

STORAGE NAME: h1963.fpr.doc

DATE: April 16, 2001

**HOUSE OF REPRESENTATIVES
COMMITTEE ON
FISCAL POLICY AND RESOURCES
ANALYSIS**

BILL #: HB 1963 (PCB FPR 01-05)

RELATING TO: Deduction from Federal Income Tax

SPONSOR(S): Committee on Fiscal Policy & Resources and Rep. Wallace

TIED BILL(S):

ORIGINATING COMMITTEE(S)/COUNCIL(S)/COMMITTEE(S) OF REFERENCE:

(1) FISCAL POLICY AND RESOURCES YEAS 12 NAYS 0

(2)

(3)

(4)

(5)

I. SUMMARY:

This Proposed Committee Bill is a memorial to the Congress of the United States, asking them to reinstate the federal income tax deduction for sales tax paid.

II. SUBSTANTIVE ANALYSIS:

A. DOES THE BILL SUPPORT THE FOLLOWING PRINCIPLES:

- | | | | |
|-----------------------------------|---|-----------------------------|---|
| 1. <u>Less Government</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 2. <u>Lower Taxes</u> | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. <u>Individual Freedom</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. <u>Personal Responsibility</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. <u>Family Empowerment</u> | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a "no" above, please explain:

B. PRESENT SITUATION:

In 1986 the Congress of the United States passed the Tax Reform Act of 1986. Among other things, this Act repealed the deduction individuals could claim on their income tax return for state and local sales taxes paid. The deduction for state income tax paid was left in place. As a result, while citizens in most states may deduct the income taxes they have paid in support of local government, citizens in states such as Florida, which finance state and local government through taxes other than an income tax, do not benefit from a comparable deduction.

C. EFFECT OF PROPOSED CHANGES:

This bill would send a memorial to the Congress of the United States asking them to reinstate the deduction from federal income taxes for state and local sales tax paid.

D. SECTION-BY-SECTION ANALYSIS:

This section need be completed only in the discretion of the Committee.

III. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT:

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

None

2. Expenditures:

None

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None

2. Expenditures:

None

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Taxpayers in those states which do not impose a state income tax would benefit greatly from a deduction for state and local taxes paid.

D. FISCAL COMMENTS:

None

IV. CONSEQUENCES OF ARTICLE VII, SECTION 18 OF THE FLORIDA CONSTITUTION:

A. APPLICABILITY OF THE MANDATES PROVISION:

Article VII, Section 18 does not apply to a memorial.

B. REDUCTION OF REVENUE RAISING AUTHORITY:

Article VII, Section 18 does not apply to a memorial.

C. REDUCTION OF STATE TAX SHARED WITH COUNTIES AND MUNICIPALITIES:

Article VII, Section 18 does not apply to a memorial.

V. COMMENTS:

A. CONSTITUTIONAL ISSUES:

N/A

B. RULE-MAKING AUTHORITY:

N/A

C. OTHER COMMENTS:

N/A

VI. AMENDMENTS OR COMMITTEE SUBSTITUTE CHANGES:

N/A

VII. SIGNATURES:

COMMITTEE ON FISCAL POLICY AND RESOURCES:

Prepared by:

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