard. To the best of our knowledge, no state seeks to exercise jurisdiction for sales and use tax purposes over any taxpayer whose activities do not exceed the minimum set forth in that Jurisdictional Standard. The States recognize the Standard as a limitational one for jurisdictional purposes. A copy of that Standard is included in Appendix C at page 31. Earlier, in June of 1968, the Multistate Tax Commission had adopted a resolution which: 1) established a goal of developing a uniform simplified use tax return form; and 2) established several principles for the Commission. A copy of that resolution is included in Appendix D at page 32.

The development of a uniform use tax return has proven to be a formidable task because of the great variety in use tax statutes. Nevertheless, it is a goal to which the Commission aspires.

Since those seventeen member states which have corporate income taxes all have the Uniform Division of Income for Tax Purposes Act in common, a uniform corporate income tax return form should be feasible. The Income Tax Committee of the Multistate Tax Commission is currently working toward the development of such a form.

V. AUDIT ACTIVITIES

The Commission's office in New York currently consists of a senior sales and use tax auditor, who is the area audit manager, and a senior corporate income tax auditor.

The Commission's office in Chicago currently consists of an area audit manager who is assisted by two state auditors who have been assigned to the Commission on a cooperative basis.

The audit program is slightly over two years old now. Having been established and continued on a pilot basis to demonstrate the potential of joint audits, the program has made good progress. It has done so despite having been hampered by normal start-up problems. One of these problems has been that the high qualifications which the Multistate Tax Commission demands of its auditors are qualities which make those men attractive to other employers.

The Multistate Tax Commission continues to perform joint audits on many large corporations. It can be proud of the professional manner in which those audits are performed. The audits are establishing substantial tax liabilities to some States in some cases. While legal disputes between taxpayer and State sometimes arise concerning the validity of State instructions to the Multistate Tax Commission auditors, the auditors report good working relationships with representatives of corporations being audited.

In 1973, Multistate Tax Commission auditors completed joint corporate income tax audits of eleven taxpayers. The number of states participating in each audit varied, running as high as 13 in one case. The 11 audits, therefore, were the equivalent of 79 individual state audits. In several instances participating states instructed Multistate Tax Commission auditors to treat as one taxpayer the parent corporation and many of its subsidiaries. Consequently, the actual number of corporations audited was considerably higher. In some cases the audits revealed that the taxpayer was entitled to refunds from certain states.

Multistate Tax Commission auditors conducted sales and use tax audits of 12 taxpayers during 1973. States participating in each audit numbered as high as 8. These joint sales and use tax audits constituted the equivalent of 37 individual state audits.

The limitations imposed upon the Multistate Tax Commission's joint audit program by the small size of its audit staff are obvious. The number of corporate businesses being audited by Multistate Tax Commission auditors is miniscule compared to the number which are engaged in multistate business; and the proposed deficiencies and refunds which have resulted from these few audits are undoubtedly miniscule compared to the potential deficiencies and refunds among many of those other thousands of corporations which operate across state lines.

Many of those corporations currently are not being audited at all by many states; and virtually none are being audited as thoroughly by any state as would be possible through a joint audit on behalf of all states. The latter type of audit of most major corporations will become common as the States and the business community increasingly recognize the advantages of joint audits. The Multistate Tax Commission, because it has been created by the States and is operated and controlled by them, will certainly be the vehicle for the performance of those audits.

But, until existing obstacles have been removed and the Multistate Tax Commission can build an adequate staff, the States must rely on their own staffs to audit multistate corporate businesses. This means that the States must hire and train auditors now. Many of them look to Multistate Tax Commission personnel to help in that training.

Toward that end, the Multistate Tax Commission periodically conducts or participates in joint audit seminars. These seminars attract state personnel from nearly all of the member states and, on occasion, from non-member states. During calendar 1973, North Dakota and Oregon hosted corporate income tax seminars and Idaho hosted a sales and use tax seminar. A corporate income tax seminar and workshop is currently being planned for presentation at Lansing, Michigan, in March of 1974.

Joint Audit Committee meetings in Illinois, Montana and Nebraska have also served as seminars and have involved presentations by Multistate Tax Commission audit personnel. Participation in and preparation for such meetings necessarily demands the expenditure of substantial amounts of time and effort on the part of that personnel. The direct effect of this is to reduce the amount of time spent on the actual performance of joint audits.

On the other hand, the seminars, like the general discussions which have taken place at Multistate Tax Commission meetings during the past five years, have served to increase tremendously the amount of sophistication to be found among state audit personnel. More of them than ever before now understand the nature of multistate auditing problems and comprehend why joint audits will ultimately play a major role in the taxation of multistate business. Meanwhile, many of these state people can now cope with multistate audit problems at the operational auditing level better than ever before. And, perhaps more important, more of them than ever before now know where to turn for information and help with those problems.

An indirect effect of the Multistate Tax Commission's education efforts, which really constitute a sharing of knowledge and expertise among state audit personnel across the nation, is the building of a reservoir of recognized auditing talent from which will be derived the joint auditors of the future. As the Multistate Tax Commission develops in strength and support, it will attract to its joint auditing staff the very best personnel from that reservoir in order to provide through its joint auditing services to the states the best in accurate professionally performed audits. Every state participating in the joint audit program will benefit from the efforts and expertise of those people.

VI. INFORMATION SHARING

The Fifth Annual Report noted that, in late 1972, nine states had signed a reciprocal exchange of information agreement which had been designed by the Multistate Tax Commission. To date, twelve more states have signed that agreement, bring the total to 21. Of these states, 17 are members, 3 are associate member states, and one is a non-member state. All of these states have executed the agreement under the information sharing authority granted by their statutes. The execution of the agreement by these states constitutes the equivalent of 210 individual agreements. A copy of the agreement is included in Appendix E at page 33 with a list of signatory states.

VII. PENDING FEDERAL LEGISLATION

Early in 1973, Senator Russell Long, Chairman of the Senate Finance Committee, appointed a Subcommittee on State Taxation of Interstate Commerce. He designated as members of that Subcommittee: Senator Mondale, Minnesota, Chairman; Senator Packwood, Oregon; Senator Bentsen, Texas; Senator Nelson, Wisconsin; and Senator Hansen, Wyoming.

