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## **A View from the Hill:**

### **State Tax Issues in the National Milieu**

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## **Purpose**

- **Update on federal legislation affecting state taxation of remote commerce**
- **Overview of other tax legislation and debate**

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## E-Commerce Issues

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- **Extend ITFA or not (10/21/2001); How long**
- **Access moratorium**
  - Grandfather clause
- **Collection on remote sales**
  - Sales tax simplification
- **Technical Issues**
  - Definition of access
  - Definition of 'discriminatory'

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## Senate Bills

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- **Dorgan et al. (15 co-sponsors) (S. 512)**
- **Wyden/Leahy - S. 288**
- **Features**
  - Extend
  - No technical changes
  - Simplification criteria
  - Procedure for approval of compact
- **Very different debate**
  - Retailer/Real Estate involvement

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## Issues/Sticking Points

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- **Local tax rates**
  - One rate on all commerce vs. one rate for remote vs. SSTP simplifications
- **Business activity tax nexus standard**
- **Trigger for remote collection**
  - Pre-authorization vs. Separate vote
- **Repeal of Grandfather clause**

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## House Situation

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- **H.R. 1410 -- Istook/Delahunt**
  - Identical to Dorgan bill
- **Speaker/Leadership position**
- **No leadership movement**

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## Administration Position

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- Vice President statement with Presidential affirmation
- 'Negotiation' signals
- Skeptical about a serious 'weighing-in' -- 'Work it out'

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## Leadership Change

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- Sen. Hollings more favorably inclined to state position
- Partisan demarcations not all that important
- Still effort to negotiate and "have everybody be happy."

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## What Will Happen

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- **Positive signs, but significant issues**
  - BAT nexus
  - Trigger
- **Number of potential influences**
  - Senate Finance, House, Administration
- **50-50 at this point**
  - Assessment of costs and benefits
- **Time is ally of straight extension**

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## General Tax Debate

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- **Bush/Republican agenda v. Democratic/moderate agenda**
- **To some extent, differences are on the margin**
- **To some extent, differences are deep and philosophical**

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## Driving Forces

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- **Federal budget surplus**
  - \$2.5 trillion, but serious caveats
- **Politics and Philosophy**
  - Size of government over long term
- **Tax Policy**
  - Incentives
  - Income groups/redistribution

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## What Was Passed?

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- **Marginal Rate Reductions**
  - 10 percent bracket
  - Maximum to 35 percent
  - 65 percent of money
- **Child credit doubles**
  - Partially refundable
  - Other 'kid-friendly' features
- **Marriage Penalty**
  - Limited and delayed

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## More of What Was Passed

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- **Education Savings Incentives**
  - Increased amounts
  - Above the line deduction
- **Retirement and Pension Reform**
  - Increased amounts
  - Credits for some income groups
- **Estate Tax Repeal**
  - State death tax credit

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## What to Watch

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- **Out-year costs**
  - \$550 B v. \$800 B and growing
- **AMT Relief**
  - Postponed three years
- **Unfinished business agenda**
  - Impact of leadership change is HUGE
- **Simplification**

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## Lessons Learned

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- State tax issues are “constituent issues”
  - S/L’s seen as special interests
- Limited sense of “partnership”
- No institutional guardian/partner
- Not all is bleak

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