

Model Receipts Sourcing Regulation Work Group



MULTISTATE TAX COMMISSION

--Sourcing of Broadcasting Receipts-- Reg. IV.18.(h)

March 19, 2026

~~^February 19, 2026 meeting~~

Katie Frank, Chair

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.

TWO MTC MODEL REGULATIONS ADDRESS BROADCASTING

- The MTC's Model General Allocation and Apportionment Regulations (the "Section 17 regulations") address the sourcing of receipts from services delivered by electronic transmission. **Adopted in 2017.**
- The Section 18 special industry rule, Reg. IV.18 (h), addresses the sourcing of receipts from "Television and Radio Broadcasting" (the "Section 18 Rule"). **Adopted in 1990; amended in 1996**

SECTION 17 REGULATIONS' RECEIPTS FACTOR

Applies market-based sourcing principles to source receipts from the sale of services and intangibles:

- Addresses services “delivered electronically to end users or other third-party recipients,” including television broadcasting and streaming.
- Addresses the sourcing of receipts of content providers/creators who license their property to broadcasters and others for delivery to viewers.
- Utilizes an audience-type factor to source receipts of broadcasters, streaming companies, and content licensors.

THE CURIOUS SALES FACTOR IN THE SECTION 18 RULE:

Section IV.18(h)(4)(iv) of the Rule describes the sales factor. This provision distinguishes between:

(Para, B.1) gross receipts including advertising revenue from television, film, or radio programming in release to or by “television and radio stations located in this state”; and

(Para. B.2) gross receipts including advertising revenue from television, film, or radio programming in release to or by “a television [or radio] station (independent or unaffiliated) or network of stations for broadcast.”

Receipts of the former are sourced entirely to “this state,” while the receipts of the latter are sourced utilizing audience factor.

THE RULE'S PRE-INTERNET LANGUAGE AND NARROW SCOPE

- **The Section 18 Rule's archaic language, which focuses on television and radio broadcasting, does not appear to address services delivered via the Internet such as the delivery of Internet ads or streaming services.**
- **The Rule does not address the sourcing of receipts of content providers/creators who license their property to broadcasters for delivery to viewers.**



DRAFT REVISIONS TO THE SECTION 18 RULE

DRAFT REVISIONS *IN SUMMARY*

- Receipts factor **Alternative A** [for states that have adopted the Commission's revised model Section 17 regulations]: Replace the current (flawed) sales factor language with a cross-reference to the relevant provisions of the MTC's model general allocation and apportionment regulations
- Receipts factor **Alternative B** [for other states, including cost of performance states]: Expressly apply audience factor (with some language clean up) to streaming and licensing of video and audit programming. Strike para. (B)(1)—addressing receipts of in-state television and radio stations.
- Various language clean up.



ALTERNATIVE A

**[FOR STATES THAT HAVE ADOPTED THE COMMISSION'S REVISED
MODEL SECTION 17 REGULATIONS]**

**THERE ARE AT LEAST 5 REASONS TO REMOVE THE CURRENT
SALES FACTOR LANGUAGE FROM THE SECTION 18 RULE AND
INSERT A CROSS-REFERENCE TO THE SECTION 17 REGULATIONS:**

THE 5 REASONS

- The Broadcasting Rule's description of the sales factor appears flawed and creates confusion with respect to where receipts of in-state independent and unaffiliated television and radio stations should be sourced.
- To the extent that paragraph B.1 of §IV.18(h)(4)(iv) is operative, it potentially conflicts with market-based sourcing principles which the MTC embraced in 2017.
- The Section 17 regulations essentially mirror paragraph B.2, making the Broadcasting Rule's recommended sales factor section largely duplicative and unnecessary.
- The Broadcasting Rule, unlike the Section 17 regulations, has become stale because it does not expressly apply to Internet activities, such as streaming services. It also does not address the sourcing of receipts of content providers/creators who license their property to broadcasters for delivery to viewers.
- Most broadly, recommending two overlapping models that apply to many of the same activities but use different language without explanation serves no purposes and potentially creates confusion.



ALTERNATIVE B

**[FOR STATES THAT HAVE NOT ADOPTED THE COMMISSION'S
REVISED MODEL SECTION 17 REGULATIONS]**

**APPLYING THE SECTION 18 RULE TO STREAMING AND LICENSING,
AS WELL AS TRADITIONAL BROADCASTING, REFLECTS CHANGING
TECHNOLOGY SINCE THE 1990S.**

**Other Topics to be
considered by the
work group?**

