FIFTH
ANNUAL REPORT
MULTISTATE TAX COMMISSION

For the Fiscal Year
of
July 1, 1971 – June 30, 1972

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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.

December 10, 1972

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

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

This report covers the fiscal year beginning July 1, 1971 and ending June 30, 1972.

Respectfully submitted,

Eugene F. Corrigan
Executive Director

MULTISTATE TAX COMMISSION

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North Dakota

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State Tax Commissioner,
Nebraska

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Ewing H. Little
Chairman, State Tax Commission,
Idaho

Charles H. Mack, Chairman
State Director of Revenue,
Oregon (Immediate Past
Chairman, Multistate Tax Commission)

James T. McDonald
State Secretary of Revenue
Kansas (Former Chairman,
Multistate Tax Commission)

The three officers are also members of the Executive Committee. Terms of the above officers and committee members end June 30, 1973.

Executive Director . . . . .Eugene F. Corrigan

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State of Arkansas

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Department of Revenue
State of Colorado

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Director of Taxation
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***Donald H. Clark*
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***James T. McDonald
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Department of Revenue
State of Washington

E. S. MacClean
Chairman
State Board of Equalization & Tax Commission
State of Wyoming

*Former member of MTC Executive Committee
**Term begins January, 1973
***MTC Chairman, January 1970 - June 1971
‡MTC Chairman, July 1971 - June 1972
††MTC Chairman, June 1967 - January 1970

ALTERNATES

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Assistant Attorney General
State of Washington

Francis Hillard
Deputy Chairman
Board of Equalization and Tax Commission
State of Wyoming

REPORT OF THE CHAIRMAN OF THE MULTISTATE TAX COMMISSION FOR THE YEAR ENDING JUNE 30, 1972

By
BYRON L. DORGAN*

I. INTRODUCTION

Fiscal year 1972 marked an aggressive program of action by the Multistate Tax Commission. In previous years, we have had extensive meetings between Commission members and representatives of large business corporations. Our goal has been to try to continue that relationship while placing increased emphasis upon administrative activities in the area of field audits on behalf of participating member states.

The audit activity has required, and resulted in, increased and improved liaison between the Commission and member states participating in the audit program. It has also caused the Commission to move into educational programs designed to increase familiarity with sophisticated audit techniques among state tax administration personnel.

The aggressive audit program has stimulated activity in a number of areas including rules and regulations, devising of uniform forms, litigation, and proposed federal legislation. All of these activities signal the increasing role which the Multistate Tax Commission has played in the field of interstate taxation during fiscal 1972. This report reviews the Commission's performance of that role during that year.

II. MEMBERSHIP

Fiscal 1972 was the first year in which no new members joined the Commission. This may be attributable, at least in part, to the fact that 36 of the 50 states already are either regular or associate members, leaving a narrow field of only 14 potential candidates for new association. Of those fourteen, five sent representatives to one or more meetings of the Commission during the year.

During the year, we have worked hard to broaden our membership, and I expect these efforts to bear fruit in the months and years to come.

The Multistate Tax Commission is currently considering the possibility that associate member states may play a larger role in the activities of the Commission, possibly participating in the joint audit program. As the joint audit program increases in importance, so does the encouragement of broader participation in it.

*Mr. Dorgan became Chairman of the Commission on July 1, 1972, having been elected to that position on June 9. Charles H. Mack was Chairman during the fiscal year to which this Report pertains.

III. UNIFORMITY

The extent of uniformity among the states, not only in their taxing statutes but also in their administrative practices, is generally underestimated by Congress, by the business community and by the State tax administrators themselves.

Thus, for example:

(a) No state seeks to exercise sales and use tax jurisdiction beyond the limits which have been enunciated in the Sales & Use Tax Jurisdictional Standard of the Multistate Tax Commission;

(b) 29 of the 45 corporate income tax states make available to the taxpayer essentially the same apportionment formula for determining the amount of income derived from the state (See Chart A). Several other states vary only slightly from that formula;

(c) The corporate income tax jurisdictional standard established by Congress in 1959 via Public Law 86-272 has resulted in the elimination of much of the uncertainty in that area. This is indicated by the fact that there have been only a couple of instances of litigation on the question of jurisdiction in recent years;

(d) To my knowledge, no state requires the out-of-state taxpayer to pay the expense of performing an audit on the taxpayer at the taxpayer's out-of-state headquarters. The only exception to this would be a case where the corporation, using certain tactics, causes inexcusably increased auditing costs to the state.

Yet, minor variations from state to state can create frustrating problems for taxpayers. Historically, many tax administrators have underestimated the effect of non-uniformity among even minor provisions of tax laws.

Examples of frustrating variations are to be found in:

(a) Forms for extending filing deadlines
(b) Statutes of limitation
(c) Waiver forms used in extending statutes of limitation
(d) Resale and exemption certificate forms for sales and use tax purposes
(e) Definition of "business income" for corporate income tax purposes
(f) "Attribution of sales" practices for corporate income tax purposes.

When a Multistate Tax Commission auditor performs a joint audit upon the books and records of a corporation for several states, the cumulative effect of these variations upon the taxpayer becomes readily apparent. In fact, the joint auditor himself experiences some of the effects as they apply to his own performance of the audit. By the very nature of that audit, he is impelled to call to the attention of the Multistate Tax Commission and its members the manner in which the variations work to the detriment not only of the taxpayer but also of the states.

Also, historically, some businessmen have encouraged special preferences for themselves from state to state even though increased non-uniformity has been the result; and they have tended to encourage uniformity only to the extent that it would extend to other states the preferences to be found in the most generous states.

It should not be surprising that increased uniformity can benefit states and taxpayers alike. I believe that experiences in our joint audit program will move the states in that direction. Modern management techniques dictate that result.

The concept of the Multistate Tax Commission contemplates the preservation of the sovereignty of the states in their ability to tax the income of interstate business effectively and fairly. The Multistate Tax Commission is founded on the principle of the flexibility of the states' responses to revenue administration needs. Therefore, it would be inappropriate to suggest that any or all variations in

CHART A

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 is 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 thrid 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.

individual state laws should or could be eliminated. Nevertheless, the Multistate Tax Commission has encouraged many state legislators and tax administrators to view state tax matters from the standpoint of the states as a group, rather than from that of only their respective states. This approach tends to promote fairness, uniformity, improved enforcement and decreased compliance problems with respect to the taxation of interstate business.

