

Multistate Tax Commission



Resolution No. 00-7

Resolution Urging Congressional Consideration of Impacts of Major Federal Tax Changes on State Tax Administration

Repealed 8/2/02 by MTC Policy Statement 02-02

WHEREAS, for the past several years, Congress has contemplated through various proposals major changes in fundamental federal tax policies; and

WHEREAS, some of these proposals call for enactment at the federal level of a comprehensive transactional tax on consumption, suggest that States would administer such a tax on behalf of the federal government, and suggest that such tax be a complete substitute for federal corporate and personal income taxes;

WHEREAS, still other proposals call for a comprehensive reform of the federal personal and corporate income tax base by substituting a consumed-income tax for the personal income tax and substituting a business activities tax for the corporate income tax; and

WHEREAS, administration of transactional taxes on consumption has heretofore been almost exclusively a major source of revenue for States and local governments; and

WHEREAS, the enactment of a comprehensive transactional tax on consumption at the federal level would raise significant issues of coordination with existing state and local sales taxes, would likely lead to pressure to conform state and local sales taxes to the federal base, and could constrain the ability of state and local governments to retain the existing level of reliance on sales taxes or to achieve increases in sales taxes that might be judged necessary in the future; and

WHEREAS, elimination of the federal corporate and personal income taxes would eliminate federal income tax legal frameworks, definitions, income information reporting, tax withholding and tax auditing upon which States depend for cost-effective enforcement of their own taxes and thereby raises critical issues concerning the cost and feasibility of instituting these requirements and activities at the state level; and

WHEREAS, in sum, all of the proposals that have been contemplated by Congress for federal tax reform have major implications for the ability of States to retain their current tax policies and systems of administration; now, therefore, be it

RESOLVED, that the Multistate Tax Commission respectfully call upon the Congress of the United States to fully consider the potential impact on state tax policy prerogatives and state tax administration of any proposal for comprehensive federal tax reform, and to consult fully regarding these impacts with all relevant organizations of State officials.

Adopted this 28th day of July 2000 by the Multistate Tax Commission.

Dan R. Bucks, Executive Director