The Subcommittee quickly addressed itself to collecting all available information on the subject. Then, in August, it scheduled a round-table discussion which took place in the Senate Finance Hearing Room. Some 25 state tax experts from among both the States and the business community participated. The discussion lasted two days and covered many aspects of interstate taxation of multistate business. Heavily attended by federal staff personnel as well as by business and State tax personnel, the discussions served the purpose of clarifying areas of agreement and disagreement among participants.

This has resulted in renewed efforts on the part of some State Tax Administrators to move forward with the Multistate Tax Commission "Plan" to which reference has been made in previous annual reports of the Multistate Tax Commission. Using The Plan as its basic document, a subcommittee of the National Association of Tax Administrators has, since early 1973, been working to draft a revision of that document. The goal has been to develop revisions which would establish a position on federal legislation which could elicit increased support from the States insofar as state taxation of interstate commerce is concerned. The report of that subcommittee is pending. At the round table discussions, the Chairman of that subcommittee indicated the types of revisions which were being considered by the NATA subcommittee. The result was an increase in optimism among the States that it should be possible to arrive at a revised version of The Plan which would merit the support of most states.

In September, the Senate Subcommittee on State Taxation of Interstate Commerce conducted two days of formal hearings on state taxation of interstate commerce. Many of the State and business representatives who had participated in the round table discussions made formal statements of their positions at those hearings. As has been evident for the past four years, the main areas of disagreement between the States and the business community involved: 1) combination (many of the States maintain that they should continue to have the right to treat a unitary business as one corporate taxpayer whether that business is operated through one corporation or through many corporations, but excluding from consideration all interaffiliate transactions and dividends; depending upon their respective circumstances, some corporate businesses favor the use of combination and others oppose it, but their positions often vary from state to state); 2) dividends (many States maintain that they should continue to have the right to apportion dividends received by a corporate business from corporations which are not engaged in a unitary business with the receiving corporation; on the other hand, many business representatives contend that dividends from subsidiaries and foreign sources should not be taxable at all and that other dividends should be allocated to the state of commercial domicile); 3) foreign income (there is disagreement as to what means is best suited to properly attributing income to a foreign source); 4) attribution of sales in the sales factor of the apportionment formula (many States maintain that they should continue to have the right to attribute sales to the State of origin if the seller has no nexus in the State of destination, with some States suggesting that the elimination of such sales from both the denominator and numerator of the sales factor of the apportionment formula may constitute an acceptable compromise position; corporate representatives generally want to attribute sales to destination regardless of nexus, but many States maintain that this would improperly immunize substantial amounts of corporate income from taxation by any State, creating a so-called "nowhere income" situation); and 5) jurisdiction (the States generally are willing to accept the present standard for determining whether or not a seller is subject to the corporate income tax jurisdiction of the destination state; but many corporate representatives seek to raise the jurisdiction barrier so that an out-of-state seller can, even more extensively than now, exploit a State's market without being subject to the jurisdiction of the State for corporate income tax purposes).

Early in 1973, Senator Mathias re-introduced his interstate taxation bill with certain major revisions. The number of the new bill was S.1245. The practical effect of the bill would be to restrict the jurisdictional reach of the States, attribute all sales to the destination state regardless of nexus considerations, prohibit combination and consolidation, exempt dividends from subsidiaries and foreign sources, attribute all other dividends to the state of commercial domicile and exclude from the taxable base all foreign income. The States have made it quite clear that that bill is completely unacceptable to them. Introduction of that bill has, however, precipitated increased efforts on the part of the States to make clear their positions in opposition to all of the above indicated aspects of S.1245.

The increase in cohesion of the States to principles which have been established by or through the Multistate Tax Compact and the Multistate Tax Commission is gradually improving prospects for an interstate taxation atmosphere in which the States, as a group, will be able to obtain a full disclosure of all relevant facts with respect to all multistate and multinational corporate businesses. This will tie in with the ultimate goals of the Multistate Tax Commission.

One direct result of the round table discussion and the Senate Subcommittee hearings has been the introduction on December 13, 1973, by Senator Mondale of Minnesota, of bill S.2811 "to provide a simple and uniform procedure for the imposition, collection, and administration of State and local sales and use taxes with respect to interstate commerce. . ." The bill seeks to respond to calls for help from small interstate businesses which have been finding it difficult to comply with the use tax collection requirements imposed on them by various municipalities which impose those requirements on them in a few states. It also affords the States an opportunity to impose their own use tax collection requirements on out-of-state sellers over whom they presently have no jurisdiction. Although the bill has been too recently introduced to allow an in-depth analysis of it, its purposes are such that, if properly drafted, it appears likely to receive the support both of the States and of the many small interstate businesses which it seeks to help.

Other interstate taxation bills currently pending in Congress are:

1. The Ad Hoc Bill, now S.2092 (see Chart B on pages 8 and 9 of the Multistate Tax Commission's Fifth Annual Report re S.3333), referred to the Senate Finance Committee;
2. The Common Tax Audit Bill, now H.R. 1255 (see page 7 of the Multistate Tax Commission's Fifth Annual Report re H.R. 15925), referred to the House Ways and Means Committee;
3. The Intergovernmental Audit Act of 1973, S.1918 (similar to the Common Tax Audit Bill) referred to the Senate Committee on Government Operations;
4. The Rodino Bill, H.R. 977 (see Chart B on pages 8 and 9 of the Multistate Tax Commission's Fifth Annual Report re S.1538);
5. The Cranston-Tunney Bill, S.282, which pertains only to sales and use taxes.

VIII. LITIGATION

As reported in the Fifth Annual Report of the Multistate Tax Commission, four corporations sued the Commission, its Executive Director and each of its twenty-one tax administrator members in August of 1972. Plaintiffs requested: 1) a declaratory judgment that the Multistate Tax Compact violates federal constitutionality; 2) an injunction prohibiting the Multistate Tax Commission from conducting joint audits or implementing in any way the provisions of the Multistate Tax Compact; and 3) an order that the Multistate Tax Commission be disbanded.

In December of 1972, the Multistate Tax Commission and the other defendants moved to dismiss the suit both on jurisdictional grounds and on the merits. After extensive briefs had been filed by both sides, oral argument was heard by District Judge Charles H. Tenney on April 13, 1973. In September of 1973, Judge Tenney ruled against the defendants on the jurisdictional issues but declined to rule on the merits, taking the position that a decision on the constitutionality of the Multistate Tax Compact and the joint audits should await trial of the case. The denial of the motion to dismiss was not appealable, but these questions can be raised by either party on appeal after the trial of the case.

