MULTISTATE TAX COMMISSION

Twenty-First Annual Report

1987-1988

For the fiscal year of

July 1, 1987 - June 30, 1988

CONTENTS

The Multistate Tax Commission: An Introduction and Overview

The Multistate Tax Commission is an organization of states created for the purpose of bringing some order to the state taxation of multistate businesses. Recognizing both the confusion to taxpayers and the dangers of federal preemption created by the then-current plethora of state laws and practices, the Multistate Tax Compact was developed in 1966 as a means by which to develop alternative approaches. Activated in 1967, the Commission has nineteen members, including the District of Columbia; another ten states have been granted associate membership at their request.

The purposes of the Commission are stated in the Compact: to facilitate proper determination of state and local tax liability of multistate taxpayers, to promote uniformity or compatibility of tax systems, to facilitate taxpayer convenience and compliance, and to avoid duplicative taxation. The Commission acts as a resource to those ends through research and publication, seminars, litigation, and the conducting of a joint audit program, and through representation of member state interests in Washington, D.C.

States join the Commission by enacting the Multistate Tax Compact, which incorporates the Uniform Division of Income for Tax Purposes Act (UDITPA). This act provides ground rules for apportioning income of multistate businesses to all states in which the taxpayer does business. All business income is apportioned according to a formula which takes into account the instate payroll, property, and sales of a corporation as fractions of its total payroll, property, and sales; these fractions are then averaged and the result is the percentage of a taxpayer's total income which is apportioned to that state for tax purposes. Non-business income (such as that from passive investments) is allocated to the state in which the corporate domicile is located. This simple approach (though occasionally complex in application) was designed to ensure that there would be no double taxation and no undertaxation of corporate income were all states to enact the law. To avoid double sales taxation, the Compact also includes a uniform credit provision to prevent a transaction from being taxed twice.

When a state joins the Commission, the director of its tax agency becomes that state's representative on the Commission. The full Commission meets annually, normally in July of each year; between meetings, the Commission's affairs are supervised by an Executive Committee consisting of the officers of the Commission (Chairman, Vice-Chairman, and Treasurer), and four members elected by the full Commission. Past Chairmen serve as ex officio members. The operations of the Commission are carried out by a staff headed by the Executive Director. The administrative and legal staffs are located at the headquarters office in Washington, D.C.); the Commission also maintains audit offices in Chicago, Houston, and New York City, and has a representative in Washington, D.C. Commission operations are funded by administrative dues (apportioned according to tax revenues) and audit fees from the member states.

The Commission as a Participatory Organization

The strength of the Commission rests in the participation of its members in its work. The Commission encourages voluntary cooperation among the states, and participatory decision-making is the means by which that cooperation is encouraged. The lifeblood of the Commission are the quarterly meetings of its Committees — Executive, Audit and Audit Oversight, Uniformity, Litigation, and Automation. The latter two were newly created for 1988/89. States contribute significant resources to the Commission in the form of the time of staff members at meetings and, between meetings, through research, writing and discussion on current topics being addressed by MTC committees.

The Joint Audit Program

The Commission differs from other interstate and tax organizations in that it serves as an operating arm of member states through the joint audit program. Member states pool their resources to select candidates for corporation income, sales and use, franchise and gross receipts tax audits. The MTC audit staff members perform these audits just as though they were part of a state's own audit staff, forwarding their findings and recommendations to the member states for assessment and collection at the completion of the audit. A single MTC audit takes the place of separate and duplicative audits by member states, and provides obvious economies of scale to the states. At the same time, it relieves the taxpayer of the burden of multiple audits. An MTC joint audit is also a vehicle for achieving uniformity among states with similar laws and regulations in the treatment of income or transactions reviewed in a particular audit.

Aside from its economies of scale and its financial benefits —in a recent four-year period the states *collected* over $15 for every $1 invested in the program— the audit program serves the Commission's goals in other ways as well. States learn of any inconsistent reporting to different states by multistate taxpayers. In cases in which settlements of disputes are negotiated, the states' position is improved by their joining together; by the same token, corporate taxpayers sometimes find it less burdensome to negotiate with one representative than with numerous individual state tax agencies. Finally, states use the program as a tool for adapting existing laws to new circumstances and industry practices that arise continuously out of our dynamic market economy. By working together through the MTC, several states can simultaneously gain experience in addressing these new circumstances and can apply that experience in their individual state audit programs.

The program is a supplement to, and not a replacement for, the audit activities of the member states. But it can offer a significant addition for a smaller state, and can provide useful support to a larger one. States maintain control of the program through selection of the audit candidates; they make the decision as to whether or not to participate in a given audit and as to whether and how to act upon the audit results. The Audit Committee and its oversight subcommittee, consisting of the audit and compliance directors of member state tax agencies, guide the program and ensure that it is responsive to member state needs.

Legal Assistance

The changing structure of our national economy has required the states to rethink various approaches to the taxation of multistate businesses. This process includes, among many things, a reevaluation of the legal bases for assertion of jurisdiction over the multistate enterprise and appropriate apportionment mechanisms. The MTC legal staff, comprised of two lawyers, is constantly applying its resources to this reevaluation and assisting the states in their efforts.

The legal staff provides legal assistance to the Commission, including its Uniformity and Legal Committees and the Joint Audit Program. It provides legal information in response to state requests and, whenever feasible, to public inquiries as well; and is generally available to assist its state membership in any way possible.

In addition, the legal staff have been involved directly in cases ranging from the state trial courts to the U.S. Supreme Court. Most often, the legal staff's role is in the preparation of *amicus curiae* briefs. Legal staff spends much of its remaining time providing seminars and workshops; and participating as speakers and discussants in various tax meetings held nationwide.

