

# HOUSE BILL No. 4479

March 23, 2011, Introduced by Rep. Gilbert and referred to the Committee on Tax Policy.

A bill to amend 1969 PA 343, entitled

"An act to adopt a multistate tax compact to facilitate and promote convenient, uniform, nonduplicative and proper determination of state and local tax liability of multistate taxpayers,"

by amending section 1 (MCL 205.581).

**THE PEOPLE OF THE STATE OF MICHIGAN ENACT:**

1           Sec. 1. The multistate tax compact is enacted into law and  
2 entered into with all jurisdictions legally joining therein, in  
3 the form substantially as follows:

4                                   MULTISTATE TAX COMPACT

5                                   Article I. Purposes.

1 The purposes of this compact are to:

2 (1) Facilitate proper determination of state and local tax  
3 liability of multistate taxpayers, including the equitable  
4 apportionment of tax bases and settlement of apportionment  
5 disputes.

6 (2) Promote uniformity or compatibility in significant  
7 components of tax systems.

8 (3) Facilitate taxpayer convenience and compliance in the  
9 filing of tax returns and in other phases of tax administration.

10 (4) Avoid duplicative taxation.

11 Article II. Definitions.

12 As used in this compact:

13 (1) "State" means a state of the United States, the district  
14 of Columbia, the commonwealth of Puerto Rico, or any territory or  
15 possession of the United States.

16 (2) "Subdivision" means any governmental unit or special  
17 district of a state.

18 (3) "Taxpayer" means any corporation, partnership, firm,  
19 association, governmental unit or agency or person acting as a  
20 business entity in more than 1 state.

21 (4) "Income tax" means a tax imposed on or measured by net  
22 income including any tax imposed on or measured by an amount  
23 arrived at by deducting expenses from gross income, 1 or more  
24 forms of which expenses are not specifically and directly related  
25 to particular transactions.

26 (5) "Capital stock tax" means a tax measured in any way by

1 the capital of a corporation considered in its entirety.

2 (6) "Gross receipts tax" means a tax, other than a sales  
3 tax, which is imposed on or measured by the gross volume of  
4 business, in terms of gross receipts or in other terms, and in  
5 the determination of which no deduction is allowed which would  
6 constitute the tax an income tax.

7 (7) "Sales tax" means a tax imposed with respect to the  
8 transfer for a consideration of ownership, possession or custody  
9 of tangible personal property or the rendering of services  
10 measured by the price of the tangible personal property  
11 transferred or services rendered and which is required by state  
12 or local law to be separately stated from the sales price by the  
13 seller, or which is customarily separately stated from the sales  
14 price, but does not include a tax imposed exclusively on the sale  
15 of a specifically identified commodity or article or class of  
16 commodities or articles.

17 (8) "Use tax" means a nonrecurring tax, other than a sales  
18 tax, which (a) is imposed on or with respect to the exercise or  
19 enjoyment of any right or power over tangible personal property  
20 incident to the ownership, possession or custody of that property  
21 or the leasing of that property from another including any  
22 consumption, keeping, retention, or other use of tangible  
23 personal property and (b) is complementary to a sales tax.

24 (9) "Tax" means an income tax, capital stock tax, gross  
25 receipts tax, sales tax, use tax, and any other tax which has a  
26 multistate impact, except that the provisions of articles III, IV  
27 and V of this compact shall apply only to the taxes specifically

1 designated therein and the provisions of article IX of this  
2 compact shall apply only in respect to determinations pursuant to  
3 article IV.

4 Article III. Elements of Income Tax Laws.

5 Taxpayer Option, State and Local Taxes.

6 (1) Any taxpayer subject to an income tax whose income is  
7 subject to apportionment and allocation for tax purposes pursuant  
8 to the laws of a party state or pursuant to the laws of  
9 subdivisions in 2 or more party states may elect to apportion and  
10 allocate his income in the manner provided by the laws of such  
11 state or by the laws of such states and subdivisions without  
12 reference to this compact, or may elect to apportion and allocate  
13 in accordance with article IV **EXCEPT THAT ANY TAXPAYER SUBJECT TO**  
14 **THE MICHIGAN BUSINESS TAX ACT, 2007 PA 36, MCL 208.1101 TO**  
15 **208.1601, OR THE INCOME TAX ACT OF 1967, 1967 PA 281, MCL 206.1**  
16 **TO 206.697, SHALL, FOR PURPOSES OF THAT ACT, APPORTION AND**  
17 **ALLOCATE IN ACCORDANCE WITH THE PROVISIONS OF THAT ACT AND SHALL**  
18 **NOT APPORTION OR ALLOCATE IN ACCORDANCE WITH ARTICLE IV.** This  
19 election for any tax year may be made in all party states or  
20 subdivisions thereof or in any one or more of the party states or  
21 subdivisions thereof without reference to the election made in  
22 the others. For the purposes of this paragraph, taxes imposed by  
23 subdivisions shall be considered separately from state taxes and  
24 the apportionment and allocation also may be applied to the

