



Memorandum

To: COST Member Companies
From: COST Officers and Directors
Re: COST Strategic Plan and Dues Structure for a New Era

Will it ever end? More state budget crises. Uncertain tax positions. Closing corporate “loopholes.” New “gross receipts” taxes. Retroactive law changes. “Streamlining” the sales tax. MTC “uniformity” legislation. Economic nexus. Class action and contingent fee lawsuits. Amnesty penalties. Denial of *certiorari*.

The answer, of course, is: “*Not anytime soon.*” It is evident that the SALT arena is changing rapidly, and in nearly all cases that change is creating new challenges for multistate corporations – COST members. As Officers and Directors of COST, we feel it is incumbent upon us to build and direct an organization that reflects the times in which we live.

Toward that end, we regularly survey the membership, conduct thorough reviews of the organization, and develop strategic plans to guide our future direction.

Many of COST’s prior strategic plans have resulted in significant changes to the organization over the years. Examples include:

- A strategic overhaul of COST’s Articles of Incorporation and Bylaws to align the Board’s governance processes with a growing organization tasked with adapting and reacting to a changing landscape;
- The development of a state-of-the-art SALT Basics School to provide much-needed training and expertise for the next generation of SALT professionals;
- The development of a regional meeting program to provide more members the opportunity to participate in COST’s world-class educational programs (nearly 8,000 tax professionals have attended a regional meeting over the past five years);
- The implementation of a formal process to set advocacy positions and the creation of the Policy Committee which have significantly strengthened COST’s impact in state legislatures and the multistate tax community.

2010 Strategic Plan Implementation: At our February 23rd meeting in San Diego, the Board voted unanimously to begin implementing a strategic plan under development since mid-2008. The new strategic plan, which was crafted with input through a comprehensive membership survey and through scores of Board and staff discussions with members, makes critical investments in the organization and is designed to lead COST into a new era. These new investments will make COST a more valuable organization for you, your employer and the multistate business community as a whole. The strategic plan will strengthen COST in three areas.

1. **Education:** Every membership survey has ranked education as the primary benefit of COST membership. The strategic plan recognizes the importance of education and directs staff to implement several specific strategies, including the use of state-of-the-art teaching methodologies, to ensure that COST’s SALT education program remains second to none.
2. **Advocacy:** Advocacy has been a close second to education on COST member surveys over the years. Advocacy covers not only COST’s highly visible judicial, legislative and administrative activity, but also extensive efforts to monitor and keep members informed of the plans of other organizations like the Multistate Tax Commission and Federation of Tax Administrators. The strategic plan instructs staff to develop dedicated representation before the Congress and in Western states (especially California), to build a capacity to conduct economic studies and fiscal analyses, and to eliminate the *ad hoc* additional dues contributions that many members currently make to support COST’s existing advocacy program.

3. **Membership:** Members are the lifeblood of COST. The strategic plan calls on COST to hire its first-ever association membership professional to further develop COST's member programs and services.

We encourage you to review the complete strategic plan, which is enclosed.

Funding: COST's prudent budgeting and reserve policy will allow the organization to begin making these important investments in 2010. Full implementation of the strategic plan, however, will require new revenue beginning in 2011. For the past year, the Board has explored options for generating the revenue necessary to make these investments. COST has diversified its revenue sources over the past decade and now generates significant revenue from non-dues sources. But dues are the primary funding source for COST, and the Board has determined that dues should *remain* the primary funding source for COST – both to promote the continued stability of the organization and to ensure that COST remains a “members-first” association.

COST's annual dues have been \$3,000 for all member companies, regardless of size, for the past seven years. To provide funding for the strategic plan, the COST Board has voted to adopt a new three-tiered dues structure, similar to dues structures in many organizations, **to be implemented in 2011**. The tiers and the corresponding dues level are based on revenue from member companies, as follows:

- Companies with annual revenues under \$2 billion pay annual dues of \$3,000
- Companies with annual revenues between \$2 billion and \$25 billion pay annual dues of \$5,000
- Companies with annual revenues over \$25 billion pay annual dues of \$7,000

The new dues structure recognizes the fact that COST's four decades of membership growth has changed the organization from a small group of “Fortune 100” companies to a much larger membership of companies of all sizes. In addition to providing the revenue needed to implement the strategic plan, the new dues structure better aligns members' contributions to COST with the value received from membership.

We are committed to ensuring that COST continues to live up to its mission to be the premier state tax organization representing taxpayers. We are excited for COST's future and trust that you are as well. We encourage you to contact any of us or COST's staff with questions or comments about the strategic plan or the new dues structure.

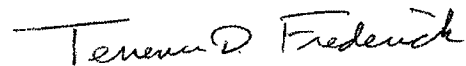
On behalf of the entire Board of Directors, we thank you for your continued support.

Sincerely,

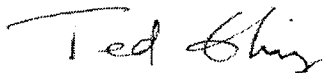
COST Officers:



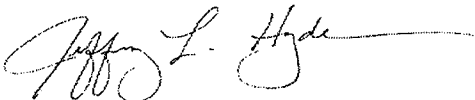
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Douglas L. Lindholm
COST President & Executive Director

Council On State Taxation

2010 Strategic Plan

Mission Statement

The Council On State Taxation (COST) is the premier state tax organization representing taxpayers. COST's objective is to preserve and promote equitable and nondiscriminatory state and local taxation of multijurisdictional business entities.

