

DEPARTMENT OF TAXATION

2018 Fiscal Impact Statement

1. **Patron** Glenn R. Davis

3. **Committee** Passed House and Senate

4. **Title** Membership in the Multistate Tax
Commission

2. **Bill Number** HB 373

House of Origin:

 Introduced

 Substitute

 Engrossed

Second House:

 In Committee

 Substitute

 X **Enrolled**

5. Summary/Purpose:

This bill would require the Department of Taxation ("the Department") to take any steps necessary for Virginia to become an associate member of the Multistate Tax Commission without payment of any membership fees. This bill would also require the Department to participate in all available Multistate Tax Commission discussions and meetings concerning model legislation and uniform tax policies that could impact Virginia.

The effective date of this bill is not specified.

6. Budget amendment necessary: No.

7. No Fiscal Impact: (See Line 8.)

8. Fiscal implications:

Administrative Costs

The Department considers implementation of this bill as routine, and does not require additional funding.

Revenue Impact

This bill would have no General Fund revenue impact.

9. Specific agency or political subdivisions affected:

Department of Taxation

10. Technical amendment necessary: No.

11. Other comments:

Multistate Tax Commission

The Multistate Tax Commission was created in 1967 by the Multistate Tax Compact, a binding multistate agreement, the purposes of which are to:

- Facilitate the proper determination of state and local tax liability of multistate taxpayers, including the equitable apportionment of tax bases and settlement of apportionment disputes;
- Promote uniformity or compatibility in significant components of tax systems;
- Facilitate taxpayer convenience and compliance in the filing of tax returns and in other phases of tax administration; and
- Avoid duplicative taxation.

The Multistate Tax Commission is an intergovernmental state tax agency that works on behalf of states and taxpayers to carry out the above aims of the Multistate Tax Compact.

The Multistate Tax Commission has three levels of membership: compact, sovereignty, and associate. Compact members are states that have enacted the Multistate Tax Compact into state law. These states govern the Multistate Tax Commission. Sovereignty members are states that support the purposes of the Multistate Tax Compact through regular participation in, and financial support for, the general activities of the Multistate Tax Commission. Compact and sovereignty members are required to pay membership fees. The amount of the membership fees for each state vary depending on a state's proportionate share of the combined income taxes, capital stock taxes, gross receipts taxes, and sales and use taxes collected by each member state.

Associate members are states that participate in Multistate Tax Commission meetings and otherwise consult and cooperate with the Multistate Tax Commission and its other member states or, as project members, participate in Multistate Tax Commission programs or projects. Associate members are not required to pay membership fees.

Forty-eight states and the District of Columbia are currently members of the Multistate Tax Commission. Twenty-five of the member states are associate members. Virginia and Nevada are the only states that are not currently members of the Multistate Tax Commission in any capacity. During 2015, Delaware became the most recent state to join the Multistate Tax Commission.

Virginia and the Multistate Tax Commission

During 2015, the Department met with representatives of the Multistate Tax Commission for purposes of determining whether Virginia should join as an associate member. Since 2015, staff from the Department have informally participated in meetings of special Multistate Tax Commission work groups that were formed to address issues regarding the

Multistate Tax Commission's draft regulations on market-based sourcing and apportionment, and the new federal partnership audit rules. Virginia would likely benefit from representatives of the Department attending training programs that the Multistate Tax Commission makes available to members at a reduced rate, as well as from formal participation in meetings regarding various tax issues.

Legislative action is not required to submit a petition to join the Multistate Tax Commission as an associate member. Therefore, the Department already has the ability to join the Multistate Tax Commission without legislation.

Proposed Legislation

This bill would require the Department to take any steps necessary for Virginia to become an associate member of the Multistate Tax Commission without payment of any membership fees. This bill would also require the Department to participate in all available Multistate Tax Commission discussions and meetings concerning model legislation and uniform tax policies that could impact Virginia.

The effective date of this bill is not specified.

cc: Secretary of Finance

Date: 2/28/2018 JLOF
HB373FER161