In short, the Multistate Tax Commission is a catalyst for the effecting of improvements in state tax administration. Its actual participation in the important audit area of state tax administration for many states places it in a unique position to communicate with, and to help, both states and taxpayers on a continuing basis.

The challenge is great; so is the opportunity. The Multistate Tax Commission stands alone as the participating catalytic agency seeking to promote the type of interstate tax administration which our federal system needs and which good citizenship demands.

IV. REGULATIONS

Until 1971, the states were not capitalizing upon the increasing uniformity which the Uniform Division of Income for Tax Purposes Act (UDITPA) was making available to them. No state had formulated a complete set of regulations under UDITPA and there was rather wide disparity in the interpretation of various aspects of UDITPA from state to state.

In 1969, the Rules and Regulations Committee of the Multistate Tax Commission set out to compose a set of UDITPA regulations for adoption by the Multistate Tax Commission and its member states. Representatives of several states and of several large corporations served on the committee; and the committee benefitted from the counsel and expertise of many other interested parties. The result was a proposed set of regulations which reflected the Committee Chairman's interpretation as to what the status of the law under UDITPA was at that time.

Those regulations had the effect of including in apportionable business income more income, including substantial portions of income from intangibles, than many business representatives found palatable. They preferred that all intangible income be attributed to the state in which the corporation's commercial headquarters is located. Nevertheless, after formal hearings in which both state representatives and business representatives testified, the Hearing Officer recommended that even more corporate income be included in the apportionable base as business income than the committee's proposed regulations recommended. The result was that, with minor exceptions, nearly all corporate income was considered to be apportionable, as opposed to allocable, under the regulations which were proposed by the Hearing Officer.

Several member states have adopted the new regulations, others are planning to do so, and still others are abiding by them. In general, those states which are participating in Multistate Tax Commission joint audits have instructed the Commission to perform their audits on the basis of the MTC regulations.

Meanwhile, there has recently been submitted for consideration by the Multistate Tax Commission a proposal which would supplement or modify the current regulations somewhat. Its purpose is to clarify certain aspects of the current regulations and to incorporate the unitary business theory into them. In early November, the proposal was referred to the Regulations Committee for consideration. At the November 29 meeting of the Commission, that Committee recommended that the Commission proceed to conduct a hearing on the proposal in accordance with the Commission's by-laws. That recommendation was approved at the General Session of the Commission on December 1, 1972. The Chairman has indicated that he will shortly appoint a Hearing Officer to conduct the hearing early in 1973.

V. AUDIT ACTIVITIES

The Commission has enlarged its two audit offices in New York and Chicago. The New York office currently consists of a senior corporate income tax auditor, a senior sales and use tax auditor and a junior auditor. The Chicago office currently consists of an area audit manager who is assisted by two state auditors who have been assigned to the Multistate Tax Commission on a cooperative basis.

As the Multistate Tax Commission audit program has progressed, the cooperation of many large corporations has been notable. However, some other large corporations have chosen to oppose the entire joint audit concept. They apparently are intent on pursuing the classic policy of insisting that each state audit individually. Joint audit results to date indicate that the sum of such individual audits falls short of the results of a joint audit.

The ramifications of a joint audit from the standpoint both of efficiency and of economy are too obvious to require elaboration here. It is interesting to note that several of the corporations which are objecting most strenuously to this type of audit are among those which maintain the stance that they pay their state taxes properly. If they do, as may well be the case, I would suggest that they give the joint audit concept a chance. It will save them time and money in the long run. Those of us who are committed to making things happen are committed to building a joint audit program which will benefit taxpayer and tax collector alike.

As the states have increasingly received benefits from joint audits, they have increased their participation in them. Sixteen member states are currently assigning such audits to the Multistate Tax Commission.

The results of the Multistate Tax Commission's joint audit activities go far beyond the tax collections which result directly from audits. An improved audit program increases voluntary compliance on the part of taxpayers. My own staff estimates that my state, North Dakota, has already received nearly two million dollars additional revenue as a result of the Multistate Tax Commission's audit activities.

On December 1, 1972, the Multistate Tax Commission dramatically demonstrated the extent of the services which it can render. On that date, at a regular meeting of the Commission, eight states signed a reciprocal exchange of information agreement. A ninth signed it a few days later; and several more were expected to sign it momentarily. Although pairs of states have from time to time entered into such agreements previously, this is the first time that such a tax information sharing agreement has been executed on such a broad basis. The execution by the nine states was the equivalent of 36 individual agreements. Execution by seven more states would increase the equivalent to 120.

Additional activities include seminars, discussions of special problems involving tax enforcement, and conferences with state tax personnel.

All of these activities of the Commission serve to improve the tax administration capabilities of the states.

VI. EDUCATION

From 1969 through 1971, the Multistate Tax Commission served as a focal point of attention for discussions of innumerable problems in the corporate income tax field. Several meetings were devoted to seeking possible solutions; the results were ultimately incorporated into the Ad Hoc Proposal and the Revised Plan.* This activity produced a tremendous increase in sophistication among state tax administrators in the corporate income tax field. A side benefit has been the great increase in recognition of the similarity in tax administration problems to be found from state to state. Thus education became a factor in MTC activities.

The Multistate Tax Commission made its first formal educational presentation in the form of an Audit Seminar and Workshop during this past fiscal year. In April, some 50 audit supervisors, auditors and administrative personnel from 14 states attended the seminar. The subject of the Seminar was the Taxation of the Income of a Multicorporate Business. Participating in the various presentations and in leading the various workshops were personnel from several states, the Multistate Tax Commission staff and the Internal Revenue Service.

Meanwhile, the Multistate Tax Commission has been considering the possibility of participating in the presentation of formal courses in a dozen different phases of tax administration in cooperation with the University of Southern California. The Multistate Tax Commission is currently seeking federal funding for such courses.

The Multistate Tax Commission's personnel have participated, during the past year, as faculty members in the presentation of the University of Southern California's regular Tax Administration Course.

The Joint Audits Committee of the Commission is currently arranging several seminars to be given regionally among member states. The first such seminar, dealing with corporate income tax jurisdiction, was conducted in Springfield, Illinois, on December 7 and 8, 1972. Eighty auditors attended. The same seminar, as well as others, will be presented elsewhere in early 1973.

