

**NCSL Standing Committee on
Budgets and Revenue**

POLICY DIRECTIVES AND RESOLUTIONS

**2023 NCSL LEGISLATIVE SUMMIT
INDIANAPOLIS, IN**

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1 **COMMITTEE: BUDGETS & REVENUE COMMITTEE**

2 **POLICY: SUPPORT FOR THE INVESTING IN OUR**
3 **COMMUNITIES ACT**

4 **TYPE: RESOLUTION**

5 WHEREAS, advance refunding of tax-exempt municipal bonds can be a financial tool
6 that saves state and local governments billions of dollars by allowing them to provide
7 more comprehensive savings at lower costs to taxpayers; and

8 WHEREAS, the refunding of tax-exempt municipal bonds is a mechanism by which
9 states and localities finance infrastructure projects, utilities, education, and other
10 general purpose bonds; and

11 WHEREAS, a refunding occurs when the proceeds from one bond are used to pay off
12 another bond, typically at a lower interest rate; and

13 WHEREAS, the bipartisan Investing in our Communities Act as introduced in the 117th
14 Congress restores the ability for states to advance refund their tax-exempt municipal
15 bonds, which was eliminated by the Tax Cuts and Job Act of 2017; and

16 NOW, THEREFORE, BE IT RESOLVED that the National Conference of State
17 Legislatures urges Congress to pass legislation that restores the ability of states to
18 finance public infrastructure that is cost-effective and consistent with NCSL principles of
19 preserving fiscal viability and tax reform.

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1 **COMMITTEE: BUDGETS & REVENUE COMMITTEE**

2 **POLICY: STATE AND FEDERAL BUDGETING: PRINCIPLES**
3 **FOR FUNDAMENTAL TAX REFORM**

4 **TYPE: DIRECTIVE**

5 It is the policy of the National Conference of State Legislatures to advance and defend a
6 balanced, dynamic partnership among local, state and federal governments.

7

8 Tax reform efforts and tax actions at the federal level affect states because:

- 9 • Federal and state tax systems are inextricably linked;
- 10 • Federal programs rely on state participation for implementation; and
- 11 • Any federal reform will likely have serious fiscal and administrative ramifications
12 on the states.

13

14 Therefore, NCSL urges that all federal tax reform and other actions be guided by the
15 following principles:

16

17 **General**

- 18 • Preserve the fiscal viability and sovereignty of state governments.
- 19 • Encourage work, savings, equity and simplicity.
- 20 • Promote efficiency and predictability.
- 21 • Avoid intrusion upon the state excise tax base.
- 22 • Preserve states' ability and discretion to tax certain revenue sources.
- 23 • Preserve the ability of state and local governments to adopt fair and effective tax
24 systems. This includes authorizing states with sales and use taxes to require
25 interstate sellers to collect and remit those taxes and restoring the full state and
26 local income tax, sales tax and property tax deductions for federal income tax
27 purposes.

- 28 • Continue tax policies that reward work, specifically the Earned Income Tax Credit
29 (EITC) and Individual Development Accounts (IDAs).

30

31 **Transition**

- 32 • Provide states with adequate transition time to implement and respond to new
33 tax systems, preferably up to three or more years.
- 34 • Avoid the negative state impact of retroactive application of tax changes.
- 35 • Provide technical expertise to states to ease any transition of administrative
36 responsibilities to the states resulting from federal tax reform.
- 37 • Provide adequate federal administrative funds for any federal tax reform that
38 involves modified or increased collection responsibilities for the states.
- 39 • Ensure that federal tax changes are made in a manner that preserves federal
40 data collection used by the states.

41

42 **Do No Harm**

- 43 • Provide flexibility and strengthen states' ability to finance and administer
44 programs for which they are traditionally responsible or have gained through
45 devolution.
- 46 • Recognize that federal tax reductions should not compromise funding for existing
47 and future commitments to mandated state-federal partnership programs.
- 48 • To the extent that a national sales, consumption, or value-added tax is
49 considered as part of ongoing deficit reduction efforts, the historic role of such
50 taxes as a major revenue source for state and local governments must be
51 protected and all deliberations concerning such taxes must include
52 representatives of the federal government's partners in the nation's cities and
53 states.