A number of other corporations had moved to intervene as plaintiffs in the case; and the four present plaintiffs sought an order determining that the case should be maintained as a class action. The corporations seeking to intervene are Bristol-Myers Co., Eltra Corporation, Goodyear Tire & Rubber Co., Green Giant Co., International Business Machines, International Harvester Co., International

Paper Co., International Tel & Tel Corp., McGraw-Hill, Inc., N L Industries, Inc., Union Carbide Corp., and Xerox Corporation. Affidavits and briefs have been filed by both sides and the motions are now pending before Judge Tenney for decision.

The defendants had hoped to be able to expedite the disposition of the case by the Motion to Dismiss but, now that the court has decided to postpone consideration of the merits until trial of the case, it is apparent that the litigation can be dragged on for a considerable period of time. The lawsuit has made it necessary for the Multistate Tax Commission and its members to divert time and resources from the major purposes of the Multistate Tax Compact. It appears likely that this process will continue for some time.

On the one hand, it is important to note that many corporations support the Compact, the Commission and the Commission's various activities. Many of them have already experienced joint audits. On the other hand, it is apparent that some large corporations consider it beneficial to themselves to oppose the Multistate Tax Compact, the Multistate Tax Commission, the Joint Audit Program, the Commission's Allocation and Apportionment Regulations, and the generally improved tax administration which the Multistate Tax Compact has produced. The increasing intensity of that opposition only serves to emphasize the importance of vigorously defending the Multistate Tax Compact and expanding the work of the Commission.

The attack on the Multistate Tax Compact and the joint audits is spearheaded by a number of large corporations operating through the Committee on State Taxation (COST) of the Council of State Chambers of Commerce. The opposition is powerful and has extensive financial resources. It is working actively to defeat Multistate Tax Commission efforts to modernize the administration of state taxation of interstate businesses. We believe that the validity of the Multistate Tax Compact and the joint audit program will ultimately be sustained by the courts.

IX. CONCLUSION

Ultimate success of the Multistate Tax Compact effort will require on-going support for the Compact and the Commission from the States. Increased membership and strong financial support are vital to that success. The result will be a continuation and expansion of the Multistate Tax Commission's leadership in the field of state taxation of interstate commerce.

MULTISTATE TAX COMPACT ENACTMENTS

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

State	*Effective Date*
Kansas	August 4, 1967 *
Washington	August 4, 1967 *
Texas	August 4, 1967 *
New Mexico	August 4, 1967 *
Illinois	August 4, 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
Alaska	July 1, 1970
Indiana	July 1, 1971

*The enactment of the Compact in each of these states took place on the following indicated dates:

Kansas	April 20, 1967
Washington	June 8, 1967
Texas	June 13, 1967
New Mexico	June 19, 1967
Illinois	July 1, 1967

Paragraph 1 of Article X of the Multistate Tax Compact provides: "This compact shall enter into force when enacted into law by any seven States. Thereafter, this compact shall become effective as to any other State upon its enactment thereof. . . ."The sixth and seventh States enacted the Compact on August 4, 1967; therefore, the effective date of the Compact for the first seven member States is August 4, 1967.

COMMENTARY BY CHAIRMAN

BYRON L. DORGAN

presented to

U. S. SENATE SUBCOMMITTEE ON INTERSTATE TAXATION
September 18, 1973

"The Multistate Tax Compact is a historic pioneering effort of the states to manage their own affairs.

* * *

". . . there is more uniformity in the area of state taxation of interstate business [now] than there has ever been in the history of this country. The states have made tremendous progress.

* * *

"[The Multistate Tax Compact is] the most significant effort that the states have made in the last 50 years to improve state taxation of interstate business.