1 entire tax base. In no instance wherein article IV is employed  
2 for all subdivisions of a state may the sum of all apportionments  
3 and allocations to subdivisions within a state be greater than  
4 the apportionment and allocation that would be assignable to that  
5 state if the apportionment or allocation were being made with  
6 respect to a state income tax.

7 Taxpayer Option, Short Form.

8 (2) Each party state or any subdivision thereof which  
9 imposes an income tax shall provide by law that any taxpayer  
10 required to file a return, whose only activities within the  
11 taxing jurisdiction consist of sales and do not include owning or  
12 renting real estate or tangible personal property, and whose  
13 dollar volume of gross sales made during the tax year within the  
14 state or subdivision, is not in excess of \$100,000.00 may elect  
15 to report and pay any tax due on the basis of a percentage of  
16 such volume, and shall adopt rates which shall produce a tax  
17 which reasonably approximates the tax otherwise due. The  
18 multistate tax commission, not more than once in 5 years, may  
19 adjust the \$100,000.00 figure in order to reflect such changes as  
20 may occur in the real value of the dollar, and such adjusted  
21 figure, upon adoption by the commission, shall replace the  
22 \$100,000.00 figure specifically provided herein. Each party state  
23 and subdivision thereof may make the same election available to  
24 taxpayers additional to those specified in this paragraph.

1 Coverage.

2 (3) Nothing in this article relates to the reporting or  
3 payment of any tax other than an income tax.

4 Article IV. Division of Income.

5 (1) As used in this article, unless the context otherwise  
6 requires:

7 (a) "Business income" means income arising from transactions  
8 and activity in the regular course of the taxpayer's trade or  
9 business and includes income from tangible and intangible  
10 property if the acquisition, management and disposition of the  
11 property constitute integral parts of the taxpayer's regular  
12 trade or business operations.

13 (b) "Commercial domicile" means the principal place from  
14 which the trade or business of the taxpayer is directed or  
15 managed.

16 (c) "Compensation" means wages, salaries, commissions and  
17 any other form of remuneration paid to employees for personal  
18 services.

19 (d) "Financial organization" means any bank, trust company,  
20 savings bank, industrial bank, land bank, safe deposit company,  
21 private banker, savings and loan association, credit union,  
22 cooperative bank, small loan company, sales finance company,  
23 investment company, or any type of insurance company.

24 (e) "Nonbusiness income" means all income other than  
25 business income.

1 (f) "Public utility" means any business entity (1) which  
2 owns or operates any plant, equipment, property, franchise, or  
3 license for the transmission of communications, transportation of  
4 goods or persons, except by pipe line, or the production,  
5 transmission, sale, delivery, or furnishing of electricity, water  
6 or steam; and (2) whose rates of charges for goods or services  
7 have been established or approved by a federal, state or local  
8 government or governmental agency.

9 (g) "Sales" means all gross receipts of the taxpayer not  
10 allocated under paragraphs of this article.

11 (h) "State" means any state of the United States, the  
12 district of Columbia, the commonwealth of Puerto Rico, any  
13 territory or possession of the United States, and any foreign  
14 country or political subdivision thereof.

15 (i) "This state" means the state in which the relevant tax  
16 return is filed or, in the case of application of this article to  
17 the apportionment and allocation of income for local tax  
18 purposes, the subdivision or local taxing district in which the  
19 relevant tax return is filed.

20 (2) Any taxpayer having income from business activity which  
21 is taxable both within and without this state, other than  
22 activity as a financial organization or public utility or the  
23 rendering of purely personal services by an individual, shall  
24 allocate and apportion his net income as provided in this  
25 article. If a taxpayer has income from business activity as a  
26 public utility but derives the greater percentage of his income  
27 from activities subject to this article, the taxpayer may elect

1 to allocate and apportion his entire net income as provided in  
2 this article.

