

NCSL Standing Committee on Budgets and Revenue
POLICY DIRECTIVES AND RESOLUTIONS

2021 Policy Week Review Call

Nov. 3-5, 2021

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1 **COMMITTEE: BUDGETS & REVENUE COMMITTEE**

2 **POLICY: SUPPORT FOR THE INVESTING IN OUR**
3 **COMMUNITIES ACT**

4 **TYPE: RESOLUTION**

5 **Support for the Investing in Our Communities Act (Resolution)**

6 WHEREAS, advance refunding of tax-exempt municipal bonds can be a financial tool
7 that saves state and local governments billions of dollars by allowing them to provide
8 more comprehensive savings at lower costs to taxpayers; and

9 WHEREAS, the refunding of tax-exempt municipal bonds is a mechanism by which
10 states and localities finance infrastructure projects, utilities, education, and other
11 general purpose bonds; and

12 WHEREAS, a refunding occurs when the proceeds from one bond are used to pay off
13 another bond, typically at a lower interest rate; and

14 WHEREAS, the Investing in our Communities Act as introduced in the 116th Congress
15 restores the ability for states to advance refund their tax-exempt municipal bonds, which
16 was eliminated by the Tax Cuts and Job Act of 2017; and

17 NOW, THEREFORE, BE IT RESOLVED that the National Conference of State
18 Legislatures urges Congress to pass legislation that restores the ability of states to
19 finance public infrastructure that is cost-effective and consistent with NCSL principles of
20 preserving fiscal viability and tax reform.

1 **COMMITTEE: BUDGETS & REVENUE**

2 **POLICY: STATE AND FEDERAL BUDGETING: PRINCIPLES**
3 **FOR FUNDAMENTAL TAX REFORM**

4 **POLICY: DIRECTIVE**

5 It is the policy of the National Conference of State Legislatures to advance
6 and defend a balanced, dynamic partnership among local, state and federal
7 governments.

8 Tax reform efforts and tax actions at the federal level affect states because:

- 9 • Federal and state tax systems are inextricably linked;
10 • Federal programs rely on state participation for implementation; and
11 • Any federal reform will likely have serious fiscal and administrative
12 ramifications on the states.

13 Therefore, NCSL urges that all federal tax reform and other actions be
14 guided by the following principles:

15 **General**

- 16 • Preserve the fiscal viability and sovereignty of state governments.
17 • Encourage work, savings, equity and simplicity.
18 • Promote efficiency and predictability.
19 • Avoid intrusion upon the state excise tax base.
20 • Preserve states' ability and discretion to tax certain revenue sources.
21 • Preserve the ability of state and local governments to adopt fair and
22 effective tax systems. This includes authorizing states with sales and
23 use taxes to require interstate sellers to collect and remit those taxes

24 and restoring the full state and local income tax, sales tax and
25 property tax deductions for federal income tax purposes.
26 • Continue tax policies that reward work, specifically the Earned
27 Income Tax Credit (EITC) and Individual Development Accounts
28 (IDAs).

29 **Transition**

- 30 • Provide states with adequate transition time to implement and
31 respond to new tax systems, preferably up to three or more years.
- 32 • Avoid the negative state impact of retroactive application of tax
33 changes.
- 34 • Provide technical expertise to states to ease any transition of
35 administrative responsibilities to the states resulting from federal tax
36 reform.
- 37 • Provide adequate federal administrative funds for any federal tax
38 reform that involves modified or increased collection responsibilities
39 for the states.
- 40 • Ensure that federal tax changes are made in a manner that preserves
41 federal data collection used by the states.

42 **Do No Harm**

- 43 • Provide flexibility and strengthen states' ability to finance and
44 administer programs for which they are traditionally responsible or
45 have gained through devolution.
- 46 • Recognize that federal tax reductions should not compromise funding
47 for existing and future commitments to mandated state-federal
48 partnership programs.

- 49 • To the extent that a national sales, consumption, or value-added tax
50 is considered as part of ongoing deficit reduction efforts, the historic
51 role of such taxes as a major revenue source for state and local
52 governments must be protected and all deliberations concerning such
53 taxes must include representatives of the federal government's
54 partners in the nation's cities and states.

