

HOUSE BILL REPORT

SJM 8003

As Reported by House Committee On:

Finance

Brief Description: Requesting Congress to restore the sales tax deduction for federal income taxes.

Sponsors: Senators Fraser, Rossi, Kohl-Welles, Fairley, Jacobsen, Benton, Eide, Esser, Franklin, Hale, Haugen, Johnson, Kline, McAuliffe, Oke, Parlette, Rasmussen, Regala, Roach, Schmidt, B. Sheldon, Spanel, Stevens, Thibaudeau, Winsley and Zarelli.

Brief History:

Committee Activity:

Finance: 3/25/03, 4/4/03 [DP].

Brief Summary of Bill

- Asks Congress to restore the itemized deduction for sales taxes.

HOUSE COMMITTEE ON FINANCE

Majority Report: Do pass. Signed by 9 members: Representatives Gombosky, Chair; McIntire, Vice Chair; Cairnes, Ranking Minority Member; Orcutt, Assistant Ranking Minority Member; Ahern, Conway, Morris, Roach and Santos.

Staff: Rick Peterson (786-7150).

Background:

In 1986 federal tax changes removed the itemized deduction for state and local sales taxes on federal income tax returns. State and local income taxes and property taxes continue to be deductible as itemized deductions.

The Washington Tax Structure Committee estimates that Washington households pay an additional \$500 million in federal income because the sales tax is no longer deductible.

At least four bills have been introduced in the 108th Congress to restore the itemized deduction for sales taxes.

Summary of Bill:

Congress is requested to restore the itemized deduction for retail sales taxes.

Appropriation: None.

Fiscal Note: Available.

Testimony For: This memorial requests Congress to allow citizens to deduct sales tax from their federal income tax. Washington residents are paying proportionately more federal tax per person than residents of other states because the sales tax is not deductible. Allowing the deduction would put about \$500 million back in circulation in the state economy.

Testimony Against: None.

Testified: Senator Fraser, prime sponsor.