3 (3) For purposes of allocation and apportionment of income  
4 under this article, a taxpayer is taxable in another state if (1)  
5 in that state he is subject to a net income tax, a franchise tax  
6 measured by net income, a franchise tax for the privilege of  
7 doing business, or a corporate stock tax, or (2) that state has  
8 jurisdiction to subject the taxpayer to a net income tax  
9 regardless of whether, in fact, the state does or does not.

10 (4) Rents and royalties from real or tangible personal  
11 property, capital gains, interest, dividends or patent or  
12 copyright royalties, to the extent that they constitute  
13 nonbusiness income, shall be allocated as provided in paragraphs  
14 5 through 8 of this article.

15 (5) (a) Net rents and royalties from real property located  
16 in this state are allocable to this state.

17 (b) Net rents and royalties from tangible personal property  
18 are allocable to this state: (1) If and to the extent that the  
19 property is utilized in this state, or (2) in their entirety if  
20 the taxpayer's commercial domicile is in this state and the  
21 taxpayer is not organized under the laws of or taxable in the  
22 state in which the property is utilized.

23 (c) The extent of utilization of tangible personal property  
24 in a state is determined by multiplying the rents and royalties  
25 by a fraction, the numerator of which is the number of days of  
26 physical location of the property in the state during the rental  
27 or royalty period in the taxable year and the denominator of



1 which is the number of days of physical location of the property  
2 everywhere during all rental or royalty periods in the taxable  
3 year. If the physical location of the property during the rental  
4 or royalty period is unknown or unascertainable by the taxpayer,  
5 tangible personal property is utilized in the state in which the  
6 property was located at the time the rental or royalty payer  
7 obtained possession.

8 (6) (a) Capital gains and losses from sales of real property  
9 located in this state are allocable to this state.

10 (b) Capital gains and losses from sales of tangible personal  
11 property are allocable to this state if (1) the property had a  
12 situs in this state at the time of the sale, or (2) the  
13 taxpayer's commercial domicile is in this state and the taxpayer  
14 is not taxable in the state in which the property had a situs.

15 (c) Capital gains and losses from sales of intangible  
16 personal property are allocable to this state if the taxpayer's  
17 commercial domicile is in this state.

18 (7) Interest and dividends are allocable to this state if  
19 the taxpayer's commercial domicile is in this state.

20 (8) (a) Patent and copyright royalties are allocable to this  
21 state: (1) if and to the extent that the patent or copyright is  
22 utilized by the payer in this state, or (2) if and to the extent  
23 that the patent copyright is utilized by the payer in a state in  
24 which the taxpayer is not taxable and the taxpayer's commercial  
25 domicile is in this state.

26 (b) A patent is utilized in a state to the extent that it is  
27 employed in production, fabrication, manufacturing, or other

1 processing in the state or to the extent that a patented product  
2 is produced in the state. If the basis of receipts from patent  
3 royalties does not permit allocation to states or if the  
4 accounting procedures do not reflect states of utilization, the  
5 patent is utilized in the state in which the taxpayer's  
6 commercial domicile is located.

7 (c) A copyright is utilized in a state to the extent that  
8 printing or other publication originates in the state. If the  
9 basis of receipts from copyright royalties does not permit  
10 allocation to states or if the accounting procedures do not  
11 reflect states of utilization, the copyright is utilized in the  
12 state in which the taxpayer's commercial domicile is located.

13 (9) All business income shall be apportioned to this state  
14 by multiplying the income by a fraction, the numerator of which  
15 is the property factor plus the payroll factor plus the sales  
16 factor, and the denominator of which is 3.

17 (10) The property factor is a fraction, the numerator of  
18 which is the average value of the taxpayer's real and tangible  
19 personal property owned or rented and used in this state during  
20 the tax period and the denominator of which is the average value  
21 of all the taxpayer's real and tangible personal property owned  
22 or rented and used during the tax period.

23 (11) Property owned by the taxpayer is valued at its  
24 original cost. Property rented by the taxpayer is valued at 8  
25 times the net annual rental rate. Net annual rental rate is the  
26 annual rental rate paid by the taxpayer less any annual rental  
27 rate received by the taxpayer from subrentals.

1           (12) The average value of property shall be determined by  
2 averaging the values at the beginning and ending of the tax  
3 period but the tax administrator may require the averaging of  
4 monthly values during the tax period if reasonably required to  
5 reflect properly the average value of the taxpayer's property.