Vision

COST is a strong, member-driven organization. By continuing to focus on matching COST's organizational structure and investment with member needs, COST can continue to maintain the highest levels of membership value and create long-term sustainable growth in support of the Mission. COST will continually work to enhance its position as the preeminent source of information, education, advocacy and expertise on state taxation relevant to member companies and their representatives.

Goals

To help achieve this Vision, COST shall pursue the following goals.

Education: COST is an essential resource for member companies and their representatives. Educating member representatives, policy makers, and other audiences is a critical service. The following specific education goals shall be pursued.

- Improve the ability of member representatives to successfully advise their organization on the implications of changes in the tax environment and potential options for successful tax policy.
- Improve the ability of member representatives to successfully represent their companies to external groups or in other venues.
- Explore the feasibility of expanding COST educational efforts into additional tax disciplines with a substantive impact on member companies and within the purview of member company representatives.
- Improve the flexibility of options for education and information delivery to improve access to educational programming and informational resources.

Advocacy: COST has a strong history of advocating for fair, equitable and non-discriminatory tax policy. To continue this tradition, COST shall focus on achieving the following goals.

- Create or expand organizational capabilities to influence all levels of government, including executive, legislative, regulatory and judicial branches; continue to develop the organization's advocacy structure to evaluate the potential success of activity in each policy venue.
- Create or expand capabilities to inform and educate other audiences or non-governmental entities with an impact on tax policy.
- Explore the feasibility of expanding COST advocacy efforts into additional tax disciplines with a substantive impact on member companies and within the purview of member company representatives.

Membership: Members are the lifeblood of COST. The organization relies on members for technical information and financial resources and volunteer efforts are central to the association's success. In recognition of this, COST shall pursue the following goals.

- Create an ongoing and engaging forum for the discussion of state tax and other matters that is a peer to peer support network for the exchange of information, member interaction and participation.
- Improve the diversity of COST company participation.
- Leverage the insights and knowledge of COST members to aggregate and understand current and future practices and other new insights.

Strategies

To help achieve these Goals, COST shall implement the following strategies. COST staff will develop implementation plans for each of these Strategies and will report to the Board of Directors regularly regarding the implementation process.

Education:

- Create an expanded, integrated portfolio of events, online resources and topic-specific publications providing broader, easier access to educational programming and informational resources.
- Develop focused, specific education content to meet members' education and information needs. This directive has been partially implemented using volunteer help and selectively retaining outside experts to update the Tax School content. Additional updating of our existing education content and developing content for any new offerings are still needed.
- Assess the feasibility of adding additional Tax Schools to increase availability and expand opportunities for attendance.

Advocacy:

- Develop state-level regional advocacy representation (focused on the Western states, with Sacramento the preferred location).
- Establish a "think tank".
- Improve the marketing of COST as a thought leader in tax policy.
- Enhance federal representation.
- Include "Advocacy Fund" expenditures in the budget. Bringing these expenditures "on budget" has been an explicit objective of any change in dues structures. Expenditures from the Advocacy Fund cover outside economists (e.g., annual Business Tax Burden study), retained lobbyists (e.g., 2009 effort to defeat MUCR & throwback in North Carolina), and staff participation in the National Conference of State Legislatures, the State Government Affairs Council and similar organizations.

Membership:

- Develop COST's ability to reach new members and retain existing members by hiring an association membership management professional.
- Improve mentoring of the membership. The BOD Membership Committee has, in conjunction with staff, begun implementing this directive.
- Implement a "welcome series" of new member communications to ensure regular contact with new members during their first year of membership. The BOD Membership Committee, in conjunction with staff, has begun implementing this directive.
- Survey the membership. This directive has been implemented.

2009 COST Member Survey Results Summary

Please Note: Responses for some questions do not total to 100% due to rounding or because the respondent had the option to select more than one answer. Please contact Joe Crosby (jcrosby@cost.org) for more detailed survey results.

Overview

- **Response Rate:** 762 members participated in the survey.
- **Tenure:** 35% of respondents have been COST members for 5 or fewer years, 27% for 5-10 years, 25% for 10-20 years and 13% for more than 20 years.
- **Participating in COST:** 62% of respondents feel like they have adequate opportunities to participate in COST. 30% of respondents do not have the budget or time to be as active as they'd like to be.

Most important COST Service/Benefit

- Information Resources (e.g., COST newsletters) and Education (e.g., COST conferences) tied as "most important", with 65% of respondents ranking them either "1" or "2" (on a 1-5 scale with 1 being "most important").
- Following were Advocacy (54% ranked as "1" or "2"), Networking (44% ranked as "1" or "2") and the COST Website (38% ranked as "1" or "2").

Although the previous COST member survey (2005) was worded somewhat differently, these results are virtually identical to the results from that survey. When compared to the member survey completed in 2000, it is clear that over the past decade Information Resources has become more important to COST members and Networking less so (swapping positions).

COST's Education Programs

- **Most important factors in choosing to attend a COST school or conference:** Content is king. 69% of respondents named Content as the most important factor in deciding whether to attend a COST program, and a whopping 87% listed Content as the most important or second most important factor.
- **Educational Opportunities:** Two-thirds of respondents said that COST provides sufficient educational opportunities. Of the remainder, more than two-thirds indicated that time/budget was a limitation.

COST Advocacy

- **Western Office:** 68% of respondents indicated that they would benefit from enhanced advocacy capabilities in western states.
- **Federal Representation:** 88% of respondents indicated they would benefit from enhanced federal advocacy capabilities.