



National Association of State
Auditors, Comptrollers and Treasurers

WASHINGTON UPDATE

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SEC Wants Issuers to Come Forward with Their Problems

Last week the U.S. Securities and Exchange Commission announced a new initiative to encourage issuers and underwriters of municipal securities to self-report certain violations of the federal securities laws rather than wait for their violations to be detected. Andrew Ceresney, director of the SEC's Enforcement Division, explained:

"The Enforcement Division is committed to using innovative methods to uncover securities law violations and improve transparency in the municipal markets... We encourage eligible parties to take advantage of the favorable terms we are offering under this initiative. Those who do not self-report and instead decide to take their chances can expect to face increased sanctions for violations."

The new program is called the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative. The MCDC Initiative, under the guidance of the Enforcement Division, will recommend standardized, favorable settlement terms to municipal issuers and underwriters who self-report that they have made inaccurate statements in bond offerings about their prior compliance with continuing disclosure obligations.

The SEC's press release about the initiative can be viewed at

<http://www.sec.gov/News/PressRelease/Detail/PressRelease/1370541090828#.UyHcpY2Yaic>.

More about the MCDC Initiative can be found at

<http://www.sec.gov/divisions/enforce/municipalities-continuing-disclosure-cooperation-initiative.shtml>.

Internet Sales Tax Hearing: "States Estimate the Annual Lost Revenue at \$23 Billion"

The previously-postponed hearing for the Internet Sales Tax and Marketplace Fairness Act (H.R. 684) was finally held in the House Judiciary Committee last Wednesday. The hearing featured a wide variety of ideas on how to address the problem of the inability for states to

collect the taxes that are rightfully owed on Internet purchases. The hearing, entitled "Exploring Alternative Solutions on the Internet Sales Tax Issue," featured testimony from Mr. Joe Crosby, principal at Multi-State Associates Incorporated, and Mr. Stephen Kranz, partner at the law firm of McDermott Will & Emery.

In his opening remarks, Committee Chairman Bob Goodlatte (R-VA) noted that states are losing an estimated \$23 billion a year in revenue, and although the Marketplace Fairness Act seeks to fix this problem, he voiced his concern that the bill suffers from "fundamental defects in three categories:"

1. The tax is already owed, but the public still views the bill as Congress taxing the Internet.
2. Compliance is not sufficiently simple. The bill requires states to provide free software, but does not address integration costs,
3. The bill exposes remote sellers to multiple audits in jurisdictions in which they have no voice.

Mr. Crosby told the committee that his proposed solution would require:

"...an alternative [internet sales tax] framework should include a "consolidated audit agreement" among the states that provides that one state shall have the authority to audit a remote seller on behalf of all states.

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WASHINGTON STAFF

TANYA GRAYSON
Administrative Assistant/
Website Coordinator
tgrayson@nasact.org

NEAL HUTCHKO
Policy Analyst
Nhutchko@nasact.org

CORNELIA CHEBINOU
Washington Director
cchebinou@nasact.org

NASACT Washington Office

444 N. Capitol Street NW
Suite 234
Washington, DC 20001

p: (202) 624-5451
f: (202) 624-5473

The remote seller should have the option to challenge the findings of such an audit in the state of its choosing. The alternative framework should also exempt smaller sellers that use certified software from being subject to audit at all.”

Hearing video and panelists’ testimony from the hearing can be found at <http://judiciary.house.gov/index.cfm/2014/3/exploring-alternative-solutions-on-the-internet-sales-tax-issue>.

Municipal Advisor Rule Featured in Webinar

With the deadline approaching for municipal advisors to register with the SEC, *The Bond Buyer* recently held a webinar entitled “July 1st will be here sooner than you think: Have you analyzed the Municipal Advisor Rule to see how it affects you?” Participating in the webinar was Elaine Greenberg, former chief of the SEC’s Municipal Securities and Public Pensions Unit. The webinar focused on an overview of the Municipal Advisor Rule, as well as “talking points” for underwriters and issuers:

- What can bankers say to issuers.
- What new protocols and documentation can issuers expect to receive from bankers.
- Development and implementation of policies and procedures.

The webinar can be viewed at http://www.bondbuyer.com/webinars/-1059281-1.html?st=Pmail&s=archive&mkt_tok=3RkMMJWWfF9wsRolsqzPZKXonjHpfsX97%2B8sWaa%2FIMI%2F0ER3fOvrPUfGjI4FScJjI%2BSDLwEYGJlv6SgFT7X-AMaV0z7gIWhU%3D.

The 2014 Washington Office Survey results are in!

The 2014 Washington Office survey was completed last Friday, with a total of 22

offices from 17 states participating. These responses provide a snapshot of the issues that are most important to NASACT’s members and help shape activities through the Washington office for the year. Thanks to all of those who were able to respond and submit comments.

Some of the top issues identified by members as “most important” include public sector pension plans (defined benefit plans for public employees) and the DATA Act. Issues identified as “least important” included state bankruptcies and the Government Accountability and Transparency Board.

Look for an in-depth review of the 2014 survey in the March *NASACT News*.