6           (13) The payroll factor is a fraction, the numerator of  
7 which is the total amount paid in this state during the tax  
8 period by the taxpayer for compensation and the denominator of  
9 which is the total compensation paid everywhere during the tax  
10 period.

11           (14) Compensation is paid in this state if:

12           (a) The individual's service is performed entirely within  
13 the state;

14           (b) The individual's service is performed both within and  
15 without the state, but the service performed without the state is  
16 incidental to the individual's service within the state; or

17           (c) Some of the service is performed in the state and (1)  
18 the base of operations or, if there is no base of operations, the  
19 place from which the service is directed or controlled is in the  
20 state, or (2) the base of operations or the place from which the  
21 service is directed or controlled is not in any state in which  
22 some part of the service is performed, but the individual's  
23 residence is in this state.

24           (15) The sales factor is a fraction, the numerator of which  
25 is the total sales of the taxpayer in this state during the tax  
26 period, and the denominator of which is the total sales of the  
27 taxpayer everywhere during the tax period.

1 (16) Sales of tangible personal property are in this state  
2 if:

3 (a) The property is delivered or shipped to a purchaser,  
4 other than the United States government, within this state  
5 regardless of the f.o.b. point or other conditions of the sale;  
6 or

7 (b) The property is shipped from an office, store,  
8 warehouse, factory, or other place of storage in this state and  
9 (1) the purchaser is the United States government or (2) the  
10 taxpayer is not taxable in the state of the purchaser.

11 (17) Sales, other than sales of tangible personal property,  
12 are in this state if:

13 (a) The income-producing activity is performed in this  
14 state; or

15 (b) The income-producing activity is performed both in and  
16 outside this state and a greater proportion of the income-  
17 producing activity is performed in this state than in any other  
18 state, based on costs of performance.

19 (18) If the allocation and apportionment provisions of this  
20 article do not fairly represent the extent of the taxpayer's  
21 business activity in this state, the taxpayer may petition for or  
22 the tax administrator may require, in respect to all or any part  
23 of the taxpayer's business activity, if reasonable:

24 (a) Separate accounting;

25 (b) The exclusion of any one or more of the factors;

26 (c) The inclusion of 1 or more additional factors which will  
27 fairly represent the taxpayer's business activity in this state;

1 or

2 (d) The employment of any other method to effectuate an  
3 equitable allocation and apportionment of the taxpayer's income.

4 Article V. Elements of Sales and Use Tax Laws.

5 Tax Credit.

6 (1) Each purchaser liable for a use tax on tangible personal  
7 property shall be entitled to full credit for the combined amount  
8 or amounts of legally imposed sales or use taxes paid by him with  
9 respect to the same property to another state and any subdivision  
10 thereof. The credit shall be applied first against the amount of  
11 any use tax due the state, and any unused portion of the credit  
12 shall then be applied against the amount of any use tax due a  
13 subdivision.

14 Tax Credit

15 Exemption Certificates, Vendors May Rely.

16 (2) Whenever a vendor receives and accepts in good faith  
17 from a purchaser a resale or other exemption certificate or other  
18 written evidence of exemption authorized by the appropriate state  
19 or subdivision taxing authority, the vendor shall be relieved of  
20 liability for a sales or use tax with respect to the transaction.

1 Article VI. The Commission.

2 Organization and Management.

3 (1) (a) The multistate tax commission is hereby established.  
4 It shall be composed of 1 "member" from each party state who  
5 shall be the head of the state agency charged with the  
6 administration of the types of taxes to which this compact  
7 applies. If there is more than 1 such agency, the state shall  
8 provide by law for the selection of the commission member from  
9 the heads of the relevant agencies. State law may provide that a  
10 member of the commission be represented by an alternate but only  
11 if there is on file with the commission written notification of  
12 the designation and identity of the alternate. The attorney  
13 general of each party state or his designee, or other counsel if  
14 the laws of the party state specifically provide, shall be  
15 entitled to attend the meetings of the commission, but shall not  
16 vote. Such attorneys general, designees, or other counsel shall  
17 receive all notices of meetings required under paragraph 1 (e) of  
18 this article.

19 (b) Each party state shall provide by law for the selection  
20 of representatives from its subdivisions affected by this compact  
21 to consult with the commission member from that state.

22 (c) Each member shall be entitled to 1 vote. The commission  
23 shall not act unless a majority of the members are present, and  
24 no action shall be binding unless approved by a majority of the  
25 total number of members.

