

**NCSL STANDING COMMITTEE on BUDEGTS AND REVENUE  
POLICY DIRECTIVES AND RESOLUTIONS**

**LEGISLATIVE SUMMIT  
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1 **COMMITTEE: BUDGETS AND REVENUE**

2 **POLICY: STATE TAX SOVERIGNTY**

3 **TYPE: NEW RESOLUTION INTRODUCED BY**  
4 **REPRESENTATIVE APRIL BERG AND SEN. TIM REED**  
5

6 **WHEREAS**, the National Conference of State Legislatures is committed to preserving  
7 the authority of state legislatures to regulate and respond to the needs of their residents;  
8 and

9 **WHEREAS**, state legislatures serve as laboratories of democracy and are best  
10 positioned to craft policies that reflect local values, priorities, and conditions; and

11 **WHEREAS**, the National Conference of State Legislatures supports the right of states  
12 to create and enforce their own fiscal policy and tax laws; and

13 **WHEREAS**, states depend on fair and modern tax systems to fund important public  
14 services; and

15 **WHEREAS**, some federal tax laws were created for a time when most business was  
16 done locally and in person, not online and across distances; and

17 **WHEREAS**, oftentimes, these federal tax laws have since been defined through court  
18 cases and multistate cooperation reflecting today's modern economy and providing  
19 commonality and broad understanding for state governments and commercial actors  
20 alike; and

21 **WHEREAS**, these older, yet defined laws, are now being looked at, by possibly  
22 expanding existing exemption language, to prevent states from taxing businesses that  
23 have no physical presence in the state but still generate revenue from activities within  
24 the state, especially through digital products, services, websites, or data collection; and

25 **WHEREAS**, this limits states' ability to fairly tax all businesses and may put local  
26 businesses at a disadvantage; and

27 **WHEREAS**, such interpretations weaken the role of states and limit their ability to  
28 respond to today's economy;

29 **NOW, THEREFORE, BE IT RESOLVED**, that the National Conference of State  
30 Legislatures opposes any federal policy or interpretation that stops states from taxing  
31 businesses that have a strong economic or digital connection to the state; and

32 **BE IT FURTHER RESOLVED**, that NCSL urges Congress and federal agencies not to  
33 expand outdated limits on state tax authority, including refraining from creating new  
34 exemptions or refining established definitions and to respect the rights of states to  
35 manage their own tax systems

1 **COMMITTEE: BUDGETS AND REVENUE**

2 **POLICY: ELIMINATION OF MARRIAGE PENALTIES FROM**  
3 **FEDERAL TAX POLICIES AND ASSISTANCE**  
4 **PROGRAMS**

5 **TYPE: NEW RESOLUTION INTRODUCED BY REP. MELISSA**  
6 **BALLARD**

7

8 **WHEREAS**, a stable and healthy marriage is the strongest predictor of personal life  
9 satisfaction and well-being that social scientists have ever identified.

10 **WHEREAS**, a stable and healthy marriage is the optimal environment for rearing  
11 thriving children and promoting greater intergenerational economic mobility.

12 **WHEREAS**, stable and healthy marriages provide important benefits that strengthen  
13 neighborhoods, communities, and nations.

14 **WHEREAS**, data from the U.S. Census Bureau indicates that marriage rates in the  
15 United States have significantly dropped from roughly 71% of all households in 1970 to  
16 about 47% of all households in 2022.

17 **WHEREAS**, marriage rates in the United States are expected to decline even further in  
18 the future, with recent studies projecting that one in three of America’s young adults will  
19 not marry by age 45 and may never marry.

20 **WHEREAS**, the decline in marriage rates is further compounded by the widely  
21 researched and documented fact that federal tax policies and assistance programs  
22 create financial disincentives, both directly and indirectly, for couples to marry or form a  
23 stable two-parent home in which to rear their children, otherwise known as “marriage  
24 penalties”.

25 **WHEREAS**, in many instances, marriage penalties arise within state-administered tax  
26 policies and assistance programs solely because the state policies and programs are  
27 aligned with federal policies and programs containing marriage penalties.

