



To: Executive Committee  
From: Gregory S. Matson  
Date: November 21, 2024  
Subject: Report of the Executive Director

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This report is a summary of the Commission's organizational and staff activities for the first four months of fiscal year 2025 (July 1, 2024, to October 31, 2024, unless otherwise noted).

## I. Programs & Activities

### A. Joint Audit Program

The Joint Audit Program completed three income tax audits and parts of six other income tax audits and parts of one sales tax audit during the first quarter of fiscal year 2025. Currently, there are 16 income tax audits and twenty-one 21 sales tax audits in progress.

During the first quarter, the income tax program proposed net assessments of \$134,605,830 for complete and partially completed income tax audits, as well as proposed NOL and tax credit reductions of \$3,753,289. The sales tax program has no proposed net assessments thus far.

The following chart summarizes hourly data for completed audits during the first quarter of the 2025 fiscal year:

	<b>Income &amp; Franchise</b>	<b>Sales &amp; Use</b>	<b>Total</b>
<b>Total Audits</b>	3	-	3
<b>Total States Audited</b>	69	-	69
<b>Total Hours</b>	12,646	-	12,646
<b>Average Hours per State</b>	183	-	183

Mississippi joined the Multistate Joint Audit Program for income tax audits.

## B. National Nexus Program

The National Nexus Program results for the first quarter of FY 2025 (July 1 – September 30, 2024) are provided in the following table:

		Previous FY (2024) Totals
<b>Collections</b>	<b>\$6,739,458</b>	\$28,743,260
<b>Executed Agreements</b>	<b>121</b>	494
<b>Average Contract Value per State</b>	<b>\$55,698</b>	\$58,185

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

Mississippi joined the National Nexus Program.

Program Director Richard Cram published an article entitled “Credits: Cure for Use Tax Apportionment” in the September 16, 2024, issue of *Tax Analysts Tax Notes State*, vol. 13, number 12, p. 767. The article critiqued the petition for certiorari to the U.S. Supreme Court in *Ellingson Drainage, Inc. v. South Dakota Department of Revenue*, Docket No. 23-1202, which was denied on October 7, 2024. He also submitted an article entitled “H.R. 8021: More Pre-emption of State Taxing Authority” for publication in the November 11, 2024, issue of *Tax Analysts Tax Notes State*. The article raises concerns with H.R. 8021, a proposed amendment to P.L. 86-272 introduced in Congress last April.

## C. Legal Staff

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

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

### Uniformity Work

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

### Litigation Committee Support

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

### Training

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

### Litigation Support and Legal Advice

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

During the reporting period, legal staff provided litigation support and legal advice to the following states:

- Alabama
- California
- District of Columbia
- Hawaii
- Massachusetts
- Montana
- Oregon
- Pennsylvania
- Rhode Island
- Utah

### Support for the Commission's Programs and Projects

Legal staff support the Commission's Multistate Joint Audit and National Nexus Programs, and other Commission programs and projects, as requested. For example, at each in-person Audit Committee meeting MTC counsel provide a court case update. MTC counsel also provide support for the Commission's general administration by addressing open meetings issues; maintaining confidentiality policies; handling records requests; researching and making recommendations for record retention policies; reviewing and drafting contracts; and filing corporate registrations and reports.

### Amicus Briefs Filed on Behalf of the Commission

*Jim Hudson, In His Official Capacity as Secretary and Director of The Arkansas Department of Finance and Administration v. Murphy Oil USA, Inc.*, Case No. CV-24-8. The central issue in this case was whether the debt (and resulting interest payments) incurred by the taxpayer to fund a spinoff from its corporate parent should be treated as “business” expense or “non-business” expense. The MTC filed a brief supporting the state’s position and providing context on the history of UDITPA and the value of uniformity.

### Legislative Tracking and Newsletter

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

### Advisory Boards & Publications

Uniformity Counsel Helen Hecht is a member of the State Tax Notes Advisory Board and submits periodic “board briefs” on various topics. She also serves on Bloomberg Tax’s State Tax Advisory Board, which helps that platform expand and improve its state tax content and analysis. Deputy General Counsel Lila Disque serves on Law360’s State & Local Tax Editorial Advisory Board. Counsel Chris Barber serves on the Bloomberg Pass-Through Entity Navigator working group.