Uniformity

In order to relieve businesses of the problems of compliance with fifty-one different tax laws, the Commission is charged in the Compact with the promotion of uniformity or compatibility in tax laws. To achieve that end, the Commission has a Committee on Uniformity which studies problems and recommends possible solutions.

One of the primary approaches that the Commission has taken is the development, after a public hearing process, model uniform regulations for the adoption by its member states and any other state that wishes to do so. To date, the Commission has adopted several uniform interpretations of the apportionment and allocation provisions of the UDITPA provisions of the Compact. The Commission has adopted uniform apportionment methodologies for industries to which UDITPA does not effectively apply, e.g., railroads, airlines, trucking and contractors. In addition, the Commission has developed a sales and use tax recordkeeping rule to reduce the business community's efforts in that regard; a widely used uniform sales and use tax exemption certificate; a useful statement describing the Commission members' application of Public Law 86-272; uniform agreements for the exchange of information among the states; a statement with respect to the definitions to be accorded computer software, and the like.

The Commission's efforts underscore the ability of the states to work together to achieve certain uniformity in the complex area of state taxation of multistate businesses. Its efforts in this regard result in a lessening of taxpayers' compliance burdens' as well as a heightened awareness among state tax administrators of the benefits of working together in approaching solutions to common tax problems of both administrative and substantive nature. In this effort, the states have demonstrated that federal intervention and preemption of an important part of the state tax system is neither wise nor warranted.

Federal Policy Issues

The Commission has always strongly opposed restrictive federal legislation in matters of state taxation; such intervention contravenes the very purpose of a federal system of government. Though the Commission is perhaps best known for its defense of the states' right to use worldwide combination in the income tax area, it is important to note that this was so not only because many of the member states preferred that method, but also because all member states felt that the federal government should not, as a matter of principle, dictate to the states how they should exercise their constitutional right to tax. While several states have moved away from worldwide combination—partly as a result of their participation with the Commission in the President's Working Group on Unitary Taxation—the Commission remains firmly opposed to any federal restriction on worldwide combination, or on any other constitutional method of taxation which a state chooses to adopt.

To monitor federal developments and provide information on state views to Congress and the Executive Branch, the Commission is represented in Washington, D.C. by the firm of Rosapepe, Powers and Spanos.

The Commission is not merely committed to opposition to federal restriction, however; by its actions in the joint audit program, the work of the Uniformity Committee, the development of model laws and regulations, and the work of its educational programs and publications, the Commission aims to demonstrate that it is possible to address the problems of multistate taxation in a cooperative manner and thereby alleviate some of the problems which gave rise to the requests for federal restriction in the first instance. John Shannon, the Executive Director of the U.S. Advisory Commission on Intergovernmental Relations, has referred to the 1980s as the age of "do-it-yourself federalism". It is a matter of considerable pride to the member states that, in founding the Multistate Tax Commission and in maintaining it for nearly two decades, they have anticipated that spirit and exemplified the creative possibilities inherent in the American federal system.

Research and Education

The Commission serves as an information resource for state tax officials and the larger tax community. Commission staff conduct regular studies of major multistate tax issues, typically as an outgrowth of its' uniformity work. The MTC quarterly journal, *Multistate Tax Commission Review*, is a leading forum for the discussion of state taxation of multistate and multinational business activity. The Commission issues a variety of special publications, and answers requests for information from a variety of sources. The Commission's Annual Meeting traditionally includes a conference on major business tax issues, and it conducts more specialized conferences and workshops on a frequent basis. The Commission's work in this area will be supported beginning in FY 1988/89 by the newly created position of Director of Policy Research.

Multistate Tax Commission Officers 1988/89

Chair

M.K. Heidi Heitkamp
(North Dakota)

Vice-Chair

John James
(Minnesota)

Treasurer

Larry Looney
(Idaho)

Executive Committee

Robert Bowman
(Michigan)

Bob Bullock
(Texas)

Harold Thomas
(Dist. of Columbia)

William R. Wilkerson
(Washington)

Ex Officio

Gerald Goldberg
(California)

R.H. Hansen
(Utah)

Committees for 1988/89

Audit Oversight Committee

Jeff Miller, Chairman (Montana) to Jan. 89
Phil Aldape, Chairman (Idaho) from Jan. 89
Paul Usedom (California FTB)
Edward Many (Dist. of Columbia)
Joseph Tomczyk (Michigan)
Kim Ferrell (Utah)

Audit Committee

Jeff Miller, Chairman (Montana) to Jan. 89
Phil Aldape, Chairman (Idaho) from Jan. 89
David McClune (Alaska)
Everett Leath (Arkansas)
Paul Usedom (California)
Ted Middle (Colorado)
Edward Many (Dist. of Columbia)
Kenneth Murayama (Hawaii)
Joe E. Randall (Idaho)
Thomas J. Sheridan (Kansas)
Joseph Tomczyk (Michigan)
Lawrence D. Wilkie (Minnesota)
Gerald Buss (Nebraska)
Rudy Gallegos (New Mexico)
Harold Aldinger (North Dakota)
Cindi Chinnock (Oregon)
Ron Larson (South Dakota)
Harold Lee (Texas)
Kim Ferrell (Utah)
Ken Capek (Washington)

Automation Committee

Jack Ellery, Chairman (Montana)
Joe Randall (Idaho)
David Borzenski (Michigan)
Clyde Nichols (Utah)
Jim Knighton (Utah)
Greg Brant (Washington)