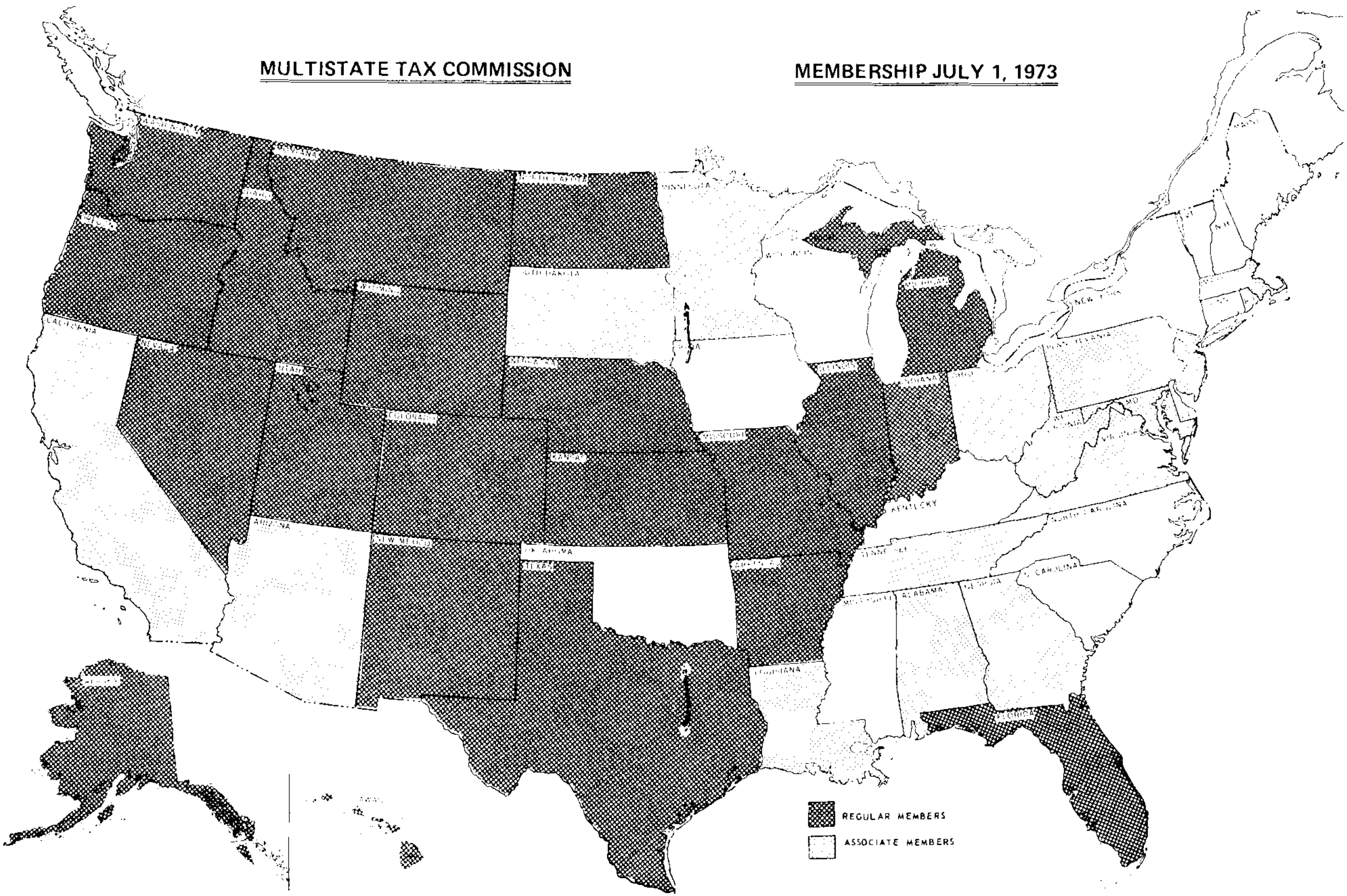
* * *

"Joint auditing makes good sense for both tax administrator and taxpayer.

* * *

"The Multistate Tax Compact deserves Congressional blessing."

MULTISTATE TAX COMMISSION   MEMBERSHIP JULY 1, 1973



MULTISTATE TAX COMMISSION

COMMITTEES

ATTORNEY COORDINATION COMMITTEE

J. H. BROADHURST, Texas, CHAIRMAN

Sigmund Aaronson, Texas
Wade Anderson, Texas
Frank Beckwith, Colorado
John Blackmon, Georgia
Morris S. Bromberg, Illinois
Calvin Campbell, Illinois
Richard Chambers, Georgia
Terry Cosgrove, Montana
Leland Curtis, Missouri
Theodore W. de Looze, Oregon
William Dexter, Washington
A. D. Doyle, Alaska
John Gautney, Arkansas
Albert Hajjar, Pennsylvania
William L. Harris, Jr., Kansas
Al Hausauer, North Dakota
T. Bruce Honda, Hawaii
Kenneth Jakes, North Dakota
F. Kent Kalb, Nebraska
Harold Leib, New Jersey
David Lewis, Arkansas
Willard Livingston, Alabama
Timothy Malone, Washington
John R. Messenger, Alaska
Robert L. Miller, Idaho
William Miller, West Virginia
Robert J. Oberst, Wyoming
Charles Otterman, California
John Owens, New Mexico
Peyton Parker, Louisiana
William Peters, Nebraska
Louis Plutzer, Minnesota
Richard Roesch, Michigan
Gerald Rohrer, Illinois
Robert L. Royer, Louisiana
George T. Rummel, Illinois
William S. Scovill, Illinois
John J. Sheehan, Nevada
Walter Skelton, Arkansas
James R. Willis, Colorado
James D. Winter, Arizona
William Wooten, West Virginia

INCOME TAX COMMITTEE

JAMES HAMILTON, California, CHAIRMAN

Scott Akers, Kentucky
Wade Anderson, Texas
John Blackmon, Georgia
Owen L. Clarke, Massachusetts
Keith Colbo, Montana
Theodore W. de Looze, Oregon
William Dexter, Washington
Sidney Glaser, New Jersey
Sydney Goodman, Michigan
Al Hausauer, North Dakota
Vernon Holman, Utah
Robert Kosydar, Ohio
Edward Landerkin, New Jersey
James T. McDonald, Kansas
Frank Medlin, Idaho
Francis Millett, Jr., Florida
Arthur Roemer, Minnesota
Richard Roesch, Michigan
Joseph Traigle, Louisiana
Vincent Yakowicz, Pennsylvania

Business Resource Members:

John Abreau, Lucky Stores, Inc.
J. J. Bischoff, Trans World Airlines, Inc.
Roland Bixler, J-B-T Instruments
John Brundage, Coopers & Lybrand
James Devitt, Montgomery Ward
Dale Hale, Allegheny Airlines
John Parenti, Eastern Air Lines
James Peters, American Tel & Tel
Raymond Slater, U. S. Steel Corporation
William Spangler, 3 M Company
Roger Talich, Gates Rubber Company
John Tockston, United Air Lines
Cecil Wright, Holly Sugar Company

JOINT AUDIT COMMITTEE

ROBERT KESSEL, North Dakota, CHAIRMAN

MEMBER STATES

- Frederick P. Boetsch, Alaska
- Boyd W. Boner, Kansas
- Gerald Foster, Montana
- F. Nolan Humphrey, Arkansas
- Howard Johnson, Indiana
- Ron Loyd, New Mexico
- James McBride, Nebraska
- Harvey McNutt, Wyoming
- Frank Medlin, Idaho
- Robert H. Munzinger, Washington
- Tracy Neese, Illinois
- Robert Nelson, Michigan
- Tomotaru Ogai, Hawaii
- Oscar Quoidbach, Oregon
- Chester Zawislak, Michigan

ASSOCIATE MEMBER STATES

- Harry Aubright, California
- Nick Ciccarella, West Virginia
- Edward Landerkin, New Jersey
- Harold Leib, New Jersey
- Robert Nunes, California
- Norman W. Schmitt, Ohio
- Lyle Wendell, South Dakota

RULES & REGULATIONS COMMITTEE

THEODORE W. de LOOZE, Oregon, CHAIRMAN
- John Bearden, Georgia
- Frank Beckwith, Colorado
- Hal Crandall, Illinois
- Allan Curtis, Tennessee
- Jay Destribats, New Jersey
- William Dexter, Washington
- John Gautney, Arkansas
- Al Hausauer, North Dakota
- Paul Holt, Utah
- F. Kent Kalb, Nebraska
- Harold Leib, New Jersey
- Paul Lieberman, Illinois
- John R. Messenger, Alaska
- Robert Miller, Idaho
- Louis Plutzer, Michigan
- William Reed, Kentucky
- A. Gerald Reiss, Missouri
- Melvin Soong, Hawaii
- Donald Swepston, Ohio
- Gerritt Van Coevering, Michigan

