

109TH CONGRESS
1ST SESSION

S. RES. 294

Expressing the sense of the Senate on the retention of the Federal tax deduction for State and local taxes paid.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 2, 2005

Mr. SCHUMER (for himself, Mr. LAUTENBERG, Mr. DURBIN, Mrs. CLINTON, Mr. CORZINE, Mr. SALAZAR, Mr. KENNEDY, Mr. LIEBERMAN, Mrs. FEINSTEIN, Mr. DODD, Mr. KERRY, Mr. OBAMA, Mrs. BOXER, Mr. FEINGOLD, Mr. KOHL, and Ms. STABENOW) submitted the following resolution; which was referred to the Committee on Finance

RESOLUTION

Expressing the sense of the Senate on the retention of the Federal tax deduction for State and local taxes paid.

Whereas no American should be unnecessarily or excessively burdened with additional taxes;

Whereas the Federal income tax has grown more complicated and unmanageable over time, imposing burdensome administrative and compliance costs on American taxpayers;

Whereas on January 7, 2005, President George W. Bush created the President's Advisory Panel on Federal Tax Reform (the "Panel") via Executive Order 13369;

Whereas the Panel was tasked with providing several options for Federal tax reform that would simplify Federal tax

laws, retain progressivity, and promote long-run economic growth and job creation;

Whereas in its final report, released publicly on November 1, 2005, the Panel recommended the complete repeal of the Federal deduction for State and local taxes, as a central component of both the “Simplified Income Tax Plan” and the “Growth and Investment Tax Plan”;

Whereas State and local taxes have been deductible from the Federal income tax since the inception of the Federal income tax in 1913;

Whereas eliminating the deduction for State and local taxes would create a new form of double taxation at a time where efforts are being made to reduce other forms of double taxation, since repeal would require millions of taxpayers to pay Federal taxes on income that is also taxed at the State or local level;

Whereas Congress has recently taken steps to expand, rather than cut back, the State and local tax deduction, by reinstating a deduction for State sales taxes for some taxpayers (previously repealed as part of the Tax Reform Act of 1986), as part of the American Jobs Creation Act of 2004;

Whereas there is some concern, as noted by the nonpartisan Urban-Brookings Tax Policy Center, that eliminating the deduction could “lower support for public services and lead to a ‘race to the bottom’ in terms of State and local expenditures as States compete to have the lowest taxes in order to attract higher-income households”;

Whereas the deduction for State and local taxes is not just a concern for a small minority of taxpayers in the largest States, as 22 States saw more than one-third of their

taxpayers take the deduction in 2003, the latest year for which data is available (Maryland, New Jersey, Connecticut, Colorado, Oregon, Minnesota, Massachusetts, Virginia, Utah, California, Georgia, New York, Wisconsin, Arizona, Rhode Island, Michigan, Delaware, North Carolina, Illinois, New Hampshire, Nevada, and Idaho (ranked in order of the percentage of taxpayers affected));

Whereas in tax year 2003, 43,538,000 taxpayers in the United States took advantage of the Federal deduction for State and local taxes, deducting a total of \$315,690,000,000, thereby saving taxpayers in the United States approximately \$88,390,000,000 in Federal income taxes, assuming an average marginal rate of 28 percent for taxpayers who itemize; and

Whereas in tax year 2003, the top 25 States ranked by the number of taxpayers affected represented 77 percent of the taxpayers affected nationally, and took 85 percent of the total deductions for State and local taxes, as detailed below:

(1) In California, 5,807,000 taxpayers deducted a total of \$54,920,000,000, thereby saving California taxpayers approximately \$15,380,000,000 in Federal income taxes.

(2) In New York, 3,228,000 taxpayers deducted a total of \$37,600,000,000, thereby saving New York taxpayers approximately \$10,530,000,000 in Federal income taxes.

(3) In Illinois, 1,994,000 taxpayers deducted a total of \$13,720,000,000, thereby saving Illinois taxpayers approximately \$3,840,000,000 in Federal income taxes.

(4) In Ohio, 1,809,000 taxpayers deducted a total of \$12,720,000,000, thereby saving Ohio taxpayers approximately \$3,560,000,000 in Federal income taxes.