VII. PENDING FEDERAL LEGISLATION

The heavy schedule of the Senate Finance Committee did not permit it to conduct hearings, during 1972, on the several interstate taxation bills pending before it. Meanwhile, two more bills were introduced and were referred to that Committee.

They were the so-called Ad Hoc Bill, introduced by Senator Magnuson of Washington as S. 3333, and S. 4080, introduced by Senator Mathias of Maryland. In my opinion, S. 4080 reflects the desires of certain corporations to exempt as much of their income as possible and to limit the capabilities of the states to cope with revenue enforcement problems which involve corporate income taxes.

S. 3333 is more moderate with regard to corporate income tax matters and would give Congressional consent to the Multistate Tax Compact. Thus, it would assure the continuation of the cooperative tax administration effort which the Multistate Tax Commission represents. Some state tax administrators believe, however, that this bill also assures exemption from taxation of far too much *corporate income*.

All of the pending bills are expected to be reintroduced in 1973. I would expect the Senate Finance Committee to hold early hearings on them and to refine the various bills into a proposal of its own for enactment. All interested parties are rather anxiously anticipating those hearings and that proposal. Chart B outlines the manner in which each bill would treat with the various aspects of interstate taxation.

*See Third & Fourth Annual Reports.

Meanwhile, some corporations have challenged the joint audit efforts of the Multistate Tax Commission on the premise that various confidentiality statutes are in danger of violation. Consequently, the Commission voted, at its June 1972 meeting, to seek introduction into Congress of a bill which would satisfy, once and for all, such objections. On July 18, 1972, it was introduced as H.R. 15925 by its co-sponsors, Rep. Al Ullman of Oregon and Rep. Mark Andrews of North Dakota. It was referred to the Ways and Means Committee.

The bill reads as follows:

> That this Act may be cited as the "Common Tax Audit Act of 1972."
>
> Sec. 2. Section 6103(b) of the Internal Revenue Code of 1954 (relating to inspection of Federal tax returns by States) is amended by adding at the end thereof the following new paragraph.
>
> "(3) Common tax auditing agent. - All income tax returns filed with respect to the taxes imposed by chapter 1 (or copies thereof, if so prescribed by regulations made under this subsection) shall be open to inspection by any common tax auditing agent appointed by 2 ore more States pursuant to the provisions of section 3 of the Common Tax Audit Act of 1972. The inspection shall be made in such manner, and at such times and places, as shall be prescribed by regulations made by the Secretary or his delegate. Any information thus secured by the common tax auditing agent may be used only for tax purposes."
>
> Sec. 3. If permitted by its own laws, any State may designate the tax authorities of another State, or any commission or association of States, to conduct a tax audit of any business subject to the tax jurisdiction of one or more of the designating States.
>
> Sec. 4. In furtherance of the purpose set forth in section 3, and under the conditions stated therein said other State or commission or association shall have the right, power and authority to examine the books and records of account of any taxpayer or any business on behalf of any designating State or group of States for the purpose of obtaining information in order to make it possible for each such State to determine whether or not that State has jurisdiction to impose a tax liability or a collection and remittance requirement upon any taxpayer or any business, and the extent of any tax liability of that taxpayer to that State. All information so obtained shall be used solely for tax purposes.
>
> Sec. 5. In furtherance of the purposes of this Act, and notwithstanding any provision of State law, the designated State, commission or association shall have authority to receive from and to convey to the Internal Revenue Service and the various States information (including returns, reports, and related materials) pertaining to each such taxpayer or each such business.

In the Fall of 1972, the Congress enacted the revenue sharing bill, Public Law 92-512. Included in that law is a provision for IRS collection of personal income taxes on behalf of those states which request the service. The collection program will not be activated unless and until two or more states "having residents who in the aggregate file 5% or more of the federal income tax return filed furing 1972" adopt the plan. Additionally, a state may participate in the program only if its income tax base is in substantial accord with the federal income tax base or if the state's tax is a percentage of the federal tax.

Many tax experts in and out of government fear that the federal collection of state income taxes will ultimately erode the ability of the states to select and maintain their own sources of revenue. They point out that, although the program is attractive at first glance, it is deceptively simple and will never save the states the amounts of money which proponents would have us believe. These critics maintain that the disadvantages far outweigh the advantages.

CHART B

FEATURES	CONSENT BILL (S. 1883)	AD HOC BILL (S. 3333)	RODINO BILL (S. 1538)	RIBICOFF BILL (S. 317)	MATHIAS BILL (S. 4080)
I. Jurisdictional Standards					
a) Income Taxes	All corps. Leaves present jurisdictional standard as codified in P.L. 86-272 untouched	All corps. Leaves present jurisdictional standard as codified in P.L. 86-272 untouched	Sm. corps. Business location in State Lg. corps. Preserves present standard as codified in P.L. 86-272	All corps. Business location in State	All corps. Business location in State or political subdivision
b) Capital Stock Taxes	All corps. Leaves present "doing business" standard untouched	All corps. Leaves present "doing business" standard untouched	Sm. corps. Business location in state Lg. corps. Preserves present standard as codified in P.L. 86-272	All corps. Business location in State	All corps. Business location in State or political subdivision
c) Gross Receipts Taxes	All corps. Leaves present "doing business" standard untouched	All corps. Leaves present "doing business" standard untouched	Sm. corps. Business location in State Lg. corps. Preserves present standard as codified in P.L. 86-272	All corps. Business location in State	All corps. Business location in State or political subdivision
d) Sales and Use Taxes	No provision. Leaves MTC standard untouched	Business location or regular solicitation by sales representatives or regular deliveries or by reciprocal agreement between contiguous states	Business location or regular household[1] deliveries in State, or by reciprocal agreement between States	Business location or regular household[1] deliveries in State, or by reciprocal agreement between States	Business location or regular household[1] deliveries in State, or by reciprocal agreement between States
II. Provisions for Attribution of Income					
a) Apportionment Formula	All corps. 3 factors (each with equal weight): Property, payroll and sales (on conditional destination basis)[2] Optional to taxpayer	All corps. 3 factors (each with equal weight) property, payroll and sales (on conditional destination basis)[2] Optional to corporation. Factors with negligible denominators[3] are eliminated	Sm. corps. 2 factors (each with equal weight) property, payroll. Optional to corporation. Factors with zero denominators are eliminated. Lg. corps. No provision	Sm. corps. 2 factors (each with equal weight), property, payroll. Optional to corporation. Factors with zero denominators are eliminated Lg. corps. No provision	All corps. 3 factors (each with equal weight) property, payroll and sales (unconditional destination basis). Factors with zero denominators are eliminated
b) Dividends from Affiliated Corporations	UDITPA. Those dividends which qualify as business income are apportioned; all others are allocated to commercial domicile[5]	Exempts dividends from 80% owned affiliates; all others allocated to commercial domicile[5]	"as determined under State law . . ."	"as determined under State law	Exempts dividends from "50% or more" owned corporations and those from foreign sources; all other allocated to commercial domicile[7]
c) Business vs. Non business Income	UDITPA[4] Apportions business income; allocates non-business income[5]	Treats all corporate income as apportionable "business income; but see above for treatment of dividends	No provision	No provision	Apportions business income; allocates non-business income[7]
d) Foreign Source Income	No provision	Exempts that foreign income which, under IRC Sec. 951 (a) (1), is taxed as constructive income for federal tax purposes	No provision	No provision	Exempts foreign income as defined by 1954 IRC, as amended
e) Combined Reports or Consolidated Returns	No provision	Any State may require and any member of affiliated group may request determination of apportioned income by reference to combined income of all members of the affiliated group[6]	No provision	Limited to corporations and affiliates "with a business location in the State . . ."	Permits members of affiliated group to combine "if necessary to clearly reflect taxpayer's income properly apportionable to the State . . ."

