



Lindsey M. Stepp  
Commissioner

# State of New Hampshire Department of Revenue Administration

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Carolynn J. Lear  
Assistant Commissioner

June 4, 2020

His Excellency, Governor Christopher T. Sununu  
and the Honorable Council  
State House  
Concord, New Hampshire 03301

### REQUESTED ACTION

Pursuant to MOP 1200, I (D), authorizing the Department of Revenue Administration (DRA) to pay membership dues to the Multistate Tax Commission (MTC) Vendor Code 169708 Joint Audit Program for the period of July 1, 2020 through June 30, 2021 in the amount of \$141,912.

**100% General Funds.**

Funding is available in the following account:

**01-84-84-840510-1301, Audit Division, Department of Revenue Administration**

<b>026-500251 Membership Fees</b>	<b>FY 2021</b>	<b>\$141,912</b>
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### EXPLANATION

In 2015, the Legislature established RSA 21-J:3, XXXI to authorize the DRA to enter into a participation agreement with the MTC for multistate business tax auditing through membership in its Joint Audit Program. Membership will authorize MTC auditors to conduct business tax audits of multistate taxpayers at the direction of and on behalf of the DRA, consistent with New Hampshire statutes. The MTC auditors will then forward their findings to the DRA's audit staff for review and the issuance of a final determination (no change, refund or assessment). The MTC Joint Audit Program audit facilitates the proper determination of state tax liability for a multistate taxpayer, including the equitable apportionment of tax bases and settlement of apportionment disputes, by conducting a single audit of the taxpayer on behalf of participating states.

In addition, MTC Joint Audit Program membership will afford DRA Audit Division staff significant training opportunities to collaborate with and learn from peers in other states, including discounted training in corporate tax auditing not available elsewhere.

Listed below are answers to standard questions required for Governor and Executive Council organizational dues and membership approval submissions.

1. How long has this organization been in existence and how long has this agency been a member of this organization?

TDD Access: Relay NH 1-800-735-2964

*Individuals who need auxiliary aids for effective communication in programs and services of the Department of Revenue Administration are invited to make their needs and preferences known to the Department.*

The MTC was created by the Multistate Tax Compact in 1967. The MTC is an intergovernmental state tax agency that provides audits of multistate taxpayers on behalf of participating states. New Hampshire has been a member of the Joint Audit Program since December 1, 2015. The State is also currently a member of the MTC Nexus Program.

2. Is there any other organization which provides the same or similar benefits which your agency belongs to?

No.

3. How many other states belong to this organization and is your agency the sole New Hampshire state agency that is a member?

48 states and the District of Columbia participate in MTC and its meetings and programs, and 24 states participate in the corporate tax side of the Joint Audit Program. DRA would be the sole New Hampshire state agency to obtain membership in the MTC Joint Audit Program.

4. How is the dues structure established? (Standard fee for all states, based on population, based on other criteria, etc.)

Fees for participation in the Joint Audit Program are set on a reimbursement basis to cover the costs of operating the program. Responsibility for reimbursement is divided among the states by a schedule approved by the Executive Committee.

States participating in both income and sales tax audits pay a base fee amount that is equal for each state and is based on a cost reimbursement method. States participating in only income or sales tax audits pay an amount equal to 60% of the base fee amount for participating in both types of audits. States that are not compact or sovereignty members also pay an additional 20% general operations support fee.

There is a progression or "ramping up" of the program fee spread over the first three years a state participates. Since audits typically take from one to two years to complete from start to finish, it takes three years for a state to become fully integrated into the program. In the first year, a state pays 35% of the base fee (in New Hampshire's case, the first year was pro-rated to recognize the seven months starting on December 1<sup>st</sup>). In the second year, 75% of the base fee is paid, and finally, the full, annual program fee is paid beginning in the third year.

Because New Hampshire is among the ten smallest states (including D.C.) by population, a 10% reduction in the base fee is applied every year.

5. What benefit does the state receive from participating in this membership?

Participating in the Joint Audit Program allows for more efficient tax administration and enhanced compliance with New Hampshire's tax laws. New Hampshire's participation in the MTC Joint Audit Program benefits taxpayers by avoiding

duplicative audits conducted separately by non-member states. By joining the Program, New Hampshire does not surrender or delegate its taxing authority. DRA staff will authorize MTC to conduct specific audits on behalf of New Hampshire, and MTC staff will conduct audit fieldwork on behalf of the DRA. Once fieldwork is complete, MTC staff will share the results of fieldwork, as well as proposed adjustments of taxpayers' New Hampshire tax returns, to the DRA. DRA staff will then review the results of MTC audits and determine whether to issue tax assessments, refunds or make no change.

