

SENATE BILL REPORT

SJM 8003

As Passed Senate, February 26, 2003

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: Ways & Means: 1/27/03, 1/28/03 [DP].
Passed Senate: 2/26/03, 49-0.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: Do pass.

Signed by Senators Rossi, Chair; Hewitt, Vice Chair; Brown, Fairley, Fraser, Hale, Honeyford, Johnson, Kohl-Welles, Parlette, Poulsen, Regala, Roach, Sheahan, B. Sheldon, Winsley and Zarelli, Vice Chair.

Staff: Catherine Suter (786-7442)

Background: In 1986 federal tax changes removed the itemized deduction for state and local sales taxes on federal income tax returns. The Washington State Tax Structure Study estimates that Washington residents pay an additional \$500 million annually in federal tax because of the inability to deduct state sales taxes. State and local income taxes and property taxes continue to be deductible as itemized deductions.

Thus far in the 108th Congress, a bill has been introduced in the House of Representatives to restore the itemized deduction for sales taxes. H.R. 261, the Stop Discrimination Against Seven States Act of 2003, would allow taxpayers of states with no income tax to deduct state and local sales and complementary use taxes.

Summary of Bill: Congress is requested to restore the itemized deduction for retail sales taxes.

Appropriation: None.

Fiscal Note: Not requested.

Testimony For: None.

Testimony Against: While the Tax Structure Study estimated the impact to citizens of not deducting sales and use tax from federal income tax returns, it did not suggest restoration of the deduction. Requesting the restoration of this deduction would simply pass the fiscal crisis

buck to Congress, who is facing its own crisis. We instead should fix our own dysfunctional tax system and implement a state income tax.

Testified: Dave Wood, Citizens for Fair Taxation (con).