1 (d) The commission shall adopt an official seal to be used  
2 as it may provide.

3 (e) The commission shall hold an annual meeting and such  
4 other regular meetings as its bylaws may provide and such special  
5 meetings as its executive committee may determine. The commission  
6 bylaws shall specify the dates of the annual and any other  
7 regular meetings, and shall provide for the giving of notice of  
8 annual, regular and special meetings. Notices of special meetings  
9 shall include the reasons therefor and an agenda of the items to  
10 be considered.

11 (f) The commission shall elect annually, from among its  
12 members, a chairman, a vice chairman and a treasurer. The  
13 commission shall appoint an executive director who shall serve at  
14 its pleasure, and it shall fix his duties and compensation. The  
15 executive director shall be secretary of the commission. The  
16 commission shall make provision for the bonding of such of its  
17 officers and employees as it may deem appropriate.

18 (g) Irrespective of the civil service, personnel or other  
19 merit system laws of any party state, the executive director  
20 shall appoint or discharge such personnel as may be necessary for  
21 the performance of the functions of the commission and shall fix  
22 their duties and compensation. The commission bylaws shall  
23 provide for personnel policies and programs.

24 (h) The commission may borrow, accept or contract for the  
25 services of personnel from any state, the United States, or any  
26 other governmental entity.

27 (i) The commission may accept for any of its purposes and

1 functions any and all donations and grants of money, equipment,  
2 supplies, materials and services, conditional or otherwise, from  
3 any governmental entity, and may utilize and dispose of the same.

4 (j) The commission may establish 1 or more offices for the  
5 transacting of its business.

6 (k) The commission shall adopt bylaws for the conduct of its  
7 business. The commission shall publish its bylaws in convenient  
8 form, and shall file a copy of the bylaws and any amendments  
9 thereto with the appropriate agency or officer in each of the  
10 party states.

11 (l) The commission annually shall make to the governor and  
12 legislature of each party state a report covering its activities  
13 for the preceding year. Any donation or grant accepted by the  
14 commission or services borrowed shall be reported in the annual  
15 report of the commission, and shall include the nature, amount  
16 and conditions, if any, of the donation, gift, grant or services  
17 borrowed and the identity of the donor or lender. The commission  
18 may make additional reports as it may deem desirable.

19 Committees.

20 (2) (a) To assist in the conduct of its business when the  
21 full commission is not meeting, the commission shall have an  
22 executive committee of 7 members, including the chairman, vice  
23 chairman, treasurer and 4 other members elected annually by the  
24 commission. The executive committee, subject to the provisions of  
25 this compact and consistent with the policies of the commission,



1 shall function as provided in the bylaws of the commission.

2 (b) The commission may establish advisory and technical  
3 committees, membership on which may include private persons and  
4 public officials, in furthering any of its activities. Such  
5 committees may consider any matter of concern to the commission,  
6 including problems of special interest to any party state and  
7 problems dealing with particular types of taxes.

8 (c) The commission may establish such additional committees  
9 as its bylaws may provide.

10 Powers.

11 (3) In addition to powers conferred elsewhere in this  
12 compact, the commission shall have power to:

13 (a) Study state and local tax systems and particular types  
14 of state and local taxes.

15 (b) Develop and recommend proposals for an increase in  
16 uniformity or compatibility of state and local tax laws with a  
17 view toward encouraging the simplification and improvement of  
18 state and local tax law and administration.

19 (c) Compile and publish information as in its judgment would  
20 assist the party states in implementation of the compact and  
21 taxpayers in complying with state and local tax laws.

22 (d) Do all things necessary and incidental to the  
23 administration of its functions pursuant to this compact.

24 Finance.

1           (4) (a) The commission shall submit to the governor or  
2 designated officer or officers of each party state a budget of  
3 its estimated expenditures for such period as may be required by  
4 the laws of that state for presentation to the legislature  
5 thereof.

6           (b) Each of the commission's budgets of estimated  
7 expenditures shall contain specific recommendations of the  
8 amounts to be appropriated by each of the party states. The total  
9 amount of appropriations requested under any such budget shall be  
10 apportioned among the party states as follows: one-tenth in equal  
11 shares; and the remainder in proportion to the amount of revenue  
12 collected by each party state and its subdivisions from income  
13 taxes, capital stock taxes, gross receipts taxes, sales and use  
14 taxes. In determining such amounts, the commission shall employ  
15 such available public sources of information as, in its judgment,  
16 present the most equitable and accurate comparisons among the  
17 party states. Each of the commission's budgets of estimated  
18 expenditures and requests for appropriations shall indicate the  
19 sources used in obtaining information employed in applying the  
20 formula contained in this paragraph.

