



May 22, 2008

Charles A. Trost, Esq.
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Nashville, Tennessee 37219-1760

Re: Opposition to NCCUSL Revision of UDITPA

Dear Mr. Trost:

On behalf of the California Taxpayers' Association we urge you and the other members of the NCCUSL Drafting Committee to Revise the Uniform Division of Income for Tax Purposes Act ("UDITPA"), the members of NCCUSL's Executive Committee and the members of NCCUSL's Committee on Scope and Program to table work on revising UDITPA. It is our position that such a broad revision in UDITPA does not satisfy NCCUSL's criteria for undertaking a project. Absent substantial satisfaction of those criteria, NCCUSL should not proceed with this project.

About California Taxpayers' Association

The California Taxpayers' Association was founded in 1926 to protect taxpayers from unnecessary taxes and to promote government efficiency. We serve our members through research and advocacy on significant tax and spending issues in the legislative, executive and judicial branches of government. The California Taxpayers' Association is an organization that represents hundreds of small and large businesses that conduct business in California. In addition, our members do business and pay tax in states that have adopted UDITPA in whole, states that have adopted UDITPA with modifications, states that have adopted portions of UDITPA, and states that have not adopted any of the provisions of UDITPA.

Opposition to NCCUSL Revision of UDITPA

Significant portions of UDITPA, as it exists today, are subject to disagreement among the bulk of the corporate taxpaying community, and the Act as a whole has not received uniform support among state legislators and governors. Each state's unique interest (in designing its own tax structure to balance the state need for revenue with the needs of its citizens) weighs against a broad-based re-write of UDITPA. In many

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instances, individual state tax policy decisions may be left more appropriately to each state's policymakers – and for that reason NCCUSL should reconsider using its scarce and valuable resources on this project.

A review of UDITPA's history demonstrates that state policymakers continue to modify their state's version of UDITPA to meet the unique needs of their in-state constituents. Forsaking uniformity in the division of the corporate tax base often helps states distinguish themselves from, and compete directly with, their sister states for jobs and investments. Even states that consider uniformity useful because it reduces compliance costs still alter their UDITPA provisions to keep up with other states' modifications. The lack of consistency among states regarding adoption of UDITPA indicates that many state policymakers have little or no interest in uniformity in the area of corporate income tax division. The desire of state elected officials to differentiate their states to develop an attractive climate for jobs and investment is often in direct conflict with the interest of NCCUSL to enact uniform corporate income tax division laws.

After reviewing NCCUSL's criteria for taking on a project in light of the considerations noted above and reflecting on comments from other interested parties, we hope that you agree that corporate income tax division uniformity is extremely challenging and unlikely to be achieved, given the likely opposition by individual state officials and business leaders. Making broad revisions to UDITPA in the face of existing political and economic forces will be expensive and time consuming and will encounter substantial road blocks. For this reason we ask that NCCUSL not proceed with its revision of UDITPA.

Thank you for respecting our concerns.

Sincerely,



Teresa Casazza
President

cc: John A. Sebert, Executive Director
Martha Lee Walters, President
Robert A. Stein, Chair, Executive Committee
Michael Houghton, Chair, Committee on Scope and Program
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