Business Resource Members:
- Jack Agliata, Johns-Manville
- Jay Allen, Melville Shoe
- James Buresh, Sears, Roebuck & Company
- James Devitt, Montgomery Ward
- Steve McKessy, Coopers & Lybrand
- James Peters, American Tel & Tel
- Frank Roberts, Pillsbury, Madison & Sutro
- Marvin Rosenblum, Gulf + Western Industries
- Carl Straub, Morrison-Knudsen
- Dennis Tischler, TRW Inc.
- Arnold Weber, Southern Pacific Co.
- John Werner, Chicago Bridge & Iron

SALES & USE TAX COMMITTEE

HOMER ROSS, Idaho, CHAIRMAN

- Wade Anderson, Texas
- Leslie Clarke, California
- Stuart Connock, Virginia
- R. Earl Franz, Minnesota
- Sidney Glaser, New Jersey
- Chandler Hewell, Georgia
- Francis Hillard, Wyoming
- Ben C. Holdereid, Michigan
- Richard Lee, Hawaii
- Ewing H. Little, Idaho
- William Miller, West Virginia
- Harry O'Riley, Kansas
- Charles H. Otterman, California
- Clyde L. Scott, Nevada
- Norman W. Schmitt, Ohio
- S. Ed *Tveden, Washington*
- Wesley Wilber, Missouri
- Brian L. Wolfberg, Illinois

Business Resource Members:

- Frank Buehler, Howard Johnson's
- George Lundin, Chicago Bridge & Iron
- Ralph Weber, Gates Rubber Company

APPORTIONMENT OF 1973-1974 BUDGET†

State	*Revenues Under Compact	% of Total	**Apportioned Share of 10%	**Apportioned Share of 90%	Total Share of 1972 – 1973 Budget
Alaska	$ 51,481,122.	.4480	$ 1,473.	$ 1,247.43	$ 2,720.43
Arkansas	246,664,056	2.1465	1,473.	5,976.31	7,449.31
Colorado	370,948,555.	3.2281	1,473.	8,987.49	10,460.49
Florida	848,464,581.	7.3835	1,473.	20,556.86	22,029.86
Hawaii	287,591,831.	2.5027	1,473.	6,968.01	8,441.01
Idaho	128,706,943.	1.1200	1,473.	3,118.39	4,591.39
Illinois	2,681,249,660.	23.3328	1,473.	64,961.95	66,434.95
Indiana	728,794,299	6.3421	1,473.	17,657.43	19,130.43
Kansas	317,741,272.	2.7651	1,473.	7,698.57	9,171.57
Michigan	2,076,196,544.	18.0675	1,473.	50,302.62	51,775.62
Missouri	640,867,967.	5.5770	1,473.	15,527.29	17,000.29
Montana	79,604,750.	.6927	1,473.	1,928.72	3,401.72
Nebraska	165,844,442.	1.4432	1,473.	4,018.22	5,491.22
Nevada	69,232,441.	.6025	1,473.	1,677.60	3,150.60
New Mexico	198,415,578.	1.7267	1,473.	4,807.52	6,280.52
North Dakota	83,615,712.	.7277	1,473.	2,026.17	3,499.17
Oregon	302,827,000.	2,6353	1,473.	7,337.18	8,810.18
Texas	1,353,278,589.	11.7765	1,473.	32,787.58	34,260.58
Utah	218,999,725.	1.9058	1,473.	5,306.16	6,779.16
Washington	604,956,359.	5.2645	1,473.	14,657.25	16,130.25
Wyoming	35,833,351.	.3118	1,473.	868.25	2,341.25
TOTALS	$11,491,314,777.	100.0000	$30,933.	$278,417.00	$309,350.00

*For fiscal year ending June 30, 1972

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

†At page 22 of the Fifth Annual Report, the title "Apportionment of 1971-1972 Budget" should have read "Apportionment of 1972-1973 Budget."

BUDGET PERFORMANCE REPORT

For Fiscal Year

July 1, 1972 – June 30, 1973

	Budget	*Actual*	*Actual Over (Under) Budget*
Payroll	$145,000.00	$146,333.28	$ 1,333.28
Employees' Insurance	5,000.00	7,375.37	2,375.37
Employees' Retirement	20,300.00	22,842.17	2,542.17
Staff Travel	24,500.00	24,705.28	205.28
Commission Members' Travel	4,300.00	3,211.20	(1,088.80)
Relocation Expenses	3,000.00	816.61	(2,183.39)
Other Travel Expenses	1,500.00	1,577.41	77.41
Bonds & Insurance	300.00	45.00	(255.00)
Office Rental	14,000.00	14,912.50	912.50
Office Supplies & Expenses	5,000.00	3,518.25	(1,481.75)
Freight & Postage	5,000.00	3,343.13	(1,656.87)
Printing & Duplicating	6,000.00	13,173.79	7,173.79
Telephone & Telegraph	10,000.00	14,997.38	4,997.38
Books & Periodicals	3,500.00	902.72	(2,597.28)
Advertising	1,000.00	92.48	(907.52)
Miscellaneous	1,500.00	1,084.63	(415.37)
Conferences & Committee Meetings or Hearings	2,000.00	1,259.80	(740.20)
Professional Fees & Other Contract Services Including Electronic Data Processing	2,100.00	2,672.00	572.00
Office Furniture	1,000.00	16.00	(984.00)
Office Equipment	1,000.00	1,058.25	58.25
Contingency Account	13,000.00	--0--	(13,000.00)
TOTALS	$269,000.00	$263,937.25*	$ (5,062.75)

*An additional extraordinary expense for litigation in the case of *U. S. Steel et al.* v. *Multistate Tax Commission et al.* was incurred and paid in the amount of $88,161.14.

