

MODEL RECEIPTS SOURCING REGULATION REVIEW PROJECT

Status Report to the Uniformity Committee

Santa Fe, New Mexico

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Work Group Chair

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Description of Project

- At its August 2, 2022 meeting, the Uniformity Committee agreed to undertake a project and form a work group to review the MTC's model receipts sourcing regulations, including the MTC's special industry regulations and its market-based sourcing ("Section 17") regulations.
- The goal of this project is to identify updates, corrections or conforming changes, to consider issues that may not be sufficiently addressed by existing model regulations, and to make recommendations to the Uniformity Committee for its action.

Current subject of discussion: the MTC's Model Special Rule for Airlines

Earlier this month, the work group returned to the topic of whether and how to update the MTC's special industry rule for Airlines.

This model was adopted by the MTC in 1983. Since then, air transportation has changed in various ways and new sources of airline revenue have arisen.

Recent litigation has raised the question of how the current rule sources receipts from the sale of tickets for travel on unrelated airlines pursuant to code sharing arrangements and capacity purchase agreements.

Current subject of discussion: the MTC's Model Special Rule for Airlines

A new discussion draft was circulated late last month. It incorporates comments that were received in response to the prior discussion draft.
Key item:

Whether and how to update the definition of transportation receipts to expressly address:

- Receipts from the sale of tickets for travel on unrelated airlines pursuant to code sharing arrangements and capacity purchase agreements
- Baggage fees
- Receipts from selling or renting various in-flight property or services, such as the sale of food, entertainment, and Wi-Fi
- Receipts from the sale of airline points/miles to credit card banks and others.

Current subject of discussion: the MTC's Model Special Rule for Airlines

The discussion draft would also:

- Modernize and clarify various language throughout the model, while retaining the basic method for sourcing airline receipts (*i.e.*, the draft would continue to source transportation receipts by applying a departures ratio—aircraft departures in this state over aircraft departures everywhere).
- Add examples.

Current status

The chair of the work group has invited work group members, industry, and other interested parties to review the discussion draft and submit comments.

We anticipate the next meeting of the work group to occur in late January or early February.

The discussion draft is posted at [Special-Airlines-Rule-draft-revision-11-1-24.pdf](#).

Some observations about the process to date

- Attendance at work group meetings has been substantial.
- We hope that more state attendees will share their thoughts either during work group meetings or offline. **When participants express their opinion at a work group meeting, they are not speaking on behalf of their state.** Only the Commission has the authority to adopt or revise a MTC model.
- We encourage work group participants—and Uniformity Committee members--to provide guidance on how the work group should devote its time.

INVITATION TO TAX ADMINISTRATORS, TAXPAYERS AND INDUSTRY REPRESENTATIVES:

Sourcing issues arise in every state.

Multistate discussions can bolster uniformity and improve the quality of tax administration.

Updating the MTC's model sourcing regulations can serve to improve or expand taxpayer guidance.

For these reasons (and others), please suggest topics for consideration by the model regs review work group at this meeting, at work group meetings, or reach out to MTC staff:

Brian Hamer, MTC Counsel, at bhamer@mtc.gov

Jonathan White, MTC Counsel, at jwhite@mtc.gov

Helen Hecht, MTC Uniformity Counsel, at hhecht@mtc.gov



Consider becoming a “regular work group participant”

Staff from 12 states are serving as regular group participants.

Serving as a regular group participant means that you will be a contact person on the project, that you will try to join the calls and follow the work and provide input when you feel you have something to offer, and that if the work group decides to take a vote on a question, we will look to you or colleagues in your state (voting is not required; one vote per state).

Casting a vote at a work group meeting does not mean that you are expressing your state’s official position.

Contact Brian Hamer at bhamer@mtc.gov to become a regular work group participant.