Uniformity Committee

Ken Capek, Chairman (Washington)
David McClune (Alaska)
Everett Leath (Arkansas)
Eric Coffill (California FTB)
Gary Jugum (California BOE)
Robert Nunes (California BOE)
Ted Middle (Colorado)
Edward Many (Dist. of Columbia)
Richard Chiogioji (Hawaii)
Phil Aldape (Idaho)
Joe Randall (Idaho)
Thomas J. Sheridan (Kansas)
Fred Lynch (Michigan)
Steve Krenkel (Minnesota)
Ned Lenhart (Missouri)
Gerald Foster (Montana)
Gerald Buss (Nebraska)
Manuel F. Gallegos (New Mexico)
Harold Aldinger (North Dakota)
Cindi Chinnock (Oregon)
Ron Larson (South Dakota)
Kim Ferrell (Utah)

Litigation Committee

Ben Miller, Chairman (California FTB)
David McClune (Alaska)
Timothy Leathers (Arkansas)
Gary Jugum (California BOE)
Kevin Wakayama (Hawaii)
Ted Spangler (Idaho)
Mark Burghart (Kansas)
Richard Roesch (Michigan)
Steve Krenkel (Minnesota)
Jay Welch (Missouri)
Dave Woodgerd (Montana)
Frank Katz (New Mexico)
Elizabeth Stockdale (Oregon)
Tim Weber (South Dakota)
Wate Anderson (Texas)
Leland Dever (Utah)

Staff Members

Headquarters Staff

Dan R. Bucks, Executive Director	
Paul D. Underwood, Director of Audit & Administration	(Eff. 11-01-88)
Natache Muschette, Senior Administrative Assistant	
Paull Mines, Counsel	(Eff. 04-05-89)
Michael Mazerov, Director of Policy & Research	(Eff. 06-12-89)
Gloria Carrillo, Bookeeper	(Eff. 07-05-89)
Gloria Fields, Staff Assistant	

California

Alan H. Friedman, General Counsel

Colorado

Eugene F. Corrigan, Executive Counsel (To 02-01-89)

Audit Staff

Income Tax

Gerald Birk (New York)
Emil Calleja (New York)
John Clancy (Illinois)
Paul Ezzone (New York)
Alan Hild (New York)
Leslie Lennick (Illinois)
Robert Milligan (Illinois/Texas)
Paul Mond (Texas)
Jeff Silver (New York)
Joselito Vitug (Illinois)

Sales Tax

Morris Gladstein (New York)
Michael Hnath (New York)
Morton Kotkin (New York)
Richard Mandel (New York)
Elaine Pressing (New York)
Edward Ruby (Illinois)
Frank Santonocito (Illinois)
John Walter (Illinois) (Eff. 01-16-89)

Support Staff

Edith Bishop (New York)

Consultants

James Rosapepe
Janet Gregor

Representatives of Party States of the Multistate Tax Compact

Alaska

Hugh Malone (*Member*)
Commissioner of Revenue
Department of Revenue
333 Willoughby Ave., 11th Flr.
State Office Building
Juneau, AK 99811-0400
(907)465-2300

David McClune (*Alternate*)
Revenue Audit Supervisor
Department of Revenue
2033 6th Avenue
United Airlines Bldg., Ste. 770
Seattle, WA 98121
(206)448-7815

Arkansas

Jim Pledger (*Member*)
Director
Arkansas Dept. Fin. & Admin.
509 West 7th Street
Little Rock, AR 72203-3278
(501)682-2242

Everett Leath(*Alternate*)
Administrator of Field Audit
Office Administrator
Arkansas Dept. Fin. & Admin.
7th & Wolfe Street
Little Rock, AR 72203-0919
(501)682-4616

California[1]

Cindy Rambo (*Member*)
Executive Director
Board of Equalization
1020 North Street
Sacramento, CA 95814
(916)445-3956

Gerald H. Goldberg[2] (*Member*)
Executive Officer
Franchise Tax Board
9645 Butterfield Way
Sacramento, CA 95827
(916)369-4543

Robert Bonnici (*Alternate*)
AEO, Compliance Division
9645 Butterfield Way
Sacramento, CA 95827
(916)369-4119

Colorado

John J. Tipton (*Member*)
Executive Director
Colorado Dept. of Revenue
1375 Sherman Street
Denver, CO 80261
(303)866-3091

Ted Middle (*Alternate*)
Chief Auditor
Colorado Dept. of Revenue
999 18th Street, Ste. 1025
North Tower
Denver, CO 80202
(303)294-5100

District of Columbia

Harold Thomas (*Member*)
Director of Finance & Revenue
Government of the Dist. of Columbia
Rm. 4136, Municipal Center
300 Indiana Avenue, NW
Washington, DC 20001
(202)727-6020

Edward Many (*Alternate*)
Associate Director
Government of the Dist. of Columbia
Dept. of Finance & Revenue
Rm. 3016, Municipal Center
300 Indiana Avenue, NW
Washington, DC 20001
(202)727-6019

Hawaii

Richard F. Kahle, Jr. (*Member*)
Director of Taxation
Department of Taxation
PO Box 259
Honolulu, HI 96809
(808)548-7650

Gary S. Mijo (*Alternate*)
Deputy Director of Taxation
Department of Taxation
830 Punchbowl Street, Ste. 221
Honolulu, HI 96813
(808)548-7562

Idaho

Larry Looney (*Member*)[3]
Chairman of the Commission
Dept. of Revenue & Taxation
Idaho State Tax Commission
700 West State Street
Boise, ID 83722
(208)334-7500

Phil Aldape (*Alternate*)
Bureau Chief
Dept. of Revenue & Taxation
Idaho State Tax Commission
700 West State Street
Boise, ID 83722
(208)334-7615