(5) In New Jersey, 1,791,000 taxpayers deducted a total of \$18,750,000,000, thereby saving New Jersey taxpayers approximately \$5,250,000,000 in Federal income taxes.

(6) In Pennsylvania, 1,765,000 taxpayers deducted a total of \$12,400,000,000, thereby saving Pennsylvania taxpayers approximately \$3,470,000,000 in Federal income taxes.

(7) In Michigan, 1,627,000 taxpayers deducted a total of \$10,350,000,000, thereby saving Michigan taxpayers approximately \$2,900,000,000 in Federal income taxes.

(8) In Georgia, 1,416,000 taxpayers deducted a total of \$8,720,000,000, thereby saving Georgia taxpayers approximately \$2,440,000,000 in Federal income taxes.

(9) In Virginia, 1,355,000 taxpayers deducted a total of \$9,630,000,000, thereby saving Virginia taxpayers approximately \$2,700,000,000 in Federal income taxes.

(10) In North Carolina, 1,304,000 taxpayers deducted a total of \$8,720,000,000, thereby saving North Carolina taxpayers approximately \$2,440,000,000 in Federal income taxes.

(11) In Maryland, 1,260,000 taxpayers deducted a total of \$10,410,000,000, thereby saving Maryland taxpayers approximately \$2,920,000,000 in Federal income taxes.

(12) In Massachusetts, 1,216,000 taxpayers deducted a total of \$10,840,000,000, thereby saving Massa-

chusetts taxpayers approximately \$3,040,000,000 in Federal income taxes.

(13) In Minnesota, 969,000 taxpayers deducted a total of \$7,060,000,000, thereby saving Minnesota taxpayers approximately \$1,980,000,000 in Federal income taxes.

(14) In Wisconsin, 961,000 taxpayers deducted a total of \$8,000,000,000, thereby saving Wisconsin taxpayers approximately \$2,240,000,000 in Federal income taxes.

(15) In Colorado, 856,000 taxpayers deducted a total of \$4,570,000,000, thereby saving Colorado taxpayers approximately \$1,280,000,000 in Federal income taxes.

(16) In Arizona, 841,000 taxpayers deducted a total of \$4,110,000,000, thereby saving Arizona taxpayers approximately \$1,150,000,000 in Federal income taxes.

(17) In Indiana, 832,000 taxpayers deducted a total of \$4,530,000,000, thereby saving Indiana taxpayers approximately \$1,270,000,000 in Federal income taxes.

(18) In Missouri, 772,000 taxpayers deducted a total of \$4,890,000,000, thereby saving Missouri taxpayers approximately \$1,370,000,000 in Federal income taxes.

(19) In Connecticut, 713,000 taxpayers deducted a total of \$7,970,000,000, thereby saving Connecticut taxpayers approximately \$2,230,000,000 in Federal income taxes.

(20) In Oregon, 641,000 taxpayers deducted a total of \$5,100,000,000, thereby saving Oregon taxpayers approximately \$1,430,000,000 in Federal income taxes.

(21) In South Carolina, 574,000 taxpayers deducted a total of \$3,390,000,000, thereby saving South Carolina

taxpayers approximately \$949,000,000 in Federal income taxes.

(22) In Alabama, 538,000 taxpayers deducted a total of \$2,090,000,000, thereby saving Alabama taxpayers approximately \$586,000,000 in Federal income taxes.

(23) In Kentucky, 515,000 taxpayers deducted a total of \$3,300,000,000, thereby saving Kentucky taxpayers approximately \$925,000,000 in Federal income taxes.

(24) In Oklahoma, 434,000 taxpayers deducted a total of \$2,320,000,000, thereby saving Oklahoma taxpayers approximately \$650,000,000 in Federal income taxes.

(25) In Iowa, 397,000 taxpayers deducted a total of \$2,510,000,000, thereby saving Iowa taxpayers approximately \$702,000,000 in Federal income taxes: Now, therefore, be it

- 1 *Resolved*, That it is the sense of the Senate that Con-
- 2 gress should not repeal or substantially alter the long-
- 3 standing Federal tax deduction for State and local taxes.

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