

Officers, 2021-2022

Robert J. Tuinstra, Jr.
Chair
Corteva Agriscience

Michael F. Carchia
Vice Chair
Capital One Services, LLC

Mollie L. Miller
Secretary & Treasurer
*Fresenius Medical Care
North America*

Arthur J. Parham, Jr.
Immediate Past Chair
Entergy Services, LLC

Amy Thomas Laub
Past Chair
Nationwide Insurance Company

Douglas L. Lindholm
President
Council On State Taxation

Directors

Madison J. Barnett
The Coca-Cola Company

C. Benjamin Bright
HCA Healthcare, Inc.

Lani J. Canniff
Ameriprise Financial, Inc.

Sandra K. Cary
LKQ Corporation

Susan Courson-Smith
Pfizer Inc.

Karen DiNuzzo-Wright
Walmart Inc.

Jamie S. Fenwick
Charter Communications

Kurt A. Lamp
Amazon.Com

Stephen J. LaRosa
Alexion Pharmaceuticals, Inc.

Toni Mincic
Lumen Technologies

John H. Paraskevas
Exxon Mobil Corporation

Robbi Podrug
Best Buy Co., Inc.

Michael R. Raley
VF Corporation

Patrick A. Shrake
Cargill, Incorporated

Kyle Snedaker
Conagra Brands, Inc.

Beth L. Sosidka
AT&T Services, Inc.

Archana Warner
*Constellation Energy
Corporation*

Emily T. Whittenburg
Nike, Inc.

Stephanie T. Do
Senior Tax Counsel
(202) 484-5228
sdo@cost.org

April 4, 2022

VIA EMAIL

The Honorable Ann Cummings, Chair
The Honorable Marc A. MacDonald, Vice-Chair
Vermont Senate Committee on Finance

Re: COST Supports H. 738 – Reporting of Federal Tax Adjustments

Dear Chair Cummings, Vice-Chair MacDonald, and Members of the Committee:

I am writing on behalf of the Council On State Taxation (COST) in support of the federal tax adjustment reporting provisions in H. 738, which is an issue raised in COST's "Best and Worst of State Tax Administration – COST Scorecard on State Tax Appeals & Procedural Requirements."¹ This legislation incorporates the Multistate Tax Commission's (MTC) model legislation, developed collaboratively with COST and other interested parties, to primarily address a federal law change in 2015 that significantly modified the procedures used by the Internal Revenue Service to audit and process partnership tax changes.

About COST

COST is a nonprofit trade association based in Washington, DC. COST was formed in 1969 as an advisory committee to the Council of State Chambers of Commerce and today has an independent membership of approximately 500 major corporations engaged in interstate and international business, many of which directly conduct business in Vermont. COST's objective is to preserve and promote the equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

COST Policy Position on Reporting Federal Tax Changes

The COST Board of Directors has adopted a formal policy position for reporting federal tax changes.² That policy position provides:

State (and local) reporting of federal tax changes imposes a significant compliance burden on multijurisdictional companies. A fair and efficient state procedure for reporting federal tax changes should include: 1) a clear definition of what constitutes a "final determination" that triggers a state reporting requirement; 2) a minimum period of at least 180 days (or six months) to report such changes to the state; 3) conformity to

¹ COST's Administrative Scorecard is available at: <https://cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-studies-articles-reports/admin-scorecard-final-may-2020.pdf>.

² The policy statement on "Reporting Federal Tax Changes" is available at: <https://www.cost.org/globalassets/cost/state-tax-resources-pdf-pages/cost-policy-positions/cost-federal-tax-changes-rar-policy-oct-2019.pdf>.

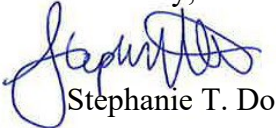
the Multistate Tax Commission model statute for reporting and payment of partnership audit adjustments, 4) the ability to make advanced payments before a “final determination” triggers the filing responsibility for an amended return; and 5) a limitation on issues open for adjustment to those items that are altered as a result of the federal change (after the normal statute of limitations has expired).

H. 738 conforms to COST’s policy statement for reporting federal tax changes, including partnerships, by adopting the MTC model legislation³ and an accompanying provision allowing taxpayers to make estimated payments when under a federal audit. The legislation also provides the Department of Taxes and a partnership the ability to mutually agree to use an alternative reporting and payment method, which will provide the Department with the flexibility to deal with unique circumstances in the reporting and payment of federal tax changes by partnerships to the State.

Conclusion

For the reasons discussed above, COST urges this Committee to support H. 738. Please let me know if you have any questions.

Sincerely,



Stephanie T. Do

cc: COST Board of Directors
Douglas L. Lindholm, COST President & Executive Director

³ The MTC Model legislation is available at: [https://www.mtc.gov/MTC/media/AUR/Proposed-Model-RAR-Statute-Technical-Corrections-\(10-25-20\).pdf](https://www.mtc.gov/MTC/media/AUR/Proposed-Model-RAR-Statute-Technical-Corrections-(10-25-20).pdf).