III. Sales and Use Taxes					
a) Interstate Seller Required to Collect Sales and Use Taxes	Collection prescribed if seller subject to State's jurisdiction under provisions of each Bill at line I(d) above				
b) Credit vs. Use Tax for Sales and Use Taxes on Same Transaction, Same Property, Same Person	Prescribed for "legally imposed sales or use taxes paid" to another State	Prescribed where other State's sales or use tax has been "previously incurred and paid" [8]	Prescribed where other State's sales or use tax has been "previously paid" [8]	Prescribed where other State's sales or use tax has been "previously paid" [8]	Prescribed where other State's sales or use tax has been "previously incurred and paid" [8]
c) Out-of-State Seller Exempt on Sales into State if:	Seller accepts in good faith purchaser's written evidence of exemption	Purchaser supplies written evidence of exemption	Purchaser supplies 1) registration number, or 2) written evidence of exemption	Purchaser supplies 1) registration number, or 2) written evidence of exemption	Purchaser supplies written evidence of exemption
d) Freight Charges on Interstate Sales	No provision	Exempt if separately stated [9]	Exempt if separately stated	Exempt if separately stated	Exempt if separately stated [9]
e) Classification by Seller of Interstate Sales for Local Sales and Use Tax Purposes	No provision	Required only where seller has business location in or regularly makes deliveries into the local taxing jurisdiction	Required only where seller has business location in or regularly makes household [10] deliveries into the local taxing jurisdiction	Required only where seller has business location in or regularly makes household [10] deliveries into the local taxing jurisdiction	Required only where seller has business location in or regularly makes deliveries into the local taxing jurisdiction
IV. Income of Individual Taxable by State or Political Subdivision	Congressional salary taxable only in district represented	No provision	a) If domiciled: only during period of domicile, or b) If not domiciled: only if earned within the taxing jurisdiction	No provision	No provision
V. Consent to Compact	Confers congressional consent on current Multistate Tax Compact. Voting rights to both regular and associate member states. Votes require majority of both members and population [11]	Confers congressional consent on current Multistate Tax Compact subject to changes indicated in Attribution of Income provisions indicated in II above	No provision	No provision	No provision

Caveat: While this chart attempts to make a meaningful comparison of the various Bills, it is not definitive. Also, in some instances, serious technical drafting difficulties exist. For example, S. 3333's definition of affiliated corporations at Section 505(a) would appear to preclude, although inadvertantly, that combination and consolidation which this Bill contemplates.

[1] Note that H.R. 1538, S. 317 and S. 4080, unlike the other Bills, restrict deliveries to "household" deliveries. Regular deliveries to business establishments would not subject the out-of-state seller to in-state jurisdiction under these Bills. But see footnote 10 regarding jurisdiction of political subdivisions in similar situation.

[2] Provides that sales are attributed to destination provided that taxpayer is subject to taxing jurisdiction of destination State for income tax purposes. If such jurisdiction exists, sales go to destination State even if that State does not tax income. (Only Nevada, South Dakota, Texas, Washington and Wyoming impose no tax on corporate income.)

[3] A negligible denominator is defined as one which is less than 10% of one third of the corporation's net income in amount.

[4] Uniform Division of Income for Tax Purposes Act

[5] A major point of dispute involves the question of whether dividends are includible as apportionable business income. Multistate Tax Commission member States and several other States maintain that they constitute business income and should be apportioned. Most business representatives argue that they should be treated as non business income allocable to the State of commercial domicile or, alternatively, that they should be totally exempted.

[6] Excludes affiliates which are Western Hemisphere Trade Corporations, possessions companies or affiliates deriving more than 90% of their income from foreign sources. (Corporations are affiliated if 80% commonly owned or if subsidiary is 80% owned by parent.)

[7] Permits filing of consolidated returns by all 50% owned affiliates having business locations in the State. Prohibits State from requiring combination or consolidation unless it can prove that "a material distortion of income apportioned to the State" has been caused by "non arm's length transactions." Even then may not combine or consolidate affiliates which are foreign corporations or more than 50% of whose income is dividends and foreign source income.

[8] Provides refunds from second State where prior liability to first State is paid subsequent to payment to second State.