Kansas

Ed C. Rolfs (*Member*)[4]
Secretary of Revenue
Kansas Dept. of Revenue
Docking State Office Building
Topeka, KS 66612
(913)296-3041

John Luttjohann (*Alternate*)
Director of Taxation
Kansas Dept. of Revenue
Docking State Office Building
Topeka, KS 66625
(913)296-7928

Michigan

Robert A. Bowman (*Member*)
State Treasurer
Department of Treasury
Treasury Building
Lansing, MI 48922
(517)373-3223

Louis Duncan (*Alternate*)
Acting Revenue Commissioner
Department of Treasury
Bureau of Revenue
Treasury Building
Lansing, MI 48922
(517)373-3196

Minnesota

John James (*Member*)
Commissioner of Revenue
Department of Revenue
10 River Park Plaza
Mail Station 7100
St. Paul, MN 55146-7100
(612)297-4160

Dwight Lahti (*Alternate*)
Assistant Commissioner of
Compliance Program
Minnesota Dept. of Revenue
Mail Station 6510
St. Paul, MN 55146-6510
(612)297-2656

Missouri

Duane Benton (*Member*)
Department of Revenue
301 West High Street
Jefferson City, MO 65105
(314)751-4450

Ned Lenhart (*Alternate*)
Director, Compliance Division
Missouri Dept. of Revenue
301 West High Street
Jefferson City, MO 65105
(314)751-4816

Montana

Ken Nordvedt (*Member*)[5]
Director
Montana Dept. of Revenue
Mitchell Building
205 Roberts Street, Rm. 455
Helena, MT 59620
(406)444-2460

Gerald Foster (*Alternate*)
Administrator
Natural Resource & Corporate
Tax Division
Montana Dept. of Revenue
Mitchell Building
247 Roberts Street, Rm. 332
Helena, MT 59620
(406)444-2441

New Mexico

Gail Reese (*Member*)
Secretary
New Mexico Taxation &
Revenue
PO Box 630
Santa Fe, NM 87509-0630
(505)827-0710

Steven W. Keene (*Alternate*)
Director
Audit & Compliance Division
New Mexico Taxation &
Revenue
1200 St. Francis Drive
Manuel Lujan Bldg.
Santa Fe, NM 87509
(505)827-0900

North Dakota

M.K. Heidi Heitkamp (*Member*)
Tax Commissioner
North Dakota State Tax Dept.
State Capitol
600 East Blvd. Ave.
Bismarck, ND 58505
(701)224-2770

Arnold Burian (*Alternate*)
Deputy Tax Commission
North Dakota State Tax Dept.
State Capitol
600 East Blvd. Ave.
Bismarck, ND 58505
(701)224-2770

Oregon
Richard A. Munn *(Member)*
Director
Department of Revenue
Revenue Building
955 Center Street, NE
Salem OR 97310
(503)378-3363

Cindy Chinnock *(Alternate)*
Administrator, Audit Division
Department of Revenue
Revenue Building
955 Center Street, NE
Salem OR 97310
(503)378-3747

South Dakota
Ronald Schreiner *(Member)*
Secretary of Revenue
Department of Revenue
R.F. Kneip Building
700 Governors Drive
Pierre, SD 57501-2276
(605)773-5131

Ron Larson *(Alternate)*
Director of Audits
Department of Revenue
R.F. Kneip Building
700 Governors Drive
Pierre, SD 57501-2276
(605)773-3751

Texas
Bob Bullock *(Member)*
Comptroller of Public Accounts
LBJ State Office Building
111 E. 17th Street, Rm. 104
Austin, TX 78711
(512)463-4000

Wade Anderson *(Alternate)*
Executive Counsel to the Comptroller
Legal Services
Office of Comptroller
111 E. 17th Street
Austin, TX 78711
(512)463-4004

Utah
R.H. Hansen *(Member)*
Chairman
Utah State Tax Commission
Heber M. Wells Building
160 E. 300 South
Salt Lake City, UT 84134
(801)530-6088

Roger O. Tew *(Alternate)*
Utah State Tax Commission
Heber M. Wells Building
160 E. 300 South
Salt Lake City, UT 84134
(801)530-6088

Washington
William R. Wilkerson *(Member)*
Director
Washington Dept. of Revenue
415 General Admin. Bldg.
MS AX 02
Olympia, WA 98504
(206)753-5574

Ken Capek *(Alternate)*
Assistant Director
Washington Dept. of Revenue
415 General Admin. Bldg.
MS AX 02
Olympia, WA 98504
(206)753-3320

1 The Executive Secretary of the Board of Equalization represents California in MTC fiscal years beginning in odd-numbered calendar years; the Executive Officer of the Franchise Tax Board represents California in MTC fiscal years beginning in even-numbered calendar years.

2 MTC Chairman 1979-1980

3 MTC Chairman 1984-1985

4 MTC Chairman 1985-1986

5 MTC Chairman 1986-1987

Tax Administrators Associate Member States *

Alabama
James M. Sizemore, Jr.
Commissioner
Department of Revenue
64 North Union Street
Montgomery, AL 36130
(205)261-3362

Arizona
Paul Waddell
Director
Department of Revenue
Capitol Building, West Wing
1600 W. Monroe
Phoenix, AZ 85007
(602)255-3572

Georgia
Marcus E. Collins, Sr.
Commissioner
Department of Revenue
410 Trinity-Washington Bldg.
270 Washington Street
Atlanta, GA 30334
(404)656-4016

Louisiana
Arnold A. Broussard
Secretary
Dept. of Revenue & Taxation
PO Box 201
Baton Rouge, LA 70821
(504)925-7680

Maryland
Louis L. Goldstein
Comptroller of the Treasury
Goldstein Treasury Building
PO Box 466
Annapolis, MD 21404
(301)974-3801