PLANNED BUDGET

FOR

FISCAL 1973-74

and

TENTATIVE PROPOSED BUDGET

FOR FISCAL 1974-75

	1973-74	*1974-75**
Payroll	$166,750.00	$180,000.00
Employees' Insurance	5,750.00	6,200.00
Employees' Retirement	23,345.00	25,200.00
Staff Travel	28,175.00	30,500.00
Commission Members' Travel	4,945.00	5,350.00
Relocation Expenses	3,450.00	3,725.00
Other Travel Expenses	1,725.00	1,875.00
Bonds & Insurance	345.00	375.00
Office Rental	16,100.00	17,400.00
Office Supplies & Expenses	5,750.00	6,200.00
Freight & Postage	5,750.00	6,200.00
Printing & Duplicating	6,900.00	7,375.00
Telephone & Telegraph	11,500.00	12,450.00
Books & Periodicals	4,025.00	4,350.00
Advertising	1,150.00	1,250.00
Miscellaneous	1,725.00	1,800.00
Conferences & Committee Meetings or Hearings	2,300.00	2,500.00
Professional Fees & Other Contract Services including Electronic Data Processing	2,415.00	2,600.00
Office Furniture	1,150.00	1,250.00
Office Equipment	1,150.00	1,250.00
Contingency Account	14,950.00	16,150.00
	$309,350.00	$334,000.00
Anticipated Extraordinary Expense for Litigation	70,000.00	60,000.00
	$379,350.00	$394,000.00

*This budget is tentative only; and has not received formal consideration by the Multistate Tax Commission. It was arrived at by adjusting the 1973-74 budget to *take into account the effects of possible continued inflation.*

JOHN M. BYRNE & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

METROPOLITAN BUILDING · SUITE 860 · DENVER, COLORADO 80202 · 303/892-1641

MEMBER
AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
COLORADO SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS
NATIONAL ASSOCIATION OF ACCOUNTANTS

July 20, 1973

Multistate Tax Commission
1909 26th Street
Boulder, Colorado

Gentlemen:

We have examined the balance sheet of Multistate Tax Commission at June 30, 1973, and the related statements of revenue and incurred expense, changes in fund balances, and source and application of cash funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of Multistate Tax Commission at June 30, 1973, and the results of its operations, changes in fund balances, and the source and application of its cash funds for the year then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the prior year.

Respectfully submitted,

John M. Byrne & Company

MULTISTATE TAX COMMISSION
Balance Sheet
June 30, 1973

ASSETS

Current Assets:		
Cash		$ 38,392
Certificates of Deposit		60,000
Assessments Receivable		1,111
Total Current Assets		99,503
Fixed Assets (Note 1):		
Office Furniture and Equipment	$17,559	
Less: Accumulated Depreciation	5,763	
Total Fixed Assets		11,796
Other Assets:		
Expense Account Advances, Employees	1,200	
Deposits (Note 2)	1,013	
Prepaid Pension Plan Costs (Note 3)	12,421	
Total Other Assets		14,634
Total Assets		$125,933

Liabilities and Fund Balance

Current Liabilities:		
Accounts Payable		$ 32,555
Accrued Retirement (Note 3)		10,324
Prepaid Assessments		16,635
Total Current Liabilities		59,514
Fund Balance:		
Investment in Fixed Assets (Net) (Note 1)	$11,262	
Reserve for Employees' Retirement (Note 3)	15,877	
Reserve for Prepaid Assessment	10,000	
Reserve for Contingencies	85,000	
Unappropriated Fund Balance	(55,720)	
Total Fund Balance		66,419
Total Liabilities and Fund Balance		$125,933

Accompanying Statement of Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION

Statement of Revenue and Incurred Expense

For the Year Ended June 30, 1973

Revenue:		
Assessments, Member States		$209,000
Other:		
Assessments, Legal Fees		26,500
Interest, Certificates of Deposit		6,075
Miscellaneous		6
Total Revenue		241,581
Incurred Expense:		
Salaries	$146,333	
Depreciation (Note 1)	1,906	
Retirement (Note 3)	8,330	
Employees' Insurance	7,451	
Pension Plan (Note 3)	20,233	
Staff Travel	26,283	
Commission Members Travel	3,211	
Relocation Expense	817	
Bonds and Insurance	45	
Office Rent	14,913	
Office Supplies	3,518	
Postage and Freight	3,343	
Printing	13,174	
Telephone and Telegraph	14,997	
Books and Periodicals	903	
Advertising	92	
Miscellaneous	1,085	
Conferences, Committee Meetings and Hearings	1,114	
Accounting Fees	2,080	
Other Contract Services	970	
Legal Fees	88,161	
Total Incurred Expense		358,959
Excess of Incurred Expense Over Revenue		($117,378)

Accompanying Statement of Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION

Statement of Source and Application of Cash Funds
For the Year Ended June 30, 1973

Source of Cash Funds:		
Operations, Excess of Incurred Expense Over Revenue		($117,378)
Add (Income) Expense Not Employing Cash Funds:		
Recognition of Prepaid Assessment		(5,000)
Depreciation (Note 1)		1,906
Total from Operations		(120,472)
Certificates of Deposit Matured		210,000
Increase in Withheld Payroll Tax		211
Increase in Accounts Payable		31,567
Increase in Prepaid Assessments		12,885
Increase in Accrued Retirement (Note 3)		7,289
Decrease in Assessments Receivable		12,660
Decrease in Deposits		227
Decrease in Prepaid Pension Cost		3,364
Total Source of Cash Funds		157,731
Application of Cash Funds:		
Certificates of Deposit Purchased	$170,000	
Purchase of Office Furniture and Equipment	1,751	
Employees' Expense Account Advances	400	
Total Application of Cash Funds		172,151
Excess of Application of Cash Funds Over Source of Cash Funds		(14,420)
Cash Balance June 30, 1972		52,812
Cash Balance June 30, 1973		$ 38,392

Accompanying Statement of Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION
Statement of Changes in Fund Balances
For the Year Ended June 30, 1973

	Reserve for Employees' Retirement	*Reserve for Prepaid Assessment*	*Reserve for Contingencies*	*Unappropriated Fund Balance*
Balance, June 30, 1972	$15,877	$15,000	$85,000	$ 61.658
Deduct:				
Portion of Prepaid Assessment Recognized as Income		5,000		
Excess of Incurred Expense Over Revenue				(117,378)
Balance, June 30, 1973	$15,877	$10,000	$85,000	($ 55,720)

Accompanying Statement of Accounting Policies and Notes to Financial Statements are an integral part of this statement.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION
Statement of Accounting Policies
June 30, 1973

The accounting policies employed by Multistate Tax Commission are consistent with generally accepted accounting principles. Significant policies are described below:

Accounting Method

The Commission has adopted the accrual method of accounting. Revenue is recognized in the period of assessment and expense is recognized as incurred.

Property, Plant and Equipment

All property and equipment is recorded at cost. Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets.

Income Taxes

No provision has been made for income taxes, inasmuch as the Commission members are representatives of State taxing authorities.

Pension Plan

It is the Commission's policy to fund each year an amount equal to fourteen percent of the plan participants' gross salaries. All costs are actuarially determined under the entry-age-normal with frozen-initial-liability method.