## **D. Training and Events**

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

The new Learning Management System (previewed during meetings in July) was finally launched with three initial longform courses —

- Federal Partnership Taxation: Basics for State Tax Administrators
- Introduction to Corporate Income Tax
- Market Based Sourcing

The new platform — found at <https://learning.mtc.gov/> — has several features that will modernize the Commission’s training offerings. Users can now enroll themselves into courses and make payment directly on the platform. We also now have the flexibility to provide courses in almost any format.

In addition to the LMS and course development, the training and event staff have been setting up virtual event and meeting registrations, performing back-end support, and provide real-time support to various online and in-person events and meetings.

## II. Staffing & Administration

Deputy Executive Director Scott Pattison resigned in August to become director of tax research and policy at the Federation of Tax Administrators.

Online Learning Specialist Susan Carlson left the Commission's staff in August.

Auditor Ruth Kuvakas joined the Commission staff in August.

General Counsel Nancy Prosser resigned near the end of September to explore possible retirement or other opportunities after a well-deserved, European vacation.

Auditor Salvatore Tomaselli joined the Commission staff in October.

Hayes R. Holderness, professor of law at University of Richmond School of Law, began a sabbatical in October and is spending some of that time with the MTC to gain exposure to the workings of the Commission.

## III. Outside Presentations & Events

The executive director serves on the Hartman State and Local Tax Forum advisory board, the New England State and Local Tax Forum advisory board, and New York University's State and Local Tax Institute advisory board.

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

### JULY 2024

- Southeastern Association of Tax Administrators Conference; *Top Income Tax Issues of 2024* (Stosberg, presenter), *Taxing Pass-Through Entities Panel* (Stosberg, presenter), *Economics Update* (Pattison, presenter); Louisville, Kentucky
- CPAacademy Webinar; *Nexus Basics and the MTC Multistate Voluntary Disclosure Program* (Cram, presenter)

### AUGUST 2024

- FTA Technology Conference; Milwaukee, Wisconsin (Lane, attendee)
- NCSL Executive Committee Task Force on State and Local Taxation, Louisville, Kentucky (Prosser, attendee)
- Northeastern States Tax Officials Association Conference; *Pass Thru Entities Update* (Barber, presenter), *Top Income Tax Issues for 2024* (Barber, presenter); Boston, Massachusetts (Coon, attendee)
- CPAacademy Webinar; *Mastering Multistate Sales and Use Tax Compliance: Navigating New Collection Law* (Cram, presenter)

- *United States Supreme Court Update*, Joint Webinar by FTA and MTC attorneys (Fort and Prosser, presenters)
- Washington States Tax Forum; *Digital Products Presentation* (Hecht, presenter); Pullman, Washington

#### SEPTEMBER 2024

- Kansas Bar Association Fall 2024 Estate Planning CLE Lawlawpalooza: *Update on Federal Litigation and Legislation* (Disque, presenter)
- Council on State Taxation Annual Meeting; *The State Taxation of Partnerships – MTC Project* (Hecht, presenter); St. Louis, Missouri
- ABA Tax Section Fall Meeting; St. Louis, Missouri (Barber, participant)
- Midwestern States Association of Tax Administrators Conference; *Top Income Tax Issues for 2024 From a Government and Private Perspective* (Barber, presenter), *State Taxation of Partnerships and Pass-Through Entities* (Barber, presenter); St. Louis, Missouri (Cram, attendee)

#### OCTOBER 2024

- COST Mid-Atlantic Regional State Tax Seminar; *What's New at the MTC and FTA* (Matson, presenter); McLean, Virginia
- Taxpayers Federation of Illinois State & Local Tax Conference; *Tax Policy, Tax Administration, Tax Process: Do Taxpayers and Tax Collectors Have a Different Perspective* (Hamer, presenter); Rolling Meadows, Illinois
- Streamlined Sales Tax Governing Board Meeting; *Loper Bright and Implications* (White, presenter); Charlotte, North Carolina
- Virginia Bar Association Tax Practitioners Roundtable; *The Multistate Tax Commission and its Current Uniformity Projects* (Hecht and Matson, presenters); Charlottesville, Virginia
- Western States Association of Tax Administrators Conference; *Top Business Income Tax Issues from a Government and Private Sector Perspective, Western States Association of Tax Administrators* (Hecht, presenter); Palm Springs, California (Matson, attendee)
- Paul J. Hartman State and Local Tax Forum; *SALT Audit Controversy Management – From Audits to Settlements and Everything In Between* (Coon, presenter), *Top Ten Income Tax Cases to Watch: Nothing Trivial Here* (Fort, presenter), *Economic Nexus and More* (Hamer, presenter); Nashville, Tennessee