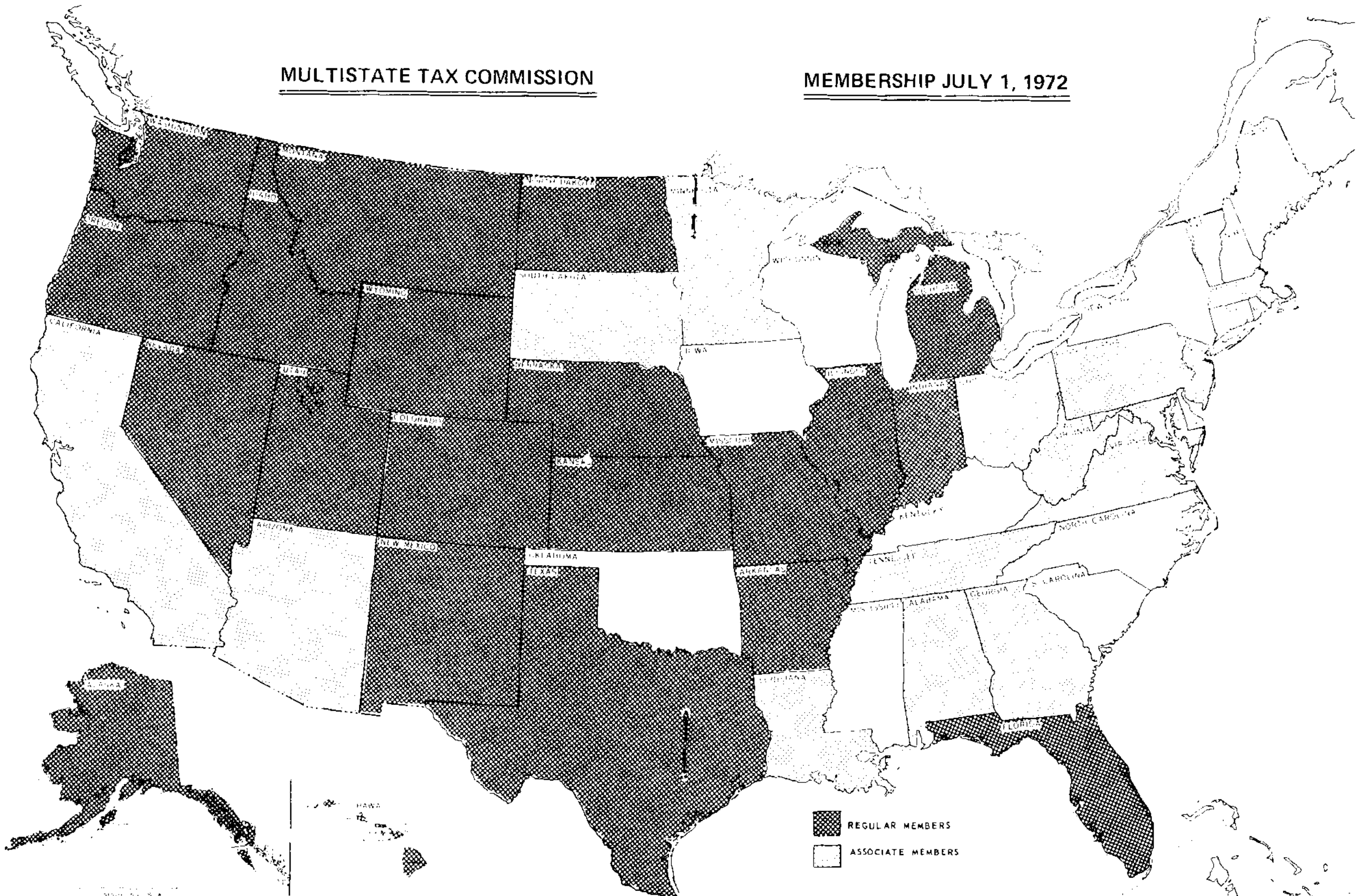
[9] If seller's facilities deliver, attributable charge must be reasonable.

[10] Note that H.R. 1538 and S. 317 apply the "household" deliveries jurisdictional standard to political subdivisions; whereas S. 4080 does not.

[11] Any regulation, when adopted by MTC, becomes binding upon each and every state which does not affirmatively reject it within 180 days.

N.B. A bill has also been introduced pertaining solely to sales and use taxes. This is H.R. 4267, known as the Talcott-Tunney Bill. It validates the Multistate Tax Commission jurisdiction standard for sales and use tax purposes, and it provides for reciprocal agreements between contiguous states. All of its other provisions are essentially the same as the sales and use tax provisions of the Ad Hoc Bill.

MULTISTATE TAX COMMISSION MEMBERSHIP JULY 1, 1972



Nevertheless, the proposal should be taken as evidence of Congress' desire to reduce non-uniformity among the states and to reduce complicance burdens. Key congressional personnel have indicated similar concern in other fields of state taxation, including corporate income taxation.

These considerations lend added weight to the efforts of the Multistate Tax Commission to promote uniformity and equity and to reduce compliance burdens through voluntary state efforts. All states have a vested interest in the success of the Multistate Tax Commission's program. Upon it may depend the survival of the states as sovereign entities in substantial control of their own revenues.

VIII. LITIGATION

As anticipated, although some corporations have favored the joint audits, the pursuit of the joint audit program by the Multistate Tax Commission has met with resistance from some other corporate taxpayers.

A tax audit necessarily involves an adversary type of situation. The purpose of such an audit is to determine whether the taxpayer has reported and paid the proper tax to each state.

An important feature of a joint audit is that the auditor examines the books and records for several states at the same time. This affords him a much broader range in which to check the accuracy of information presented to him with respect to any one state.

A Multistate Tax Commission auditor is assigned the task of checking the corporations' records for each state participating in the audit. Thus, it is his job to enhance the enforcement of the tax laws of each of those states. The more states participating in an audit, the more effective is the joint audit.

The Multistate Tax Commission stands as the only organization which has a vested interest in seeing that every member state receives its proper share of taxes through good tax administration.

Nevertheless, the "divide-and-conquer" philosophy still prevails among a few corporations with regard to joint auditing. Those which are most concerned to preserve it are undoubtedly the ones which have the greatest potential tax liability in danger of discovery by the states.

The Multistate Tax Commission has been named party to a lawsuit dealing with the joint audit program. Four of the nation's largest corporations filed suit against the Multistate Tax Commission August 8, 1972. The lawsuit seeks to dissolve the MTC on the basis of an allegation that the Multistate Tax Compact is unconstitutional. Success in this effort would impede state efforts to improve their collective ability to administer their tax statutes uniformly and effectively with respect to multi-corporate businesses, and would hinder their program aimed at producing results which are fair to all corporations, large and small, multi-state or single-state in nature.

The suit in question was filed in United States District Court for the Southern District of New York by United States Steel Corporation, Standard Brands Incorporated, General Mills, Inc., and the Procter & Gamble Distributing Company, against the Multistate Tax Commission, its Executive Director and the Tax Administrators of its 21 member states. The file number of the suit is 72 Civ. 3438. The first court activity in the case is expected to take place sometime in December of 1972, when the Multistate Tax Commission will move to dismiss the suit.

