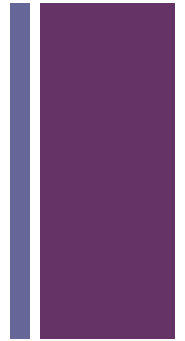


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# State Taxes: A National Perspective

**Jim Eads, Federation of Tax Administrators**

**Joe Huddleston, Multistate Tax Commission**

**Southeast Association of Tax Administrators**

**July 13, 2010**

**Little Rock, Arkansas**

# + Agenda



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State Fiscal Conditions-Bleak is as Good as it Gets

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

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Federalism and State Tax Uniformity

---

Congress Will Help You

---

What to Do? Don't Tax Me!

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Questions-Call Us

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+ **How Bad Is It?**



# MISTAKES

IT COULD BE THAT THE PURPOSE OF YOUR LIFE IS  
ONLY TO SERVE AS A WARNING TO OTHERS.

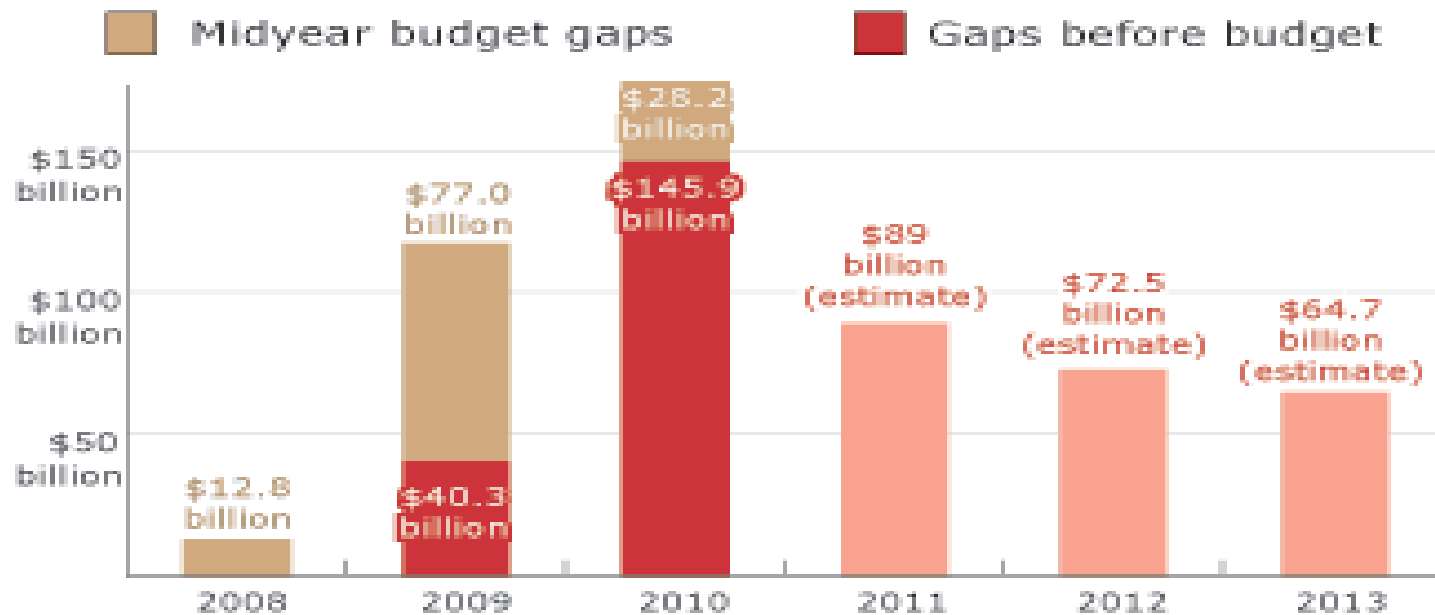


## + How Bad Is It? 2

Stateline.org

### Budget gaps ease — for now

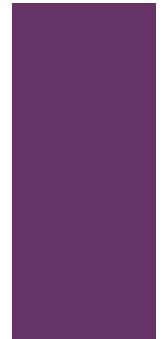
States have already closed a staggering \$393 billion in budget gaps between projected spending and revenue since the recession began December 2007. But some 30 states could face new holes in their 2011 plans that begin July 1 as they banked on Congress providing additional aid that has yet to pass.