21           (c) The commission shall not pledge the credit of any party  
22 state. The commission may meet any of its obligations in whole or  
23 in part with funds available to it under paragraph (1) (i) of  
24 this article: provided that the commission takes specific action  
25 setting aside such funds prior to incurring any obligation to be  
26 met in whole or in part in such manner. Except where the  
27 commission makes use of funds available to it under paragraph (1)

1 (i), the commission shall not incur any obligation prior to the  
2 allotment of funds by the party states adequate to meet the same.

3 (d) The commission shall keep accurate accounts of all  
4 receipts and disbursements. The receipts and disbursements of the  
5 commission shall be subject to the audit and accounting  
6 procedures established under its bylaws. All receipts and  
7 disbursements of funds handled by the commission shall be audited  
8 yearly by a certified or licensed public accountant and the  
9 report of the audit shall be included in and become part of the  
10 annual report of the commission.

11 (e) The accounts of the commission shall be open at any  
12 reasonable time for inspection by duly constituted officers of  
13 the party states and by any persons authorized by the commission.

14 (f) Nothing contained in this article shall be construed to  
15 prevent commission compliance with laws relating to audit or  
16 inspection of accounts by or on behalf of any government  
17 contributing to the support of the commission.

18 Article VII. Uniform Regulations and Forms.

19 (1) Whenever any 2 or more party states, or subdivisions of  
20 party states, have uniform or similar provisions of law relating  
21 to an income tax, capital stock tax, gross receipts tax, sales or  
22 use tax, the commission may adopt uniform regulations for any  
23 phase of the administration of such law, including assertion of  
24 jurisdiction to tax, or prescribing uniform tax forms. The  
25 commission may also act with respect to the provisions of article  
26 IV of this compact.

1 (2) Prior to the adoption of any regulation, the commission  
2 shall:

3 (a) As provided in its bylaws, hold at least 1 public  
4 hearing on due notice to all affected party states and  
5 subdivisions thereof and to all taxpayers and other persons who  
6 have made timely request of the commission for advance notice of  
7 its regulation-making proceedings.

8 (b) Afford all affected party states and subdivisions and  
9 interested persons an opportunity to submit relevant written data  
10 and views, which shall be considered fully by the commission.

11 (3) The commission shall submit any regulations adopted by  
12 it to the appropriate officials of all party states and  
13 subdivisions to which they might apply. Each such state and  
14 subdivision shall consider any such regulation for adoption in  
15 accordance with its own laws and procedures.

16 Article VIII. Interstate Audits.

17 (1) This article shall be in force only in those party  
18 states that specifically provide therefor by statute.

19 (2) Any party state or subdivision thereof desiring to make  
20 or participate in an audit of any accounts, books, papers,  
21 records or other documents may request the commission to perform  
22 the audit on its behalf. In responding to the request, the  
23 commission shall have access to and may examine, at any  
24 reasonable time, such accounts, books, papers, records, and other  
25 documents and any relevant property or stock of merchandise. The

1 commission may enter into agreements with party states or their  
2 subdivisions for assistance in performance of the audit. The  
3 commission shall make charges, to be paid by the state or local  
4 government or governments for which it performs the service, for  
5 any audits performed by it in order to reimburse itself for the  
6 actual costs incurred in making the audit.

7 (3) The commission may require the attendance of any person  
8 within the state where it is conducting an audit or part thereof  
9 at a time and place fixed by it within such state for the purpose  
10 of giving testimony with respect to any account, book, paper,  
11 document, other record, property or stock of merchandise being  
12 examined in connection with the audit. If the person is not  
13 within the jurisdiction, he may be required to attend for such  
14 purpose at any time and place fixed by the commission within the  
15 state of which he is a resident: provided that such state has  
16 adopted this article.

17 (4) The commission may apply to any court having power to  
18 issue compulsory process for orders in aid of its powers and  
19 responsibilities pursuant to this article and any and all such  
20 courts shall have jurisdiction to issue such orders. Failure of  
21 any person to obey any such order shall be punishable as contempt  
22 of the issuing court. If the party or subject matter on account  
23 of which the commission seeks an order is within the jurisdiction  
24 of the court to which application is made, such application may  
25 be to a court in the state or subdivision on behalf of which the  
26 audit is being made or a court in the state in which the object  
27 of the order being sought is situated. The provisions of this

1 paragraph apply only to courts in a state that has adopted this  
2 article.