Massachusetts
Stephen W. Kidder
Commissioner
Department of Revenue
State Office Building
100 Cambridge Street
Boston, MA 02204
(617)727-4201

New Jersey
John R. Baldwin
Director
Division of Taxation
Department of Treasury
50 Barrack Street, CN240
Trenton, NJ 08646
(609)292-5185

Ohio
Joanne Limbach
Tax Commissioner
Department of Taxation
PO Box 530
Columbus, OH 43216
(614)466-2166

Pennsylvania
Barton A. Fields
Secretary of Revenue
Department of Revenue
Strawberry Sq.- 11th Floor
Harrisburg, PA 17127
(717)783-3680

Tennessee
Charles E. Cardwell
Commissioner
Department of Revenue
Andrew Jackson State Office Bldg., Rm. 927
Nashville, TN 37242
(615)741-2461

*The Commission has made provisions for association membership in bylaw 13 as follows:
13. Association 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 enacted the Compact. This serves two purposes: (1) it permits and encourages states that feel that 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 willing 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.

Tax Administrators Non-Member States

Connecticut
Timothy F. Bannon
Commissioner
Dept. of Revenue Services
92 Farmington Avenue
Hartford, CT 06105
(203)566-7120

Delaware
Robert W. Chastant
Director of Revenue
Department of Finance
Carvel State Office Bldg.
820 N. French Street
Wilmington, DE 19801
(302)571-3315

Florida
Katie Tucker
Executive Director
Florida Dept. of Revenue
102 Carlton Building
Tallahassee, FL 32399-0100
(904)488-5050

Illinois
Roger D. Sweet
Director
Illinois Dept. of Revenue
PO Box 3681
Springfield, IL 62708
(217)785-2602

Indiana
M.F. Renner
Commissioner of Revenue
Indiana Dept. of Revenue
202 State Office Building
Indianapolis, IN 46204
(317)232-2101

Iowa
Gerald D. Bair
Director
Iowa Dept. of Revenue & Finance
Hoover State Office Bldg.
Des Moines, IA 50319
(515)281-3204

Kentucky
C. Emmett Calvert
Secretary
Revenue Cabinet
Capital Annex
Frankfort, KY 40620
(502)564-3226

Maine
John D. LaFaver
State Tax Assessor
Bureau of Taxation
State Office Building
Augusta, ME 04333
(207)289-2076

Mississippi
C.A. Marx
Chairman
Tax Commission
Woolfolk State Office Bldg.
P.O. Box 1033
Jackson, MS 39215
(601)359-1098

Nebraska
John M. Boehm
Tax Commissioner
Nebraska Dept. of Revenue
PO Box 94818
Lincoln, NE 68509-4818
(402)471-2971

Nevada
John P. Comeaux
Executive Director
Department of Taxation
Capitol Mail Complex
Carson City, NV 89710
(702)885-4892

New Hampshire
Stanley R. Arnold
Commissioner
Dept. of Revenue Admin.
61 South Spring St.
PO Box 457
Concord, NH 03301
(603)271-2191

New York
James W. Wetzler
Commissioner
Dept. of Taxation & Finance
Albank, NY 12227
(518)457-2244

North Carolina
Helen Powers
Secretary of Revenue
Department of Revenue
PO Box 25000
Raleigh, NC 27640
(919)733-7211

Oklahoma
Robert E. Anderson
Chairman
State Tax Commission
The M.C. Connors Building
2501 North Lincoln
Oklahoma City, OK 73194
(405)521-4321

Rhode Island
R. Gary Clark
Assoc. Director of Admin./Tax Administrator
Division of Taxation
289 Promenade Street
Providence, RI 02908
(401)277-3050

South Carolina
S. Hunter Howard, Jr.
Chairman
Tax Commission
Box 125
Columbia, SC 29214
(803)737-9820

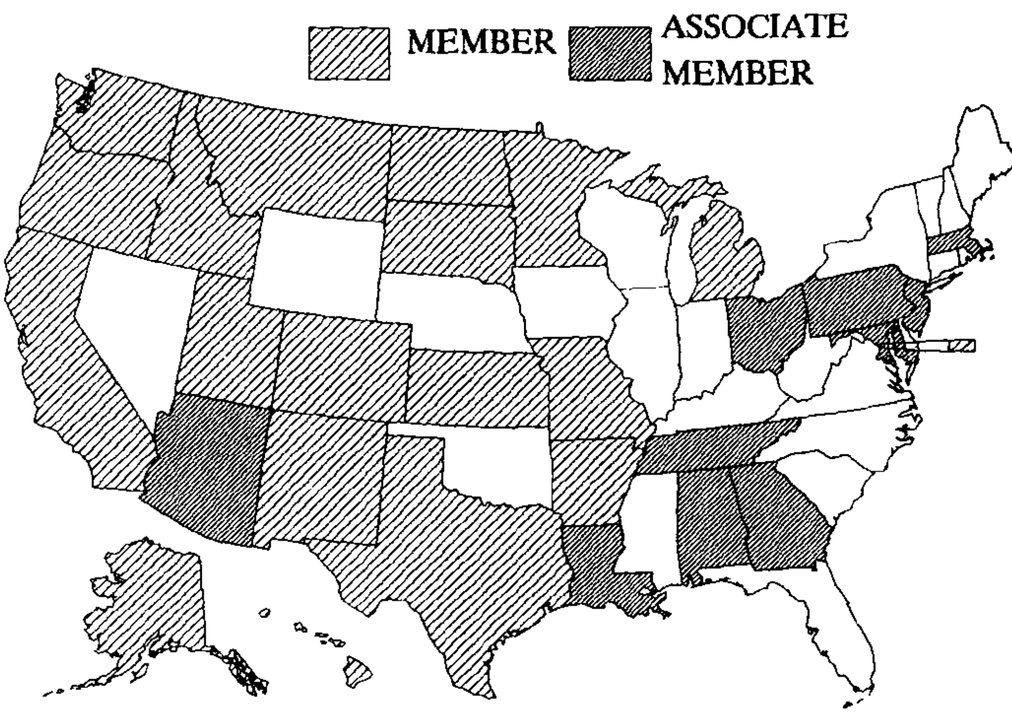
Vermont
Norris Hoyt
Commissioner of Taxes
Department of Taxes
Pavilion Office Building
Montpelier, VT 05602
(802)828-2505