It is also the policy of the Commission to accrue fourteen percent of the gross salaries of the personnel on leave of absence from State taxing authorities and make contributions to their respective plans if employment with the Commission is terminated.

JOHN M. BYRNE & COMPANY

MULTISTATE TAX COMMISSION
Notes to Financial Statements
June 30, 1973

Note 1:

Upon adoption of the accrual method of accounting, the Commission recorded fixed assets, previously charged against income, as well as the related depreciation thereon from the date of acquisition in the net amount of $11,262.

Depreciation expense for the year ended June 30, 1973, calculated under the straight-line method amounted to $1,906.

Note 2:

Multistate Tax Commission leases its primary office facilities at Boulder, Colorado, under the terms of a lease agreement expiring May 31, 1974. Monthly lease rental under the agreement amounts to $575.

Other office space is leased under short-term agreements.

Deposits applicable to future rental payments aggregated $586 at June 30, 1973.

Other deposits amounting to $427 are airline travel deposits.

Note 3:

Substantially all of the full time employees of the Commission are covered by a pension plan. Total pension expense for the year ended June 30, 1973, amounted to $20,233. Prepaid pension plan costs at June 30, 1973, amounted to $12,421. Prepaid pension plan costs result primarily from funding original past service cost in the amount of $18,300 more rapidly than the twenty year period in which this liability will be charged to expense for accounting purposes under the accounting method for pension plans adopted by the Commission. Contributions to the pension plan during the year ended June 30, 1973, amounted to $15,192.

Certain employees of the Commission are on a leave of absence from state taxing agencies. The Commission has adopted the policy of assuming the liability for contributions to the state retirement fund for these employees if they return to state employment. Expense for this purpose amounted to $8,330 for the year ended June 30, 1973, resulting in an accrued liability of $10,324 on behalf of those employees continuing on leave of absence at June 30, 1973.

JOHN M. BYRNE & COMPANY

APPENDICES

PROGRESS IN UNIFORMITY THROUGH ADOPTION OF THE UNIFORM DIVISION OF INCOME FOR TAX PURPOSES ACT AMONG THE STATES

Alabama (1)	Massachusetts (4)	New Mexico
Alaska	Michigan	North Carolina
Arkansas	Missouri (2)	North Dakota
California	Montana (2)	Oklahoma
Colorado (2)	Indiana (2)	Oregon
District of Columbia	Kansas	Pennsylvania
Florida (3)	Kentucky	South Carolina
Hawaii (2)	Maine	Utah (2)
Idaho	Nebraska (2)	Virginia
Illinois	New Hampshire (5)	

Georgia is sometimes considered to be a UDITPA state; but its payroll and sales factors are substantially different.

West Virginia has adopted UDITPA but eliminated the sales factor

NOTES:

(1) Alabama's corporate income tax statute is vague on how the state is to determine what portion of a corporation's income is to be attributed to the state for tax purposes. On September 6, 1967, the Alabama Legislature enacted the Multistate Tax Compact, which includes UDITPA, subject to congressional enactment of a Multistate Tax Compact Consent Bill. On September 12, 1967, the Alabama Department of Revenue promulgated regulations which adopt the UDITPA provisions as the basis on which to determine the amount of a corporation's income which is attributable to a state.

(2) This state adopted UDITPA by enacting the Multistate Tax Compact.

(3) Florida enacted the Multistate Tax Compact in 1969. When it enacted its corporate income tax in 1971, it deleted UDITPA from its statutes. Yet its corporate income tax statute is substantially in accord with UDITPA.

(4) Massachusetts is included here as a UDITPA state, although it could, with equal validity, be considered a non-UDITPA state. Massachusetts adopted the 3-factor formula in 1920 and has stuck closely to it over the years. UDITPA codified that formula, for all practical purposes, with some slight changes, e.g., whereas Massachusetts long used source for sales attribution purposes, UDITPA adopted destination subject to the condition that the seller be subject to the jurisdiction of the destination state. Then, in 1966, Massachusetts adopted the UDITPA destination rule; but subject to the modification that, in some cases, the no-nexus sale may be attributed to a third state from which the sale has been effected.

Other 1966 changes included the so-called "sweep-in" rule, which puts all intangible income into the tax base but, at the same time, excludes from taxation all dividends which are eligible for the 85% exclusion on the federal income tax return.

(5) New Hampshire is included here as a UDITPA state even though its property factor is somewhat different.

APPENDIX B

PROGRESS IN UNIFORMITY THROUGH ACCEPTANCE OF UNIFORM FORM FOR SALES & USE TAX EXEMPTION CERTIFICATE

UNIFORM SALES & USE TAX CERTIFICATE FORM

SALES TAX EXEMPTION CERTIFICATE
MULTI–JURISDICTION

(See reverse side for instructions)

Issued to (Seller) ______________________ Address ______________________

I certify that Name of Firm (Buyer) ______________________ is engaged as a registered
Street Address or P. O. Box No.: ______________________
City ____________ State ____________ Zip Code ____________

☐ Wholesaler
☐ Retailer
☐ Manufacturer
☐ Lessor (*See note on reverse side.)

and is registered with the below listed states and cities within which your firm would deliver purchases to us and that any such purchases are for wholesale, resale, ingredients or components of a new product to be resold, leased, or rented in the normal course of our business. We are in the business of wholesaling, retailing, manufacturing, leasing (renting) the following:

____

City or State	State Registration or ID No.	City or State	State Registration or ID No.
City or State	State Registration or ID No.	City or State	State Registration or ID No.
City or State	State Registration or ID No.	City or State	State Registration or ID No.

I further certify that if any property so purchased tax free is used or consumed by the firm as to make it subject to a Sales or Use Tax we will pay the tax due direct to the proper taxing authority when state law so provides or inform the seller for added tax billing. This certificate shall be part of each order which we may hereafter give to you, unless otherwise specified, and shall be valid until canceled by us in writing or revoked by the city or state.

General description of products to be purchased from the seller: ______________________

Under penalties of perjury, I swear or affirm that the information on this form is true and correct as to every material matter.

Authorized Signature (Owner, Partner or Corporate Officer) ____________ Title ____________ Date ____________

(Reverse Side)

TO OUR CUSTOMERS

In order to comply with the majority of state and local sales tax law requirements, it is necessary that we have in our files a properly executed exemption certificate from all of our customers who claim sales tax exemption. If we do not have this certificate, we are obligated to collect the tax for the state in which the property is delivered.