54

55 **Tax-Exempt Financing/Bonds**

- 56 • Preserve tax-exempt financing for infrastructure and capital projects, including
57 the use of public-private partnerships.

- 58 • Maintain the tax-exempt status of state and local government bonds and lift
59 existing restrictions on state and local government use of tax-exempt bonds.
- 60 • Avoid provisions that weaken the fiscal integrity of state and local governments.
61 This includes: the arbitrage rebate provisions, which essentially are a one-
62 hundred percent tax on the interest income of state and local governments; the
63 alternative minimum tax, which now taxes interest from otherwise tax-exempt
64 bonds; volume caps, which have unduly restricted the use of bonds for projects
65 that have increasingly become governmental responsibilities; and restrictions on
66 advance refunding which increases the cost of government.
- 67 • Support the Mortgage Revenue Bond (MRB) program and the low-income
68 housing tax credit.

69

70 **Enforcement**

- 71 • Increase enforcement efforts of the federal income tax laws so individual and
72 business taxpayers are not bearing the burden of those who fail to pay owed
73 taxes.
- 74 • Continue to take into account states' reliance on federal tax rates and federal
75 collection efforts.

76

77 **Payment in Lieu of Taxes**

78 The National Conference of State Legislatures supports federal efforts to:

- 79 • Continue, but reform the Payment in Lieu of Tax Program (PILT) program; to
80 create a more predictable, fair and flexible system that accurately reflects the
81 fiscal effects of federal lands on state and local governments.
- 82 • Provide full funding for the PILT program, provided that this goal is accomplished
83 in a manner consistent with long-term federal debt management and deficit
84 reduction; and
- 85 • Provide a more flexible payment system through authorization for the transfer of
86 land of equivalent value from the federal government to states or counties in lieu
87 of monetary payment, consistent with state statutes, and practice

88

89 **State Legislators' Tax Issues**

90 The National Conference of State Legislatures supports the standard deduction allowed
91 state legislators under section 162 (h) of the Internal Revenue Code. Regulation,
92 interpretation, or other statutes should not undermine the section. Regulations
93 implementing this code section should reflect the intent of Congress and should include
94 the following recommendations:

- 95 • A "session day" should mean a day in session as defined by the laws or rules of
96 the state of residence of the legislator.
- 97 • A "committee" of the legislature should mean 1) a committee of one or more
98 legislators conducting the business of [or reporting to] the legislature, or 2) a
99 committee created by state or federal statute, resolution, order or rule on which
100 the legislator serves in his or her capacity as a legislator. This definition of
101 "committee" should include caucuses that conduct the business of the
102 legislature.
- 103 • "State legislator" should include newly-elected legislators who attend official
104 organizational meetings prior to administration of their oath of office.

105

106 **Other**

- 107 • Prohibit further preemption of state courts by refusing to give federal courts
108 jurisdiction to establish the valuation of property for state and local tax purposes
109 or by refusing to give selected classes of state and local taxpayers procedural
110 and substantive privileges unavailable to most taxpayers.
- 111 • NCSL also encourages Congress and the administration to review the Railroad
112 Revitalization and Regulatory Reform Act (4-R Act) to determine if the courts
113 have expanded the 4-R Act beyond the original intent of Congress and reject
114 federal legislation that would extend to other industries 4-R type benefits.
- 115 • NCSL requests the federal government to respect the sovereignty of states to
116 allow or prohibit games of chance or skill. Any effort by Congress or the
117 administration to reform this regulation preempts states and diminishes the

118 flexibility of state legislatures to use this mechanism as a revenue-related tool to
119 meet the unique needs of residents of each state.

- 120 • To address the evolution of remote work and its impact on state budgets, any
121 comprehensive federal tax policy shall allow state legislatures to collect tax
122 revenue without providing an unnecessary burden on states, taxpayers and
123 businesses.