Virginia
William H. Forst
Tax Commissioner
Commonwealth of Virginia
Department of Taxation
PO Box 6-L
Richmond, VA 23282
(804)257-8005

West Virginia
Charles O. Lorensen
State Tax Commissioner
State Tax Department
300-W Capitol Building
Charleston, WV 25301
(304)348-2501

Wisconsin
Mark D. Bugher
Secretary of Revenue
125 S. Webster Street
PO Box 8933
Madison, WI 53708
(608)266-1611

Wyoming
Shirley Wittler
Wyoming State Board of Equalization & State Tax Commission
122 West 25th Street
Cheyenne, WY 82002-0110
(307)777-5284



Membership as of July 1, 1989.

Compact Enactments

Member States	Effective Date	Withdrawal Date
Alaska	July 1, 1970	
Arkansas	January 1, 1968	
California	January 1, 1976	
Colorado	July 1, 1968	
District of Columbia	July 1, 1980	
Florida	August 4, 1967	June 30, 1976
Hawaii	May 7, 1968	
Idaho	April 10, 1968	
Illinois	August 4, 1967	August 29, 1975
Indiana	July 1, 1971	June 30, 1977
Kansas	August 4, 1967	
Michigan	July 1, 1970	
Minnesota	July 1, 1982	
Missouri	October 13, 1967	
Montana	July 1, 1969	
Nebraska	October 23, 1967	June 30, 1985
Nevada	August 4, 1967	June 30, 1981
New Mexico	August 4, 1967	
North Dakota	July 1, 1969	
Oregon	September 13, 1967	
South Dakota	July 1, 1967	
Texas	August 4, 1967	
Utah	May 13, 1969	
Washington	August 4, 1967	
West Virginia	July 1, 1980	June 30, 1985
Wyoming	January 24, 1969	May 27, 1977

Compact Enactments

Associate Member States	Effective Date	Withdrawal Date
Alabama*	October 17, 1967	
Alaska	June 7, 1968	To Full Member
Arizona	June 7, 1968	
Arkansas	October 17, 1967	To Full Member
California	January 23, 1968	To Full Member
Colorado	January 23, 1968	To Full Member
Georgia	June 11, 1971	
Hawaii	January 23, 1968	To Full Member
Idaho	October 17, 1967	To Full Member
Indiana	January 23, 1968	To Full Member
Louisiana	October 27, 1969	
Maryland	July 27, 1970	
Massachusetts	January 23, 1968	
Michigan	November 19, 1968	To Full Member
Minnesota	January 26, 1971	To Full Member
Montana	January 23, 1968	To Full Member
New Jersey	October 14, 1970	
New York	October 27, 1969	March 9, 1971
North Dakota	January 23, 1968	To Full Member
Ohio	June 11, 1971	
Oklahoma	June 25, 1964	March 1, 1977
Pennsylvania	January 23, 1968	
South Dakota	October 27, 1969	To Full Member
Tennessee	June 20, 1969	
Utah	January 23, 1968	To Full Member
Virginia	October 27, 1969	FY 75/76
West Virginia	June 7, 1968	To Full Member
Wyoming	October 17, 1967	To Full Member

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

Multistate Tax Commission
Report of Certified Public Accountant

Balance Sheet

Executive Committee
Multistate Tax Commission
Boulder, Colorado

We have audited the accompanying balance sheets of Multistate Tax Commission as of June 30, 1988 and 1987, and the related statements of revenues and expenses, and changes in fund balance and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Multistate Tax Commission as of June 30, 1988 and 1987, and the results of its operations and changes in fund balance, and changes in financial position for the years then ended in conformity with generally accepted accounting principles.

Rhode, Scripter & Associates

December 7, 1988

MULTISTATE TAX COMMISSION

BALANCE SHEETS
June 30, 1988 and 1987

ASSETS

	1988	1987
CURRENT ASSETS		
Cash (including certificates of deposit of $600,000 and $450,000 in 1988 and 1987, respectively)	$ 932,746	$ 837,141
Accounts receivable--members	33,754	155,293
Accounts receivable--other	1,574	---
Accrued interest receivable	14,601	9,444
Investments	268,189	253,689
Prepaid insurance	147	6,723
TOTAL CURRENT ASSETS	1,251,011	1,262,290
PROPERTY AND EQUIPMENT--Note 3		
Office furniture and equipment	275,982	254,113
Leasehold improvements	2,235	2,235
	278,217	256,348
Less: Accumulated depreciation and amortization	211,104	177,152
TOTAL PROPERTY AND EQUIPMENT	67,113	79,196
OTHER ASSETS		
Expense account advances	4,050	3,250
Deposits	3,309	3,081
TOTAL OTHER ASSETS	7,359	6,331
TOTAL ASSETS	$1,325,483	$1,347,817