3 (5) The commission may decline to perform any audit  
4 requested if it finds that its available personnel or other  
5 resources are insufficient for the purpose or that, in the terms  
6 requested, the audit is impracticable or unsatisfactory  
7 performance. If the commission, on the basis of its experience,  
8 has reason to believe that an audit of a particular taxpayer,  
9 either at a particular time or on a particular schedule, would be  
10 of interest to a number of party states or their subdivisions, it  
11 may offer to make the audit or audits, the offer to be contingent  
12 on sufficient participation therein as determined by the  
13 commission.

14 (6) Information obtained by any audit pursuant to this  
15 article shall be confidential and available only for tax purposes  
16 to party states, their subdivisions or the United States.  
17 Availability of information shall be in accordance with the laws  
18 of the states or subdivisions on whose account the commission  
19 performs the audit, and only through the appropriate agencies or  
20 officers of such states or subdivisions. Nothing in this article  
21 shall be construed to require any taxpayer to keep records for  
22 any period not otherwise required by law.

23 (7) Other arrangements made or authorized pursuant to law  
24 for cooperative audit by or on behalf of the party states or any  
25 of their subdivisions are not superseded or invalidated by this  
26 article.

27 (8) In no event shall the commission make any charge against

1 a taxpayer for an audit.

2 (9) As used in this article, "tax," in addition to the  
3 meaning ascribed to it in article II, means any tax or license  
4 fee imposed in whole or in part for revenue purposes.

5 Article IX. Arbitration.

6 (1) Whenever the commission finds a need for settling  
7 disputes concerning apportionments and allocations by  
8 arbitration, it may adopt a regulation placing this article in  
9 effect, notwithstanding the provisions of article VII.

10 (2) The commission shall select and maintain an arbitration  
11 panel composed of officers and employees of state and local  
12 governments and private persons who shall be knowledgeable and  
13 experienced in matters of tax law and administration.

14 (3) Whenever a taxpayer who has elected to employ article  
15 IV, or whenever the laws of the party state or subdivision  
16 thereof are substantially identical with the relevant provisions  
17 of article IV, the taxpayer, by written notice to the commission  
18 and to each party state or subdivision thereof that would be  
19 affected, may secure arbitration of an apportionment or  
20 allocation, if he is dissatisfied with the final administrative  
21 determination of the tax agency of the state or subdivision with  
22 respect thereto on the ground that it would subject him to double  
23 or multiple taxation by 2 or more party states or subdivisions  
24 thereof. Each party state and subdivision thereof hereby consents  
25 to the arbitration as provided herein, and agrees to be bound  
26 thereby.

1           (4) The arbitration board shall be composed of 1 person  
2 selected by the taxpayer, 1 by the agency or agencies involved,  
3 and 1 member of the commission's arbitration panel. If the  
4 agencies involved are unable to agree on the person to be  
5 selected by them, such person shall be selected by lot from the  
6 total membership of the arbitration panel. The 2 persons selected  
7 for the board in the manner provided by the foregoing provisions  
8 of this paragraph shall jointly select the third member of the  
9 board. If they are unable to agree on the selection, the third  
10 member shall be selected by lot from among the total membership  
11 of the arbitration panel. No member of a board selected by lot  
12 shall be qualified to serve if he is an officer or employee or is  
13 otherwise affiliated with any party to the arbitration  
14 proceeding. Residence within the jurisdiction of a party to the  
15 arbitration proceeding shall not constitute affiliation within  
16 the meaning of this paragraph.

17           (5) The board may sit in any state or subdivision party to  
18 the proceeding, in the state of the taxpayer's incorporation,  
19 residence or domicile, in any state where the taxpayer does  
20 business, or in any place that it finds most appropriate for  
21 gaining access to evidence relevant to the matter before it.

22           (6) The board shall give due notice of the times and places  
23 of its hearings. The parties shall be entitled to be heard, to  
24 present evidence, and to examine and cross-examine witnesses. The  
25 board shall act by majority vote.