Earlier in the year, the Multistate Tax Commission itself had initiated litigation. The purpose was to compel a taxpayer to submit to a Sales and Use Tax joint audit which several states had requested the Multistate Tax Commission to make. The suit was filed on behalf of those states and the Multistate Tax Commission by The Attorney General of Washington State against Hertz Corporation in the Superior Court of the State of Washington, County of Thurston, on July 10, 1972. The file number of that case is 116573. That case is still pending.

During the year, the Multistate Tax Commission also filed Amicus Curiae briefs on behalf of the respective states in four cases on appeal before the U.S. Supreme Court.

The first case was that of Heublein, Inc. v. South Carolina Tax Commission, No. 71-879. The legal question was whether the taxpayer had subjected itself to corporate income tax liability within the state solely by performing certain activities there which were required by the Alcoholic Beverage Control Law of the state. The Multistate Tax Commission brief maintained that the answer should be affirmative.

The other three cases involved Indians. The question was whether or not the state had authority to impose its tax upon the activity of the Indians in question. *The Multistate Tax Commission filed a composite brief applicable to all three* cases. That brief maintained that the taxing power of the state was applicable in each case.

The three cases were: Mescalero Apache Tribe v. New Mexico Bureau of Revenue, No. 71-738; Rosalind McClanahan v. Arizona State Tax Commission, No. 71-834; and Leonard Tonasket v. State of Washington, No. 71-1031.

IX. CONCLUSION

The Multistate Tax Commission is entering its most critical phase. Success for the Multistate Tax Commission in the U. S. Steel litigation is of the utmost importance to its future. I believe that the courts will hold that the Multistate Tax Compact is valid without Congressional consent, as some state Attorneys General have already ruled. This would clear the way for a major breakthrough in the joint effort of the member states to achieve the benefits of full cooperation. The joint audit program of the Multistate Tax Commission is the springboard for that cooperation and those benefits. That program is moving forward steadily as the states become more familiar with it, better understand its various aspects, and participate more fully in it.

Other efforts of the Multistate Tax Commission include the providing of the benefits of expertise in various fields such as tax administration education, litigation, and development of uniform regulations. This enables the individual states to benefit from the accumulated knowledge and experience of all.

The Multistate Tax Commission focuses on the problems of all states and all taxpayers. More important, it takes action on their behalf. That is its distinction and its unique contribution to the ultimate success of the federal system in the field of interstate taxation.

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	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
Alaska	July 1, 1970
Indiana	July 1, 1971

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

* 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.

COMMENTARY BY RETIRING CHAIRMAN CHARLES H. MACK

June 9, 1972

"All of us as individual tax administrators, and the Commission itself, can only profit from the addition of the expertise and participation of every tax administrator in this country. We all look forward to the day when every state has enacted the Multistate Tax Compact and is taking full advantage of all of the opportunities which the Multistate Tax Commission offers."

"The Commission has had the benefit of association with and assistance from a number of representatives from large business firms who are national leaders in their field. They have contributed to the functioning of the Commission. The Commission in turn has contributed to making it easier for them to comply with the tax laws of the various states."

"The MTC approach is the right approach and the effective approach."

MULTISTATE TAX COMMISSION

COMMITTEES

ATTORNEY COORDINATION COMMITTEE

JAMES D. WINTER, Arizona, CHAIRMAN

- Sigmund Aaronson, Texas
- Edward S. Bell, Montana
- J. H. Broadhurst, Texas
- Morris S. Bromberg, Illinois
- Calvin Campbell, Illinois
- Louis Del Duca, Pennsylvania
- Theodore W. de Looze, Oregon
- William Dexter, Washington
- A. D. Doyle, Alaska
- John Gautney, Arkansas
- R. G. Hamlin, California
- William L. Harris, Jr., Kansas
- Al Hausauer, North Dakota
- T. Bruce Honda, Hawaii
- Bruce Hughes, Texas
- Kenneth Jakes, North Dakota
- Lewis A. Jones, Texas
- F. Kent Kalb, Nebraska
- Wardlow Lane, Texas
- Harold Leib, New Jersey
- David Lewis, Arkansas
- Timothy Malone, Washington
- Robert L. Miller, Idaho
- Richard R. Nacy, Jr., Missouri
- Charles Otterman, California
- John Owens, New Mexico
- Peyton Parker, Louisiana
- William Peters, Nebraska
- Richard Roesch, Michigan
- Gerald Rohrer, Illinois
- Robert L. Royer, Louisiana
- David B. Sarver, Illinois
- William S. Scovill, Illinois
- Nancy Sullivan, Nebraska
- James R. Willis, Colorado
- William Wooten, West Virginia

INCOME TAX COMMITTEE

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

Business Resource Members:
- J. J. Bischoff, Trans World Airlines, Inc.
- Roland Bixler, J-B-T Instruments
- John Brundage, Lybrand, Ross Bros, & Montgomery
- *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

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- Boyd W. Boner, Kansas
- Gerald Foster, Montana
- F. Nolan Humphrey, Arkansas
- Howard Johnson, Indiana
- James McBride, Nebraska
- Harvey McNutt, Wyoming
- Frank Medlin, Idaho
- Tracy Neese, Illinois
- Robert Nelson, Michigan
- Tomotaru Ogai, Hawaii
- Oscar Quoidbach, Oregon
- Wesley Wilber, New Mexico
- Chester Zawislak, Michigan

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- Nick Ciccarella, West Virginia
- Theodore Koetz, Ohio
- Edward Landerkin, New Jersey
- Harold Leib, New Jersey
- Robert Nunes, California
- Norman Schmitt, Ohio

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JAMES HAMILTON, California, CO-CHAIRMAN
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- Owen L. Clarke, Massachusetts
- Theodore W. de Looze, Oregon
- William Dexter, Washington
- Theodore Koetz, Ohio
- David B. Sarver, Illinois

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- Frank Beckwith, Colorado
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- 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
- Wardlow Lane, Texas
- Robert Miller, Idaho
- William Reed, Kentucky
- Melvin Soong, Hawaii
- Donald Swepston, Ohio
- Gerritt Van Coevering, Michigan