55 **Tax-Exempt Financing/Bonds**

- 56 • Preserve tax-exempt financing for infrastructure and capital projects,
57 including the use of public-private partnerships.
- 58 • Maintain the tax-exempt status of state and local government bonds
59 and lift existing restrictions on state and local government use of tax-
60 exempt bonds.
- 61 • Avoid provisions that weaken the fiscal integrity of state and local
62 governments. This includes: the arbitrage rebate provisions, which
63 essentially are a one-hundred percent tax on the interest income of
64 state and local governments; the alternative minimum tax, which now
65 taxes interest from otherwise tax-exempt bonds; volume caps, which
66 have unduly restricted the use of bonds for projects that have
67 increasingly become governmental responsibilities; and restrictions
68 on advance refunding which increases the cost of government.
- 69 • Support the Mortgage Revenue Bond (MRB) program and the low-
70 income housing tax credit.

71 **Enforcement**

- 72 • Increase enforcement efforts of the federal income tax laws so
73 individual and business taxpayers are not bearing the burden of those
74 who fail to pay owed taxes.
- 75 • Continue to take into account states’ reliance on federal tax rates and
76 federal collection efforts.

77 **Payment in Lieu of Taxes**

78 The National Conference of State Legislatures supports federal efforts to:

- 79 • Continue, but reform the Payment in Lieu of Tax Program (PILT)
80 program; to create a more predictable, fair and flexible system that
81 accurately reflects the fiscal effects of federal lands on state and local
82 governments.
- 83 • Provide full funding for the PILT program, provided that this goal is
84 accomplished in a manner consistent with long-term federal debt
85 management and deficit reduction; and
- 86 • Provide a more flexible payment system through authorization for the
87 transfer of land of equivalent value from the federal government to
88 states or counties in lieu of monetary payment, consistent with state
89 statutes, and practice.

90 **State Legislators’ Tax Issues**

91 The National Conference of State Legislatures supports the standard
92 deduction allowed state legislators under section 162 (h) of the Internal
93 Revenue Code. Regulation, interpretation, or other statutes should not
94 undermine the section. Regulations implementing this code section should
95 reflect the intent of Congress and should include the following
96 recommendations:

- 97 • A "session day" should mean a day in session as defined by the laws
98 or rules of the state of residence of the legislator.
- 99 • A "committee" of the legislature should mean 1) a committee of one
100 or more legislators conducting the business of [or reporting to] the
101 legislature, or 2) a committee created by state or federal statute,
102 resolution, order or rule on which the legislator serves in his or her
103 capacity as a legislator. This definition of "committee" should include
104 caucuses that conduct the business of the legislature.
- 105 • "State legislator" should include newly-elected legislators who attend
106 official organizational meetings prior to administration of their oath of
107 office.

108 **Other**

- 109 • Prohibit further preemption of state courts by refusing to give federal
110 courts jurisdiction to establish the valuation of property for state and
111 local tax purposes or by refusing to give selected classes of state and
112 local taxpayers procedural and substantive privileges unavailable to
113 most taxpayers.
- 114 • NCSL also encourages Congress and the administration to review
115 the Railroad Revitalization and Regulatory Reform Act (4-R Act) to
116 determine if the courts have expanded the 4-R Act beyond the
117 original intent of Congress and reject federal legislation that would
118 extend to other industries 4-R type benefits.
- 119 • NCSL requests the federal government to respect the sovereignty of
120 states to allow or prohibit games of chance or skill. Any effort by
121 Congress or the administration to reform this regulation preempts

122 states and diminishes the flexibility of state legislatures to use this
123 mechanism as a revenue-related tool to meet the unique needs of
124 residents of each state.

125 NCSL calls upon Congress to pass legislation that provides a framework
126 for the taxation of digital goods and services, that provides certainty,
127 stability and consistency for state and local governments in the taxation of
128 digital goods and services, while protecting consumers from multiple and
129 discriminatory taxation and supporting the continued growth of the digital
130 economy.

131 As state and local governments seek to modernize their tax structures to
132 include various forms of digital commerce, establishing a national
133 framework would:

134 Establish uniform sourcing rules for state and local taxation of mobile
135 telecommunication services;
136 provide certainty to those sellers required to collect such taxes
137 allow state and local governments that choose to tax digital goods and
138 services to do so in a fair and rational manner.