



Uniformity Committee & Work Groups Report to the Executive Committee

Laurie McElhatton (California), Chair and Phil Skinner (Idaho), Vice Chair
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BACKGROUND

Purpose of the Uniformity Committee

The Commission formed its Uniformity Committee to help states address common multistate tax issues and recommend solutions, including model tax provisions, with a focus on making state tax systems more workable and reducing duplicative taxation.

This mission has become more important over time as the economy and tax systems have become more complex and the challenges of working within our federal system have grown. Today, it is even more critical that states work together to efficiently solve common problems.

The Uniformity Committee and the work groups are fortunate to have the participation of so many state members with a wide range of experience and expertise and to be able to interact with industry and practitioners to obtain information on these important issues.

Focus of Committee Work

For over 50 years the Uniformity Committee has welcomed all states to participate in its process and has worked on some of the most important issues affecting the development of state tax systems, including:

- Dividing the Tax Base – Rules for sourcing and apportioning multistate sales and income.
- Limiting Abuse – Rules to address income shifting and other abusive tax strategies.
- Protecting State Taxing Authority – Arguing against preemption of state powers.
- Creating Administrative Solutions – Rules that aid both administrators and taxpayers.

Committee Process

The Uniformity Committee depends on contributions of participating states. While staff, practitioners, academics, and taxpayer groups also make important contributions, it is the state participants who bring the practical, real-world experience necessary to developing the best approaches.

Therefore, the process used by the committee, its work groups, and other informal groups is aimed at maximizing the benefits of this shared state experience, using a process that adapts over time to facilitate information sharing. We encourage states to take advantage of this.

Impacts of Uniformity Work

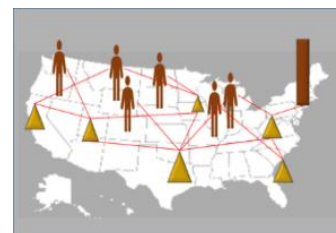
While the committee often produces model tax provisions, its work has other, broader impacts. By identifying, highlighting, studying, and debating important issues—the committee helps its members understand common challenges and explore new techniques and tools. This effort in turn helps support other state and MTC programs such as audit and nexus work, training, litigation, and advocacy. These other joint state efforts often go on long after uniformity project work comes to an end.

CURRENT ON-GOING UNIFORMITY PROJECTS

The Uniformity Committee has three on-going uniformity projects, each of which is likely to have significant impacts on future state tax systems.

Project: State Taxation of Partnerships

The work group for partnership tax project is headed by Laurie McElhatton (California) and has regular participants from 28 states. See the project page on the MTC website – here: <https://www.mtc.gov/uniformity/project-on-state-taxation-of-partnerships/>.



- Importance –

In recent years, the share of income earned by partnerships and pass-through entities has grown faster than that of corporations. But the state tax rules for partnerships are less well-developed.

- Scope –

The scope of this project is broad and includes all issues affecting the state taxation of partnership income and may include drafting of white papers and model provisions.

- Process –

The work group has taken the following approach to the project:

- Review existing state rules for taxing partnerships;
- Identify issues where additional or uniform rules are needed;
- Research specific state rules addressing these issues;
- Draft white papers summarizing the questions raised and the possible approaches with findings and recommendations;
- Draft model provisions following the recommendations of the white papers.

At each step, the work group takes input from states, practitioners, taxpayers, and others.

- Actions to Date –

The work group has developed the following:

- A comprehensive issue outline which is updated as the project continues;
- Detailed white papers and draft models on the sourcing of:
 - income of investment partnerships;
 - guaranteed payments for services made to individual partners;
 - partnership income of corporate and tiered partners.
- A draft combining the model sourcing provisions above.

- Status –

The work group is currently taking input on the combined model.

Project: Sales Taxation of Digital Products

The work group for this project is headed by Tim Jennrich (Washington) and Mia Strong (Louisiana), has regular participants from 21 states and a number of public contributors. See the project page on the MTC website – here: <https://www.mtc.gov/uniformity/sales-tax-on-digital-products/>.



- Importance –

The digital sector of the economy, including consumer goods, continues to grow and change. Many products are unique while others replace more traditional goods and services.

- Scope –

The project’s focus is the drafting of a white paper to address the various issues that policy-makers should consider in deciding how to tax digital products and, in general, exploring whether a broad approach to taxing these products may be workable.

- Process and Actions to Date –

The committee and work group have taken the following approach to the project:

- The project began by holding stakeholder interviews with states, taxpayers, practitioners, industry organizations, and academics.
- Based on stakeholder input and staff research, the Uniformity Committee approved an issue outline for use in drafting a white paper and created a work group to oversee that process.
- This outline has also been used to create a detailed set of webpages to capture work group discussions and other resources on the various topics.
- The committee agreed that the project should coordinate closely with Streamlined to avoid conflicts and to benefit from the work Streamlined has done in this area.
- The work group has:
 - held monthly meetings to discuss topics and take input;
 - directed MTC staff to conduct research into current state approaches to taxing digital products;
 - solicited presentations on various issues; and
 - established study groups to address –
 - bundling issues - headed by Mia Strong (Louisiana) and including several states – discussing whether digital products create unique bundling questions.
 - defining digital products and providing for a business inputs exemption – headed by Ray Langenberg (Texas) and including both states and members of the public.

- Status –

Since the November, the MTC staff have begun drafting sections of the white paper, by topic, using the input and research developed by the work group and summarizing important findings in each area for state policymakers to consider. As those drafts are produced and reviewed by the work group leadership, they will be shared with the work group members and the public, for review and comment.

Project: Model Receipts Sourcing Regulation Review

The work group for this project is headed by Katie Frank (California) with a number of regular state participants and other contributors depending on the topic.



- Importance –

A significant state tax trend in recent years has been the adoption of market-based sourcing for the receipts from sales of services and intangibles, as well as shift to single-sales-factor apportionment formulas. So the rules for determining how receipts are sourced to the states are more important than ever.

- Scope –

The goal of this project is to identify updates, corrections, or conforming changes, and to consider issues that may not be sufficiently addressed by existing model regulations.

- Process –

The work group has taken input from states and members of the public on the issues that may need to be addressed—looking first at existing model rules. In general, the work group has:

- Held regular meetings to hear reports from staff, discuss particular issues, and take input;
- Directed staff to provide information including briefing books on particular issues;
- Established study groups to consider particular questions;
- Reviewed draft revisions to model rules.

- Status –

The work group has reviewed the model rules on receipts of businesses engaged in transportation including trucking, railroads, and airlines. More recently, the work group has also considered revisions to the model rules for sourcing receipts from broadcasting.

- Sourcing of Airline Receipts – The work group has completed its work on revisions to the model rules for sourcing receipts of airlines and the Uniformity Committee recently approved those revisions for recommendation to the Executive Committee, which directed the MTC staff to conduct a public hearing. That hearing was held and the report of the hearing officer is a separate item for consideration by the Executive Committee.
- Sourcing of Broadcast Receipts – The MTC has a model special industry rule, most recently updated in 1996, which addresses the sourcing of receipts of television and radio broadcasters. The MTC model general allocation and apportionment regulations also address similar issues—using a market, or audience, approach. The work group has drafted revisions to the model industry rule which it has recommended to the Uniformity Committee.

- Next Steps

The work group is now soliciting additional receipts sourcing topics for consideration including issues which may not be sufficiently addressed in current model rules.