

+ The Recession and State Taxes

“What to do? What to do?”

a presentation to



NABE *National Association for Business Economics*
Setting the pace in business economics

by

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+ Agenda



State Fiscal Conditions-Bleak is as Good as it Gets

Raise Taxes, Cut Spending, Study the Problem, Borrow Some More,
Look to Washington for More Money.....Without Strings?

Federalism and State Tax Uniformity

Congress Will Help You

What to Do? Don't Tax Me!

Questions

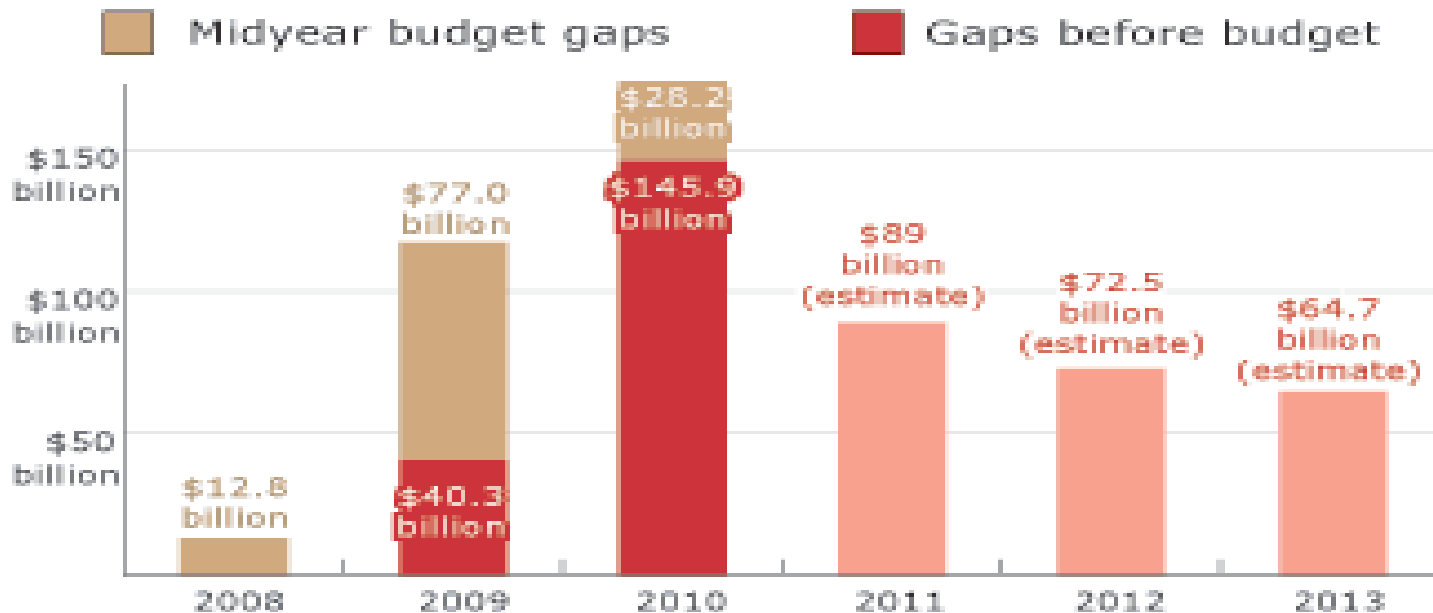


How Bad Is It? 1

Stateline.org

Budget gaps ease — for now

States have already closed a staggering \$393 billion in budget gaps between projected spending and revenue since the recession began December 2007. But some 30 states could face new holes in their 2011 plans that begin July 1 as they banked on Congress providing additional aid that has yet to pass.



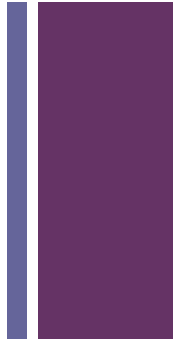
Graphic by **Danny Dougherty**, Stateline.org

Source: the National Conference of State Legislatures





Corporate Income? Taxes



- Mandatory Unitary Combined Reporting
 - Talk: 1983-2004
 - VT (2004), WV & NY (2007), MA (2008)
 - 2008: Considered in 10 States but not passed
 - 2009: Considered in AL, CT, FL, IA, LA, MO, NM, NC, PA, TN

- UDITPA Reform

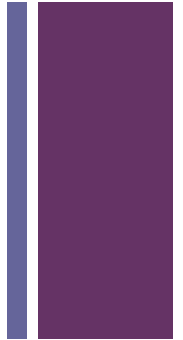
- Non-Income Based Taxes: NH, OH, TX & MI

- Can You Spell V-A-T? Federal and/or State?

+ **The UDITPA Conundrum**

- Originally Drafted in 1957
- Centerpiece of MTC Compact, 1966
- After More Than 40 Years, Decreased Uniformity
- MTC Asks ULC for Re-write of UDITPA
- SSF: Tax Incentive or Apportionment Statute?
- Should Federal Legislation Play a Role In UDITPA?

+ Sales and Use Taxes



- Streamlined Sales & Use Tax Agreement
- Main Street Fairness Act
- “Amazon Laws”
- Colorado’s Approach, Oklahoma’s Approach
- Enforcement Efforts

+ States and Local Governments: What to do? What to do?

- Tax Everybody, or maybe Tax the Rich
- Tax “Sin”
- Amnesty
- Raise the Rate, Expand the Base
- Cut Education, Prison, Medicaid, Transportation, Whatever Spending
- Study the Problem
- Pray for Rain

Congress is here to help you.



**Hearings on Nexus, Apportionment,
Rental Cars, more?**

Main Street Fairness Act

**State Tax Administration Assistance
Act of 2009**

Business Activity Tax Simplification

Permanent Internet Tax Freedom Act

**Mobile Workforce State Income Tax
Fairness & Simplification Act**

Voice over Internet Protocol (proposal)

Cell Tax Fairness Act

State Video Tax Fairness Act

**Online Travel Companies Local Tax
Evisceration Act**

Military Spouses Relief

Estate Tax

Gambling, Alcohol, Tobacco

Taxation and Public Trust



- "Tax reform means, Don't tax you, don't tax me. Tax that fellow behind the tree."
-Senator Russell B. Long
(D-LA)
- Simultaneous Belief: Robust menu of public goods and services and low or no taxes on me, maybe some on you.

Questions – Follow-up



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