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- Jay Allen, Melville Shoe
- James Devitt, Montgomery Ward
- Paul Jones, Bell & Howell
- Steve McKessy, Lybrand, Ross Bros. & Montgomery
- James Peters, American Tel & Tel
- Frank Roberts, Pillsbury, Madison & Sutro
- Marvin Rosenblum, Gulf + Western Industries
- James Smith, Sears, Roebuck & Company
- Carl Straub, Morrison-Knudsen
- Dennis Tischler, TRW Inc.
- John Werner, Chicago Bridge & Iron

SALES & USE TAX COMMITTEE

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- Stuart Connock, Virginia
- R. Earl Franz, Minnesota
- Sidney Glaser, New Jersey
- Chandler Hewell, Georgia
- Ben C. Holdereid, Michigan
- Bruce Hughes, Texas
- Lewis Jones, Texas
- Richard Lee, Hawaii
- Ewing H. Little, Idaho
- E. S. MacClean, Wyoming
- William Miller, West Virginia
- Harry O'Riley, Kansas
- Charles H. Otterman, California
- Homer Ross, Idaho
- Clyde L. Scott, Nevada
- Norman W. Schmitt, Ohio
- S. Ed Tveden, Washington
- Brian L. Wolfberg, Illinois

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

APPORTIONMENT OF 1971-1972 BUDGET

State	*Revenues Under Compact	% of Total	**Apportioned Share of 10%	**Apportioned Share of 90%	Total Share of 1972-1973 Budget
Alaska	$ 47,158,050.	.4782	$ 1,000.	$ 899.00	$ 1,899.00
Arkansas	188,445,866.	1.9111	1,000.	3,592.87	4,592.87
Colorado	330,102,932.	3.3476	1,000.	6,293.49	7,293.49
Florida	783,959,842.	7.9502	1,000.	14,946.37	15,946.37
Hawaii	306,350,731.	3.1067	1,000.	5,840.60	6,840.60
Idaho	109,417,628.	1.1096	1,000.	2,086.05	3,086.05
Illinois	2,262,934,016.	22.9486	1,000.	43,143.37	44,143.37
Indiana	590,139,500.	5.9847	1,000.	11,251.23	12,251.23
Kansas	292,241,115.	2.9637	1,000.	5,571.75	6,571.75
Michigan	1,639,592,593.	16.6273	1,000.	31,259.32	32,259.32
Missouri	507,470,194.	5.1463	1,000.	9,675.04	10,675.04
Montana	51,927,223.	.5266	1,000.	990.00	1,990.00
Nebraska	166,246,954.	1.6859	1,000.	3,169.49	4,169.49
Nevada	60,052,511.	.6090	1,000.	1,144.92	2,144.92
New Mexico	164,087,407.	1.6640	1,000.	3,128.32	4,128.32
North Dakota	73,329,832.	.7436	1,000.	1,398.00	2,398.00
Oregon	272,965,000.	2.7682	1,000.	5,204.21	6,204.21
Texas	1,125,681,328.	11.4156	1,000.	21,461.33	22,461.33
Utah	186,892,417.	1.8953	1,000.	3,563.16	4,563.16
Washington	667,795,000.	6.7722	1,000.	12,731.75	13,731.75
Wyoming	34,075,427.	.3456	1,000.	649.73	1,649.73
Totals	$9,860,865,566.	100.0000	$21,000.	$188,000.00	$209,000.00

*For fiscal year ending June 30, 1971
**10% in equal shares; 90% on basis of tax revenue.

BUDGET PERFORMANCE REPORT

For Fiscal Year

July 1, 1971 – June 30, 1972

	Budget	*Actual*	*Actual Over (Under) Budget*
Payroll	$150,000.00	$127,833.91	$ (22,166.09)
Employees' Insurance	5,250.00	3,923.84	(1,326.16)
Employees' Retirement	21,000.00	17,782.82	(3,217.18)
Staff Travel	31,000.00	22,612.25	(8,387.75)
Commission Members' Travel	4,000.00	2,627.91	(1,372.09)
Relocation Expenses	3,250.00	1,540.23	(1,709.77)
Other Travel Expenses	1,000.00	1,761.11	761.11
Bonds & Insurance	300.00	340.00	40.00
Office Rental	14,000.00	12,265.00	(1,735.00)
Office Supplies & Expenses	5,000.00	2,902.99	(2,097.01)
Freight & Postage	7,000.00	3,872.67	(3,127.33)
Printing & Duplicating	13,000.00	9,488.26	(3,511.74)
Telephone & Telegraph	7,500.00	10,251.31	2,751.31
Books & Periodicals	3,500.00	3,289.70	(210.30)
Advertising	1,000.00	115.51	(884.49)
Miscellaneous	1,500.00	1,660.01	160.01
Conferences & Committee Meetings or Hearings	2,000.00	3,630.71	1,630.71
Professional Fees & Other Contract Services Including Electronic Data Processing	4,200.00	2,426.00	(1,774.00)
Office Furniture	2,000.00	1,465.71	(534.29)
Office Equipment	2,000.00	938.25	(1,061.75)
Contingency Account	14,500.00	–0–	(14,500.00)
TOTALS	$293,000.00	$230,728.19	$ (62,271.81)

PLANNED BUDGETS

FOR

FISCAL 1973 AND 1974

	1972-73	*1973-74*
Payroll	$145,000.00	$145,000.00
Employees' Insurance	5,000.00	5,000.00
Employees' Retirement	20,300.00	20,300.00
Staff Travel	24,500.00	24,500.00
Commission Members' Travel	4,300.00	4,300.00
Relocation Expenses	3,000.00	3,000.00
Other Travel Expenses	1,500.00	1,500.00
Bonds & Insurance	300.00	300.00
Office Rental	14,000.00	14,000.00
Office Supplies & Expenses	5,000.00	5,000.00
Freight & Postage	5,000.00	5,000.00
Printing & Duplicating	6,000.00	6,000.00
Telephone & Telegraph	10,000.00	10,000.00
Books & Periodicals	3,500.00	3,500.00
Advertising	1,000.00	1,000.00
Miscellaneous	1,500.00	1,500.00
Conferences & Committee Meetings or Hearings	1,000.00	1,000.00
Professional Fees & Other Contract Services including Electronic Data Processing	1,100.00	1,100.00
Office Furniture	1,000.00	1,000.00
Office Equipment	1,000.00	1,000.00
Contingency Account	13,000.00	13,000.00
TOTALS	$269,000.00	$269,000.00