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

Source: the National Conference of State Legislatures

# + How Bad Is It? 3



Headlines July 1, 2010

AL, FL, LA, MS: Gulf states fear long-term fiscal effects of oil disaster

AL: Alabama pension funding continues to decline

AR: Costs being cut at state prisons

CA: More California schools may not be able to pay bills, state reports

CA: Whitman hedges on her pledge to not raise taxes

DE: Delaware Senate passes budget day before June 30 deadline

HI: Hard times not over for state's schools

IA: Iowans face the biggest increase in school property taxes in 8 years

IL: Illinois to begin new fiscal year with deficit, debt and spending cuts

KS: A higher sales tax to begin Thursday in Kansas

ME: State to seek \$100M in spending cuts

NC: N.C. budget to avoid key cuts but spur deficit

NE: Nebraska state senators will spend the summer and fall looking for ways to make state government smaller and less expensive

NH: Community colleges have bigger plans

NJ: Showdown over N.J. budget is avoided for now

NY: Fund managers' profits are ripe for a new tax

NY: Gov set to veto millions more in spending

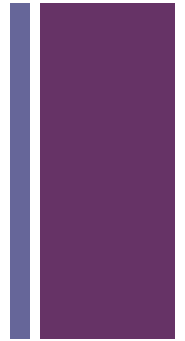
OR: Public Employees' Benefits Board votes to tap reserves

PA: Pennsylvania Gov. Ed Rendell -- Budget is good one but will require state worker layoffs

RI: R.I. faulted on spending on higher education

TX: Poll says Texans favor slots over higher taxes

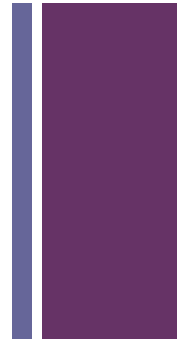
# + Corporate Income? Taxes



- 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?



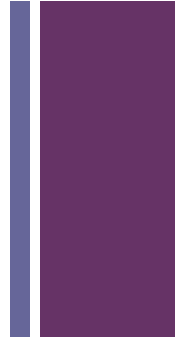
## **+ The UDITPA Conundrum**



- 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?



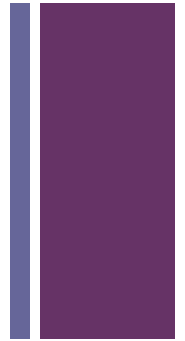
# + Sales and Use Taxes



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

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

- Tax Everybody, or at Least Tax the Rich
- Tax "Sin"
- Raise the Rate, Expand the Base
- Cut Education Spending
- Cut Prison Spending
- Cut Medicaid Spending
- Cut Salaries
- Study the Problem
- Pray for Rain.....from Washington



# + Federalism & State Tax Uniformity

- Conflicting Goals:
  - State Sovereignty, Laboratories of Democracy
  - Free Flow of Goods & Commerce
- Practical Considerations
  - Global Competitiveness
  - The New Economy
- State Tax Uniformity Efforts
  - Uniform Law Commission
  - Multistate Tax Commission



"In two words, yes and no."

—A 1949 Herblock Cartoon, © by The Herb Block Foundation

# **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**

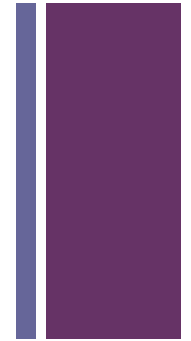
**Gambling, Alcohol, Tobacco**

# 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 – Contact Us



Joe Huddleston  
Multistate Tax Commission  
Washington, D.C.  
202-624-8699  
[jhuddleston@mtc.gov](mailto:jhuddleston@mtc.gov)

Jim Eads  
Federation of Tax Administrators  
Washington, D.C.  
202-624-5891  
[jim.eads@taxadmin.org](mailto:jim.eads@taxadmin.org)