Exhibit A

LIABILITIES AND FUND BALANCE

	1988	1987
CURRENT LIABILITIES		
Accounts payable	$ 48,090	$ 34,478
Payroll taxes payable	2,602	2,259
Accrued vacation pay	83,252	83,043
Accrued pension plan contributions--Note 2	9,768	9,691
Deferred assessments and audit reimbursements	141,928	280,120
Escrow funds	50,358	---
Current portion of long-term debt	2,273	11,494
TOTAL CURRENT LIABILITIES........................	338,271	421,085
LONG-TERM DEBT		
Note payable--Note 3	3,598	38,556
Less: Current portion	2,273	11,494
TOTAL LONG-TERM DEBT..............................	1,325	27,062
TOTAL LIABILITIES	339,596	448,147
COMMITMENTS AND CONTINGENCIES--Note 4		
FUND BALANCE		
Unappropriated	668,550	482,532
Appropriated--Note 5	237,402	277,444
Restricted--Note 6	79,935	139,694
TOTAL FUND BALANCE................................	985,887	899,670
TOTAL LIABILITIES AND FUND BALANCE...............	$1,325,483	$1,347,817

Exhibit B

MULTISTATE TAX COMMISSION

STATEMENTS OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCE
For the years ended June 30, 1988 and 1987

	UNAPPROPRIATED FUNDS	
	1988	1987
REVENUES:		
Assessments	$1,649,527	$1,656,415
Interest	91,329	54,510
Other revenue:		
Legal administrative	54,469	25,551
Miscellaneous	59,000	75
TOTAL REVENUES	1,854,325	1,736,551
EXPENSES:		
Accounting	24,331	8,000
Bonds and insurance	6,551	6,488
Conferences	4,332	7,432
Consulting fees	107,890	110,868
Depreciation and amortization	33,952	41,031
Employee benefits	84,294	95,076
Interest expense	2,985	3,506
Miscellaneous	9,647	6,363
Office supplies	16,827	11,489
Pension plan and retirement provision	115,211	176,856
Postage	11,426	10,059
Printing and duplicating	11,170	6,673
Publications	12,547	16,931
Rent	123,453	109,336
Repairs and maintenance	12,543	15,682
Salaries	986,217	1,078,154
Telephone	26,713	24,297
Travel	78,218	75,507
TOTAL EXPENSES	1,668,307	1,803,748
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES	186,018	(67,197)
FUND BALANCE--Beginning of Year	482,532	804,769
Transfer to Appropriated Funds--Note 5	---	(255,040)
FUND BALANCE--End of Year	$ 668,550	$ 482,532

Exhibit C

MULTISTATE TAX COMMISSION

STATEMENTS OF REVENUES AND EXPENSES AND CHANGES IN FUND BALANCE
For the years ended June 30, 1988 and 1987

	APPROPRIATED FUNDS--Note 5			
	Publications and Seminars	Review Subscriptions	Terminated Pension Plan To Be Used For Move To D. C.	Total
FUND BALANCE--June 30, 1986	$ 17,617	$ 3,055	$ ---	$ 20,672
REVENUES	31,571	10,237		41,808
EXPENSES	(33,621)	(6,455)	---	(40,076)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(2,050)	3,782	---	1,732
TRANSFER FROM UNAPPROPRIATED FUND--Note 6	---	---	255,040	255,040
FUND BALANCE--June 30, 1987 ...	15,567	6,837	255,040	277,444
REVENUES	32,678	9,526	---	42,204
EXPENSES	(36,776)	(4,772)	(40,698)	(82,246)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(4,098)	4,754	(40,698)	(40,042)
FUND BALANCE--June 30, 1988 ...	$ 11,469	$ 11,591	$ 214,342	$ 237,402

Exhibit D

MULTISTATE TAX COMMISSION

STATEMENTS OF REVENUES AND EXPENSES AND
CHANGES IN FUND BALANCE
For the years ended June 30, 1988 and 1987

	NATIONAL BELLAS HESS RESTRICTED FUNDS--Note 6	
	1988	1987
REVENUES:		
Contributions	$ 13,625	$ 82,747
EXPENSES:		
Conferences	---	600
Employee benefits	1,328	640
Miscellaneous	916	814
Office supplies	205	870
Pension plan and retirement benefits	---	1,251
Postage	278	1,259
Printing and duplicating	---	595
Public education	1,572	---
Rent	5,254	4,686
Salaries	53,141	25,878
Telephone	1,392	1,300
Travel	1,237	2,204
TOTAL EXPENSES	65,323	40,097
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(51,698)	42,650
FUND BALANCE--Beginning of Year	139,694	97,044
FUND BALANCE--End of Year	$ 87,996	$ 139,694

	4R RESTRICTED FUNDS--Note 6	
	1988	1987
REVENUES:		
Contributions	$ 52,093	$ ---
EXPENSES:		
Legal consulting	56,285	---
Meetings	272	---
Miscellaneous	510	---
Postage	520	---
Printing	278	---
Telephone	372	---
Travel	1,917	---
TOTAL EXPENSES	60,154	---
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENSES	(8,061)	---
FUND BALANCE--End of Year	$ (8,061)	$ ---

Exhibit E

MULTISTATE TAX COMMISSION

STATEMENT OF CHANGES IN FINANCIAL POSITION
For the years ended June 30, 1988 and 1987