JOHN M. BYRNE & COMPANY

METROPOLITAN BUILDING SUITE 560 DENVER, COLORADO 80202 303/892-1841

July 28, 1972

Multistate Tax Commission
1909 26th Street
Boulder, Colorado

Gentlemen:

We have examined the balance sheet of Multistate Tax Commission at June 30, 1972, 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, 1972, 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, 1972

ASSETS (Note 1)

Current Assets:		
Cash		$ 52,812
Certificates of Deposit		100,000
Assessments Receivable		13,771
Total Current Assets		166,583
Fixed Assets (Note 2):		
Office Furniture and Equipment	$15,808	
Less: Accumulated Depreciation	3,857	
Total Fixed Assets		11,951
Other Assets:		
Prepaid Withholding Tax	211	
Expense Account Advances, Employees	800	
Deposits (Note 3)	1,240	
Prepaid Pension Plan Costs (Note 4)	15,785	
Total Other Assets		18,036
Total Assets		$196,570

Liabilities and Fund Balance (Note 1)

Current Liabilities:		
Accounts Payable		$ 988
Accrued Retirement (Note 4)		3,035
Prepaid Assessments		3,750
Total Current Liabilities		7,773
Fund Balance:		
Investment in Fixed Assets (Net) (Note 3)	$11,262	
Reserve for Employees' Retirement (Note 4)	15,877	
Reserve for Prepaid Assessment	*15,000*	
Reserve for Contingencies	85,000	
Unappropriated Fund Balance	61,658	
Total Fund Balance		188,797
Total Liabilities and Fund Balance		$196,570

Accompanying Notes to Financial Statements are an integral part of this statement.

MULTISTATE TAX COMMISSION

Statement of Revenue and Incurred Expense
For the Year Ended June 30, 1972

Revenue:		
Assessments, Member States		$209,000
Interest:		
United States Treasury Bills	$ 1,857	
Certificates of Deposit	9,384	
Total Interest		11,241
Total Revenue		220,241
Incurred Expense:		
Salaries	$127,834	
Retirement (Note 4)	7,569	
Employees' Insurance	3,924	
Pension Plan (Note 4)	10,758	
Staff Travel	22,612	
Commission Members Travel	2,628	
Relocation Expense	3,301	
Bonds and Insurance	340	
Office Rent	12,265	
Office Supplies	2,903	
Postage and Freight	3,873	
Printing	9,488	
Telephone and Telegraph	10,251	
Books and Periodicals	3,290	
Advertising	115	
Miscellaneous	1,660	
Conferences, Committee Meetings and Hearings	3,631	
Accounting Fees	1,825	
Other Contract Services	601	
Depreciation (Note 2)	1,715	
Total Incurred Expense		230,583
Excess of Incurred Expense Over Revenue		($ 10,342)

Accompanying Notes to Financial Statements are an integral part of this statement.

MULTISTATE TAX COMMISSION
Statement of Source and Application of Cash Funds
For the Year Ended June 30, 1972

Source of Cash Funds:		
Operations, Excess of Incurred Expense Over Revenue		($ 10,342)
Add (Income) Expense Not Employing Cash Funds:		
Recognition of Prepaid Assessment		(5,890)
Depreciation (Note 2)		1,715
Total from Operations		(14,517)
Cost of United States Treasury Bills Matured and Sold		58,143
Certificates of Deposit Matured		350,000
Increase in Prepaid Assessments		3,750
Increase in Accrued Retirement (Note 4)		3,035
Total Source of Cash Funds		400,411
Application of Cash Funds:		
United States Treasury Bills Purchased	$ 19,313	
Certificates of Deposit Purchased	310,000	
Purchase of Office Furniture and Equipment	2,404	
Advance Office Rental Deposits	500	
Employees' Expense Account Advances	500	
Contribution to Employees' Pension Plan In Excess of Current Cost (Note 4)	15,785	
Decrease in Withheld Payroll Taxes Payable	2,134	
Increase in Assessments Receivable	13,771	
Decrease in Accounts Payable	3,464	
Total Application of Cash Funds		367,871
Excess of Source of Cash Funds Over Application of Cash Funds		32,540
Cash Balance, June 30, 1971		20,272
Cash Balance, June 30, 1972		$ 52,812

Accompanying Notes to Financial Statements are an integral part of this statement.

MULTISTATE TAX COMMISSION
Statement of Changes in Fund Balances
For the Year Ended June 30, 1972

	Reserve for Employees' Retirement	*Reserve for Prepaid Assessment*	*Reserve for Contingencies*	*Unappropriated Fund Balance*
Balance, June 30, 1971	$15,877	$20,890	$85,000	$72,000
Deduct:				
Portion of Prepaid Assessment Recognized as Income		5,890		
Excess of Incurred Expense Over Revenue				10,342
Balance, June 30, 1972	$15,877	$15,000	$85,000	$61,658

Accompanying Notes to Financial Statements are an integral part of this statement.

MULTISTATE TAX COMMISSION

Notes to Financial Statements
June 30, 1972

NOTE 1:

The Commission has adopted the accrual method of accounting.

Inasmuch as the Commission members are representatives of state taxing agencies, the Commission has considered itself a tax exempt organization. The Commission is currently preparing an application for exemption to be submitted to the Internal Revenue Service.

NOTE 2:

At June 30, 1971, upon adoption of a modified 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. Fixed assets, at cost less accumulated depreciation, amounted to $11,262 at that date.

Depreciation for the year ended June 30, 1972, calculated under the straight-line method amounted to $1,715.

NOTE 3:

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 $815 at June 30, 1972.

Other deposits amounting to $425 are airline travel deposits.

NOTE 4:

The Commission adopted a pension plan during the year ended June 30, 1972, covering substantially all of its full time employees. Total pension expense for the year amounted to $10,758 including amortization of past service cost of $18,300 over a period of twenty years. Although the final reports from the actuary have not been received, pension expense is based upon preliminary figures received from the actuary in connection with contribution requirements for the year ending June 30, 1973. Total pension plan payments for the year amounted to $26,543 of which the actuary has considered $16,700 to be applicable toward funding of past service cost, resulting in funding all except $1,600 of past service cost.

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 upon their return to full time state employment. Expense for this purpose amounted to $7,569 for the year ended June 30, 1972, including as accrued liability of $3,035 on behalf of those employees continuing on leave of absence at June 30, 1972.