

SENATE STAFF ANALYSIS AND ECONOMIC IMPACT STATEMENT

(This document is based on the provisions contained in the legislation as of the latest date listed below.)

BILL: SM 336

SPONSOR: Senator Constantine

SUBJECT: Sales Tax Equity Act of 2003

DATE: December 18, 2003 REVISED: _____

	ANALYST	STAFF DIRECTOR	REFERENCE	ACTION
1.	<u>Keating</u>	<u>Johansen</u>	<u>FT</u>	<u>Favorable</u>
2.	<u> </u>	<u> </u>	<u>RC</u>	<u> </u>
3.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
4.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
5.	<u> </u>	<u> </u>	<u> </u>	<u> </u>
6.	<u> </u>	<u> </u>	<u> </u>	<u> </u>

I. Summary:

Senate Memorial 336 is a memorial to the Congress of the United States, requesting that Congress enact H.R. 720, the Sales Tax Equity Act of 2003, which would provide a sales tax deduction for federal taxpayers who reside in states that do not impose a state income tax.

II. Present Situation:

Currently, forty-three states and the District of Columbia impose a state personal income tax. Florida does not impose a state personal income tax, which is prohibited by the State Constitution. The Federal Government allows a taxpayer to deduct from his or her federal income tax liability the amount paid in state income taxes, but does not allow a taxpayer to deduct from his or her federal income tax liability, any sales and use taxes paid to the state.

Prior to 1986, taxpayers were permitted to deduct all of their state and local taxes paid when computing their federal tax liability. However, the Tax Reform Act of 1986 made dramatic changes to the tax code. Congress significantly reduced federal tax rates on individuals. In exchange for these lower rates, Congress broadened the base of income by eliminating many of the deductions and credits that previously existed in the code, including the deduction for state and local sales taxes. This has resulted in a growing inequity between taxpayers in different states regarding the amounts they pay in federal taxes. Seven states -- Alaska, Florida, Nevada, South Dakota, Texas, Washington, and Wyoming - have no state income tax. Most of these states have a heavy reliance on sales taxes, and their taxpayers have large sales tax burdens. Clearly, Florida is one of those states. In fiscal year 2002-03, sales and use tax collections accounted for 73% of Florida's General Revenue Fund.

On February 12, 2003, H.R. 720, the Sales Tax Equity Act of 2003, was introduced and referred to the Committee on Ways and Means. H.R. 720 amends the Internal Revenue Code of 1986 to allow a deduction for state and local sales taxes in lieu of state and local income taxes. No action has been taken on H.R. 720.

III. Effect of Proposed Changes:

The Senate Memorial is a memorial to the Congress of the United States, requesting that Congress enact H.R. 720, the Sales Tax Equity Act of 2003, which would provide a sales tax deduction for federal taxpayers who reside in states that do not impose a state income tax. The Senate Memorial further resolves that copies of this memorial be dispatched to the President of the United States, to the President of the United States Senate, to the Speaker of the United States House of Representatives, and to each member of the Florida delegation to the United States Congress.

IV. Constitutional Issues:

A. Municipality/County Mandates Restrictions:

The provisions of the Senate Memorial have no impact on municipalities and the counties under the requirements of Article VII, s. 18 of the Florida Constitution.

B. Public Records/Open Meetings Issues:

None.

C. Trust Funds Restrictions:

None.

V. Economic Impact and Fiscal Note:

A. Tax/Fee Issues:

Senate Memorial 336 will have no impact on state and local taxes. However, if H.R. 720 is enacted by Congress, it will reduce the federal tax liability of Florida's taxpayers. According to the Congressional Research Service, based on the 2001 Federal tax year, Florida taxpayers could save a minimum of \$976 million in federal income taxes if the Sales Tax Equity Act of 2003 is passed by Congress.

B. Private Sector Impact:

Senate Memorial 336 will have no impact on Florida's private sector. However, if H.R. 720 is enacted by Congress, it will reduce the federal tax liability of Florida's taxpayers.

C. Government Sector Impact:

None.

VI. Technical Deficiencies:

None.

VII. Related Issues:

None.

VIII. Amendments:

None.

This Senate staff analysis does not reflect the intent or official position of the bill's sponsor or the Florida Senate.