28 **WHEREAS**, marriage penalties have a demonstrative impact on an individual’s decision  
29 to marry and have been described by the Ethics and Public Policy Center as “the  
30 greatest injustice in the federal income tax code.”

31 **WHEREAS**, in a 2015 study, 31% of the participants surveyed knew of people who  
32 chose not to marry due to concerns about the loss of safety net benefits, followed by a  
33 more recent study in which 10% of those receiving such benefits explicitly stating they  
34 did not marry to avoid losing such assistance.

35 **WHEREAS**, another study from 2022 estimated that without marriage penalties, an  
36 additional 13.7% of low-income single mothers would choose to marry each year and an  
37 additional 7.5% would be married by age 35.

38 **WHEREAS**, research suggests that 97% of young adults who follow the “success  
39 sequence” – which is defined as individuals who attain at least a high school education,  
40 work full-time, and marry before having children – will not experience poverty by the  
41 time they reach their prime adult years.

42 **WHEREAS**, eliminating marriage penalties from federal tax policies and assistance  
43 programs would promote equality for parents and families, as parents and families will  
44 receive equal treatment for critical tax relief and government assistance programs  
45 regardless of household composition or status.

46 **WHEREAS**, eliminating marriage penalties at the federal level would automatically  
47 eliminate marriage penalties from the many state-administered tax policies and  
48 assistance programs that are aligned with federal law.

49 **WHEREAS**, eliminating marriage penalties from federal tax policies and assistance  
50 programs would provide a path to prosperity and happiness for America’s families and  
51 children.

52 **THEREFORE, BE IT RESOLVED**, that the National Conference of State Legislatures  
53 urges Congress to pass legislation to eliminate all marriage penalties, both direct and  
54 indirect, that are embedded within federal tax policies and assistance programs by:

- 55 1. modifying income caps and benefit levels so they are precisely that of single  
56 filers;
- 57 2. making income thresholds exactly proportional for each additional member of the  
58 household; and
- 59 3. phasing out the head of household status while adjusting other tax credits,  
60 including the child tax credit, to offset any negative impacts on single parents.

1 **COMMITTEE: BUDGETS AND REVENUE**

2 **POLICY: PUBLIC PENSIONS, HEALTH INSURANCE AND POST**  
3 **RETIREMENT BENEFITS**

4 **TYPE: UPDATED DIRECTIVE SPONSORED BY SEN. TIM**  
5 **REED AND REP. APRIL BERG**

6 State legislatures authorize and fund public employee pension plans and determine  
7 their regulation and oversight. With these plans, state and local governments provide  
8 retirement savings vehicles and security to virtually all full-time state and local  
9 employees. Any federal regulation of state and local government pension plans should  
10 recognize the unique designs and protections inherent in these plans and should only  
11 be pursued through consultation with state and local governments. Current federal  
12 regulations that impose excessive and unnecessary administrative costs on states and  
13 localities should be simplified or eliminated.

14 **~~Federal Reductions to Social Security Benefits~~**

15 ~~Under some circumstances, the Social Security Administration reduces benefits to state~~  
16 ~~and local employees who earn government pensions through work not covered by~~  
17 ~~Social Security. Since 1983, the Social Security Administration has reduced worker and~~  
18 ~~spousal benefits through two provisions called the Government Pension Offset (GPO)~~  
19 ~~and the Windfall Elimination Provision (WEP). There have been numerous proposals~~  
20 ~~before Congress to repeal or to limit the application of the GPO and the WEP. The~~  
21 ~~National Conference of State Legislatures supports efforts by Congress and the~~  
22 ~~Administration to address the inequities and unintended consequences to state and~~  
23 ~~local government retirees caused by federal reductions of Social Security benefits.~~  
24 ~~NCSL urges Congress to enact legislation that will reduce or eliminate the impact of the~~  
25 ~~GPO and WEP on state and local government retirees, particularly those who have~~  
26 ~~earned lower uncovered government pension benefits or partial benefits.~~

27 **Mandatory Medicare and Social Security Coverage**

28 The National Conference of State Legislatures opposes expansion of mandatory Social  
29 Security and Medicare Coverage to public employees of state and local governments  
30 who are not already covered. NCSL believes that state and local governments should  
31 be allowed to affiliate their plans with Social Security and Medicare on a voluntary basis.