	1988	1987
WORKING CAPITAL PROVIDED BY:		
Operations:		
Excess (deficiency) of revenue over expenses before extraordinary item	$ 86,217	$ (22,815)
Add: Charges not requiring the use of working capital:		
Depreciation and amortization	33,952	41,031
Working Capital provided by operations	120,169	18,216
Decrease in expense account advances	---	1,250
Loan proceeds	4,545	---
TOTAL PROVIDED	124,714	19,466
WORKING CAPITAL APPLIED TO:		
Purchase of property and equipment	21,869	19,995
Increase in expense account advances	800	---
Increase in deposits	228	385
Payment and reclassification of long-term debt	30,282	11,494
TOTAL APPLIED	53,179	31,874
INCREASE (DECREASE) IN WORKING CAPITAL	$ 71,535	$ (12,408)
CHANGES IN WORKING CAPITAL COMPONENTS		
Increase (decrease) in current assets:		
Cash	$ 95,605	$ 207,219
Accounts receivable--members	(121,539)	122,893
Accounts receivabe--other	1,574	(8)
Accrued interest receivable	5,157	1,044
Receivable from termination of pension plan	---	(299,523)
Investments	14,500	253,689
Prepaid insurance	(6,576)	6,723
	(11,279)	292,037
Decrease (increase) in current liabilities:		
Accounts payable	(13,612)	(23,803)
Payroll taxes payable	(343)	12,216
Accrued vacation pay	(209)	(2,177)
Accrued pension plan contributions	(77)	(9,691)
Deferred assessments and audit reimbursements	138,192	(280,120)
Escrow National Bellas Hess	(50,358)	---
Current portion of long-term debt	9,221	(870)
	82,814	(304,445)
INCREASE (DECREASE) IN WORKING CAPITAL	$ 71,535	$ (12,408)

MULTISTATE TAX COMMISSION

NOTES TO FINANCIAL STATEMENTS
June 30, 1988 and 1987

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Multistate Tax Commission was organized in 1967. It was established under the Multistate Tax Compact, which by its terms, became effective August 4, 1967. The basic objective of the "Compact" and, accordingly, the Commission is to provide solutions and additional facilities for dealing with state taxing problems related to multistate business.

Property and Equipment

All property and equipment is stated at cost and depreciated using straight-line and accelerated methods over the estimated useful lives of the assets which range from 3 to 8 years.

Income Taxes

In the opinion of legal counsel, the Commission is exempt from Federal income taxes as well as from other Federal taxes as an organization of a group of States or as an instrumentality of those States. Therefore, no provision has been made in the financial statements for Federal income taxes.

Deferred Audit and Administration Assessment

Audit and administration assessments are due from the respective states on July 1 of each year and cover the following twelve month period. Assessments received prior to July 1 for the following year are unearned and considered deferred income until recognized as income in the following year.

Investments

Investments are carried at cost, which approximates market at June 30, 1988 and 1987.

NOTE 2 - PENSION PLAN

Effective June 30, 1986, the Commission adopted a defined contribution plan to be funded at a rate of twelve percent of each vested individual's annual salary. The total pension expense relating to the defined contribution plan for the year ended June 30, 1988 and 1987 was $115,211 and $176,856, respectively.

MULTISTATE TAX COMMISSION

NOTES TO FINANCIAL STATEMENTS
June 30, 1988 and 1987

NOTE 3 - NOTE PAYABLE

Note payable at June 30, 1988 was as follows:

	Current	Long-Term	Total
Manufacturer-- 0% installment note, collateralized by related equipment, payable in monthly installments of $1,177.47, including interest, with final payment due January, 1990.	$ 2,273	$ 1,325	$ 3,598

The minimum scheduled note payments remaining at June 30, 1988 are as follows:

Fiscal Year Ended	
1989	$ 2,273
1990	1,325
Total note payments	3,598
Interest included in payments	---
TOTAL	$ 3,598

Note payable at June 30, 1987 was as follows:

Manufacturer--7.9% installment note, collateralized by related equipment, payable in monthly installments of $1,177.47, including interest, with final payment due July, 1990.	$ 11,494	$ 27,062	$ 38,556

NOTE 4 - COMMITMENTS

The Commission rents its office facilities in Colorado, Washington, D.C., Texas, New York, and Illinois under lease agreements with terms expiring on various dates through September 30, 1991. These leases provide for the following minimum annual rentals exclusive of utility charges and certain escalation charges:

Fiscal Year Ended	Minimum Annual Rental
June 30, 1989	$ 89,833
June 30, 1990	53,050
June 30, 1991	49,724
June 30, 1992	12,431
June 30, 1993	---
Subsequent years	---
TOTAL	$205,638

MULTISTATE TAX COMMISSION

NOTES TO FINANCIAL STATEMENTS (Continued)
June 30, 1988 and 1987

NOTE 4 - COMMITMENTS (Continued)

The leases include certain escalation charges based on various factors including wage index, utility, operating and property tax increases from a base year. Rent expense for the year ended June 30, 1988 and 1987 was $132,703 and $114,022, respectively.

NOTE 5 - APPROPRIATED FUND BALANCE

In 1981, the Executive Committee of the Multistate Tax Commission established a revolving fund financed through the net income from publications and seminars to be used to promote additional seminars and publications of additional works.

During the year ended June 30, 1986, the Executive Committee set up the review subscription revolving funds. The net proceeds from the review subscriptions are to be used to cover future printing and postage costs of the publication.

During the year ended June 30, 1987, the Executive Committee determined that the proceeds from the over funding of the pension plan would be set aside to be used to provide funds for moving the administrative office to Washington, D.C.

NOTE 6 - RESTRICTED FUND BALANCE

During the year ended June 30, 1986 the Executive Committee set up the National Bellas Hess Fund and solicited contributions on its behalf. The contributions received are restricted for this program and are to be used to support education, lobbying and legal expenses related to the National Bellas Hess case.

During the year ended June 30, 1988 the 4R Program was established whereby contributions received are restricted to use for supporting education lobbying and legal expenses related to this program.

MTC Expenses

1987/1988