



NATIONAL CONFERENCE *of* STATE LEGISLATURES

The Forum for America's Ideas

April 14, 2016

The Honorable Charles Boustany
Chairman
Tax Policy Subcommittee
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

The Honorable Richard Neal
Ranking Member
Tax Policy Subcommittee
Ways and Means Committee
United States House of Representatives
Washington, DC 20515

Curtis Bramble
Senate President Pro Tempore
Utah
President, NCSL

Karl Aro
Director of Administration
Department of Legislative Services
Maryland
Staff Chair, NCSL

William T. Pound
Executive Director

RE: Hearing on Fundamental Tax Reform Proposals

Dear Chairman Boustany, Ranking Member Neal and Members of the Tax Policy Subcommittee:

The National Conference of State Legislatures (NCSL) urges the House Subcommittee on Tax Policy to support provisions in the federal tax code that preserve the fiscal viability and sovereignty of state governments. Federal and state tax systems are inextricably linked, and any federal reform will likely have serious fiscal and administrative ramifications on states. NCSL believes that federal tax reform should preserve the ability of state and local governments to adopt fair and effective tax systems, and the framework should encourage work, savings, equity and simplicity.

As the subcommittee considers tax reform proposals, NCSL urges the subcommittee to adhere to the following principles:

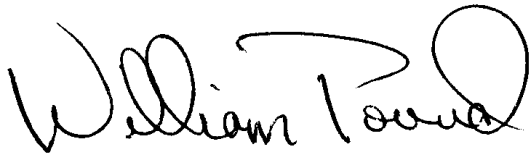
- **NCSL asks that any reform provides state legislatures adequate transition time.** State legislatures must have sufficient time (no less than three years) to make an assessment of and any necessary changes to state law. It is critical that state legislative calendars be taken into consideration as this process moves forward.
- **Ensure that all federal tax law changes be prospective:** This is important so that states do not suffer unexpected revenue losses that would emanate from a retroactive application.
- **Protect the state and local income tax, sales tax and property tax deductions for federal income tax purposes:** The need to protect and preserve state and local tax deductibility is even more imperative when considering the adverse impact its elimination would have on state and local government fiscal conditions. Eliminating state and local income and sales tax deductibility could cause states harm by limiting abilities to fund vital programs to educate our children, maintain state infrastructure and ensure the health and safety of our citizens.
- **Maintain the tax-exempt status of state and local government bonds for infrastructure and capital projects:** State and local bonds are the most beneficial and productive instrument for governmental infrastructure and capital needs purposes. If the current status of municipal bonds is either modified or eliminated, economic development would be suppressed through increased costs and less investment activity.

April 14, 2016

- **Maintain and improve the Earned Income Tax Credit (EITC) and the Additional Child Tax Credit:** NCSL strongly supports the Earned Income Tax Credit (EITC), which provides needed financial support to low-income families while encouraging and rewarding work.
- **Preserve unique designs and protections inherent in state pension plans and avoid increased federal regulation:** NCSL believes the exemption of state pension and benefits plans from federal taxation is a sound component of federal policy that should continue. Congress should not enact any legislation that imposes annual federal reporting and funding requirements on state governments regarding aspects of their public employee pension plans.

NCSL welcomes the opportunity to work collaboratively with you to ensure that tax reform benefits not only the national economy but our states' economies as well.

Respectfully,

A handwritten signature in black ink that reads "William T. Pound". The signature is written in a cursive style with a large, looping initial "W" and a distinct "Pound" at the end.

William T. Pound
Executive Director
National Conference of State Legislatures