6. Are training or educational/ research materials included in the membership? If so, is the cost included? Explain in detail.

There is no formal training included as part of the Joint Audit Program, though informal training can occur as part of Audit Committee meetings.

Course fees for various MTC schools and other training programs are set on a full cost recovery basis in accordance with the direction of the Executive Committee. Joint Audit or National Nexus Program states pay a reduced fee than what other states or non-state government participants pay for MTC training courses.

7. Is the membership required to receive any federal grants or required in order to receive or participate in licensing or certification exams? Explain.

No.

8. Is there any travel included with this membership fee? Explain in detail any travel to include the number of employees involved, the number of trips, destination if known and purposes of membership supported trips.

There is no travel included in the membership fee.

There are no registration costs or fees to attend meetings of the Commission or its various committees. As an intergovernmental state tax agency, meetings of the Commission, its various committees, or its other working groups and teams are open to the public unless in closed session (because confidential taxpayer information or litigation or personnel related matters will be discussed), and there is no charge to attend.

The Audit Committee meets three times per fiscal year: during the Commission's annual meeting week (at or near the end of July), during the fall committee meetings (typically set sometime during the first full week of December), and during the winter committee meetings (set sometime during the first two weeks of March). It is anticipated that one or more DRA staff will attend each of the annual MTC meetings, and the cost of the travel will be paid for by the DRA.

9. Which state agency employees are directly involved with this organization? (Indicate if they are members, voting members, committee members, and/or officers of the organization.)

DRA employees directly involved with the MTC Joint Audit Program will include Commissioner Lindsey Stepp, Assistant Commissioner Carollynn Lear, Audit Director Fred Coolbroth Jr, Assistant Audit Director John Frasier, and Chief Multistate Auditor Jacob Thom.

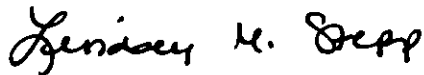
10. Explain in detail any negative impact to the State if the Agency did not belong to this organization.

If membership is not approved the State will forgo additional business tax compliance activities performed by MTC auditors, will forgo likely additional business tax revenue to the State General Fund, and will forgo additional training and professional development available to the DRA's Audit Division staff.

A copy of the 2021 invoice statement is attached for your review.

We respectfully request your consideration regarding this matter.

Respectfully Submitted,

A handwritten signature in black ink that reads "Lindsey M. Stepp". The signature is written in a cursive, flowing style.

Lindsey M. Stepp  
Commissioner of Revenue Administration

**EXTENSION OF AGREEMENT OF NEW HAMPSHIRE JOINT AUDIT PROGRAM PARTICIPATION AGREEMENT AND CONTRACT FOR AUDITING SERVICES**

**I. PERIOD OF EXTENSION**

The "New Hampshire Joint Audit Program Participation Agreement and Contract for Auditing Services" between the State of New Hampshire and the Multistate Tax Commission, effective as of December 1, 2015, and signed on October 26, 2015, is hereby extended, under the same terms and conditions stated therein as subsequently expressly modified by the parties unless expressly modified by this Extension Agreement, for the period from July 1, 2020, through June 30, 2021.

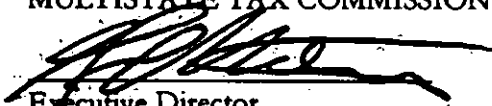
**II. PAYMENT FOR SERVICES**

The New Hampshire Joint Audit Program Participation Agreement and Contract for Auditing Services, dated as of December 1, 2015, is hereby amended to include Paragraph 2.1.1 which shall read:

**2.1.1 Program Fee for Renewal Term.** New Hampshire grants to the Commission the amount of \$141,912, for fiscal year 2021, subject to adjustment pursuant to paragraph 2.3, one half of which will be paid on or before September 15, 2020, and the other one-half of which will be paid on or before February 15, 2021.

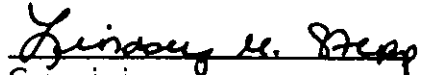
Executed as of the dates shown below for the following parties:

MULTISTATE TAX COMMISSION

  
Executive Director

4/28/2020  
Date

NEW HAMPSHIRE DEPARTMENT OF REVENUE ADMINISTRATION

  
Commissioner

6/4/2020  
Date