If you are entitled to sales tax exemption, please complete the certificate and send it to us at your earliest convenience. If you purchase tax free for a reason for which this form does not provide, please send us your special certificate or statement.

This form of certificate has been determined to be acceptable to the following states as of January 31, 1974:

Alabama	Maryland	South Carolina
Alaska	Michigan	South Dakota
Arkansas	Minnesota	Texas
District of Columbia	Missouri	Utah
Georgia	Nevada	Vermont
Idaho	New Mexico	Virginia
Illinois	North Dakota	Washington
Maine	Oklahoma	Wisconsin
	Rhode Island	

NOTE: Illinois does not have an exemption on sales of property for subsequent lease or rental

CAUTION TO SELLER: In order for the certificate to be accepted in good faith by the seller, the seller must exercise care that the property being sold is of a type normally sold wholesale, resold, leased, rented, or utilized as an ingredient or component part of a product manufactured by the buyer in the usual course of his business. A seller failing to exercise due care could be held liable for the sales tax due in some states or cities.

Misuse of this certificate by the seller, lessor, buyer, lessee, or the representative thereof may be punishable by fine, imprisonment or loss of right to issue certificates in some states or cities.

SALES AND USE TAX JURISDICTION LIMITATION STATEMENT

The following is the Sales and Use Tax Jurisdiction Limitation Statement with which all states, to the best of our knowledge, comply:

SALES AND USE TAX JURISDICTION STANDARD

A vendor is required to pay or collect and remit the tax imposed by this Act if within this state he directly or by any agent or other representatives:

1. Has or utilizes an office, distribution house, sales house, warehouse, service enterprise or other place of business; or

2. Maintains a stock of goods; or

3. Regularly solicits orders whether or not such orders are accepted in this state, unless the activity in this state consists solely of advertising or of solicitation by direct mail; or

4. Regularly engages in the delivery of property in this state other than by common carrier or U. S. mail; or

5. Regularly engages in any activity in connection with the leasing or servicing of property located within this state.

This state does not seek to impose use tax collection requirements on any retailer over whom the above standard does not confer jurisdiction in this state.

SIMPLIFICATION RESOLUTION

RESOLVED that it is the position of the Multistate Tax Commission that all States should take immediate steps to enable out-of-state sellers to comply with sales and use tax collection, reporting and remittance requirements with the minimum possible effort and expense; and that, to further this purpose:

1. The Chairman appoint a committee to seek to accomplish a uniform simplified use tax return form to be submitted to the various States for adoption;

2. The Commission adopt the principle that no State should require the filing of a return or the remittance, by any out-of-state retailer, of any use tax with respect to sales of less than $100 in a calendar year;

3. The Commission adopt the principle that no State should require the filing of more than one return and remittance from any out-of-state retailer with respect to sales of less than $5,000 in a calendar year;

4. The Commission adopt the principle that, where an out-of-state seller sends into a State advertising materials with respect to which it is required to remit use tax to that State, the seller may choose to determine the tax due according to the following formula:

> The ratio of the seller's sales in and into said State to his total sales in the nation shall be applied to the cost of all materials so distributed in the nation in order to determine the tax base for such materials in said State.

Any seller choosing to use said formula for one State shall be obliged to use it for all States; and he shall be required to file with the Multistate Tax Commission an accounting of:

a. Total national sales,
b. Total sales in each State, and
c. Total cost of materials so distributed;

and he shall agree to be bound by this accounting with respect to all States.

Adopted unanimously by the
Multistate Tax Commission
at Baltimore, Maryland
on June 7, 1968.

AGREEMENT ON EXCHANGE OF INFORMATION

In the interest of furthering the mutual interests of the undersigned states represented by the undersigned officials through benefits which can be derived from the exchange of information among said states, each of said officials does hereby enter into the following Agreement for the exchange of information with every other undersigned official.

The undersigned hereby mutually agree to exchange information, to the full extent permitted by their respective laws, in accordance with the terms and limitations below:

1. For purposes of this Agreement, income tax means a tax imposed on or measured by net income, including any tax imposed on or measured by an amount arrived at by deducting expenses from gross income, one or more forms of which expenses are not specifically and directly related to particular transaction.
2. This Agreement shall be applicable with respect to:
   a. The inspection of income tax returns of any taxpayer; and
   b. The furnishing of an abstract of the return of income of any taxpayer; and
   c. The furnishing of any information concerning any items contained in any return of income of any taxpayer; and
   d. The furnishing of any information disclosed by the report of any investigation of the income or return of income of any taxpayer, exclusive of any information obtained through an agreement between any of the undersigned states and the Internal Revenue Service.
3. For purposes of this Agreement, taxpayer includes any individual, corporation, partnership or fiduciary subject to an income tax or required to file an income tax return.
4. This Agreement is not limited to a specific period of time or to returns, documents or information relating to any specific years or periods; and it will be considered to be in effect until revoked.
5. Additions and changes, including definitions, in the provisions of this Agreement, may be made by mutual consent of the proper officials of the undersigned states, and shall become an attachment to this Agreement.
6. No information obtained pursuant to this Agreement shall be disclosed to any person not authorized by the laws of the undersigned states.
7. The information obtained pursuant to this Agreement shall be used only for the purpose of administration of the income tax laws of the undersigned states.
8. This written Agreement shall not become effective between any two states until the authorized officials for both such states have signed it in the space provided below.
9. This written Agreement is not intended to revoke or supersede any other similar agreement that may have been previously entered into between any two or more of the states represented below.

10. The undersigned agree to inform each other of the current statutory provisions of their respective states concerning the confidentiality of the material exchanged and the penalties for unlawful disclosure thereof.
11. Any of the undersigned state officials may, at their discretion, refuse to furnish information disclosed in the report of any investigation while such investigation is still in progress or during such time as litigation is contemplated or in process, if the official of the state making the investigation deems it in the best interests of his state for such information to be withheld pending determination of litigation.
12. Each of the undersigned state officials hereby affirms that he is the proper official charged with the administration of the income tax laws of his state.

SIGNATORY STATES

Alaska	Illinois	Montana
Arkansas	Indiana	Nebraska
California	Kansas	North Carolina
Colorado	Louisiana	North Dakota
Florida	Michigan	Oregon
Hawaii	Minnesota	Pennsylvania
Idaho	Missouri	Utah