26           (7) The board shall have power to administer oaths, take  
27 testimony, subpoena and require the attendance of witnesses and



1 the production of accounts, books, papers, records, and other  
2 documents, and issue commissions to take testimony. Subpoenas may  
3 be signed by any member of the board. In case of failure to obey  
4 a subpoena, and upon application by the board, any judge of a  
5 court of competent jurisdiction of the state in which the board  
6 is sitting or in which the person to whom the subpoena is  
7 directed may be found may make an order requiring compliance with  
8 the subpoena, and the court may punish failure to obey the order  
9 as a contempt. The provisions of this paragraph apply only in  
10 states that have adopted this article.

11 (8) Unless the parties otherwise agree the expenses and  
12 other costs of the arbitration shall be assessed and allocated  
13 among the parties by the board in such manner as it may  
14 determine. The commission shall fix a schedule of compensation  
15 for members of arbitration boards and of other allowable expenses  
16 and costs. No officer or employee of a state or local government  
17 who serves as a member of a board shall be entitled to  
18 compensation therefor unless he is required on account of his  
19 service to forego the regular compensation attaching to his  
20 public employment, but any such board member shall be entitled to  
21 expenses.

22 (9) The board shall determine the disputed apportionment or  
23 allocation and any matters necessary thereto. The determinations  
24 of the board shall be final for purposes of making the  
25 apportionment or allocation, but for no other purpose.

26 (10) The board shall file with the commission and with each  
27 tax agency represented in the proceeding: the determination of

1 the board; the board's written statement of its reasons therefor;  
2 the record of the board's proceedings; and any other documents  
3 required by the arbitration rules of the commission to be filed.

4 (11) The commission shall publish the determinations of  
5 boards together with the statements of the reasons therefor.

6 (12) The commission shall adopt and publish rules of  
7 procedure and practice and shall file a copy of such rules and of  
8 any amendment thereto with the appropriate agency or officer in  
9 each of the party states.

10 (13) Nothing contained herein shall prevent at any time a  
11 written compromise of any matter or matters in dispute, if  
12 otherwise lawful, by the parties to the arbitration proceeding.

13 Article X. Entry Into Force and Withdrawal.

14 (1) This compact shall enter into force when enacted into  
15 law by any 7 states. Thereafter, this compact shall become  
16 effective as to any other state upon its enactment thereof. The  
17 commission shall arrange for notification of all party states  
18 whenever there is a new enactment of the compact.

19 (2) Any party state may withdraw from this compact by  
20 enacting a statute repealing the same. No withdrawal shall affect  
21 any liability already incurred by or chargeable to a party state  
22 prior to the time of such withdrawal.

23 (3) No proceeding commenced before an arbitration board  
24 prior to the withdrawal of a state and to which the withdrawing  
25 state or any subdivision thereof is a party shall be discontinued

1 or terminated by the withdrawal, nor shall the board thereby lose  
2 jurisdiction over any of the parties to the proceeding necessary  
3 to make a binding determination therein.

4 Article XI. Effect on Other Laws and Jurisdiction.

5 Nothing in this compact shall be construed to:

6 (a) Affect the power of any state or subdivision thereof to  
7 fix rates of taxation, except that a party state shall be  
8 obligated to implement article III (2) of this compact.

9 (b) Apply to any tax or fixed fee imposed for the  
10 registration of a motor vehicle or any tax on motor fuel, other  
11 than a sales tax: provided that the definition of "tax" in  
12 article VIII (9) may apply for the purposes of that article and  
13 the commission's powers of study and recommendation pursuant to  
14 article VI (3) may apply.

15 (c) Withdraw or limit the jurisdiction of any state or local  
16 court or administrative officer or body with respect to any  
17 person, corporation or other entity or subject matter, except to  
18 the extent that such jurisdiction is expressly conferred by or  
19 pursuant to this compact upon another agency or body.

20 (d) Supersede or limit the jurisdiction of any court of the  
21 United States.

22 Article XII. Construction and Severability.

23 This compact shall be liberally construed so as to  
24 effectuate the purposes thereof. The provisions of this compact

1 shall be severable and if any phrase, clause, sentence or  
2 provision of this compact is declared to be contrary to the  
3 constitution of any state or of the United States or the  
4 applicability thereof to any government, agency, person or  
5 circumstance is held invalid, the validity of the remainder of  
6 this compact and the applicability thereof to any government,  
7 agency, person or circumstance shall not be affected thereby. If  
8 this compact shall be held contrary to the constitution of any  
9 state participating therein, the compact shall remain in full  
10 force and effect as to the remaining party states and in full  
11 force and effect as to the state affected as to all severable  
12 matters.