## 32 **Taxation and Regulation**

33 NCSL believes that the exemption of state pension and benefits plans from federal  
34 taxation is a sound component of federal tax policy that should continue.

35 All states and many local governments sponsor defined contribution plans that  
36 allows employees to defer an additional portion of their salary in anticipation of  
37 retirement needs. Federal legislation enacted in 2001 simplified participation in, and the  
38 administration of, these supplemental arrangements. NCSL supports further  
39 improvements that enhance flexibility, improve existing arrangements, avoid increased  
40 federal regulation, maintain or expand the plans' unique features and characteristics  
41 and avoid mandates that would replace existing plans with methods designed for the  
42 private sector. NCSL opposes any federal encroachment on state authority to regulate  
43 state pensions that would supplant rather than supplement current savings, and other  
44 efforts that could result in additional cost and complexity for state and local  
45 governments and their plan participants.

## 46 **Reporting Requirements**

47 NCSL strongly opposes any effort by Congress to impose annual federal reporting and  
48 funding requirements on state and local governments regarding various aspects of their  
49 public employee pension plans and penalties for non-compliance, such as loss of  
50 federal tax exempt financing benefits for bonds issued by state or local governments  
51 during any noncompliance reporting period.

52 NCSL believes these actions would be unnecessary, intrusive and coercive. This  
53 federal effort would impose new, unfunded costs on states by requiring additional  
54 reports and compels the presence of the federal government in issues exclusively

55 managed and legislated by states. States report comprehensive information in proposed  
56 federal legislation in their consolidated annual financial reports as recommended by the  
57 Governmental Accounting Standards Board.

58 **Health Care Costs**

59 The National Conference of State Legislatures (NCSL) supports federal efforts that  
60 allow public sector retirees to deduct health care premium costs and/or additional  
61 medical expenses from their taxable income, as well as federal efforts to allow retirees  
62 to save for health care costs through tax preferred vehicles.

1 **COMMITTEE: BUDGETS AND REVENUE**

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

4 **TYPE: UPDATED DIRECTIVE SPONSORED BY SEN. TIM**  
5 **REED AND REP. APRIL BERG**

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

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

15 **General**

- 16 • Preserve the fiscal viability and sovereignty of state governments.
- 17 • Encourage work, savings, equity and simplicity.
- 18 • Promote efficiency and predictability.
- 19 • Avoid intrusion upon the state excise tax base.
- 20 • Preserve states' ability and discretion to tax certain revenue sources.
- 21 • Preserve the ability of state and local governments to adopt fair and effective tax  
22 systems. This includes authorizing states with sales and use taxes to require  
23 interstate sellers to collect and remit those taxes.
- 24 • ~~and s~~Setting the full state and local income tax, sales tax and property tax  
25 deductions, commonly referred to as the SALT Cap, for federal income tax  
26 purposes to a reasonable and fair amount, to no lower than \$10,000 for single  
27 filers and \$20,000 for joint filers. ~~while preserving the ability of state~~

28 governments to utilize pass through entities as a viable option to allow business  
29 owners to be able to deduct state taxes paid over the cap.

30 ~~• Preserve the ability of state governments to utilize pass through entities as a~~  
31 ~~viable option to allow business owners to be able to deduct state taxes paid over~~  
32 ~~the \$10,000 cap for single filers and \$20,000 for joint filers.~~

- 33 • Continue tax policies that reward work, specifically the Earned Income Tax Credit  
34 (EITC) and Individual Development Accounts (IDAs).
- 35 • Encourage the use of smart federal tax policy to promote economic growth and  
36 business-friendly climates.
- 37 • Encourage the preservation of federal tax policy that provides support to lower  
38 income and working families, such as a generous standard deduction rate  
39 proportionate with itemized deduction incentives.

#### 40 **Transition**

- 41 • Provide states with adequate transition time to implement and respond to new  
42 tax systems, preferably up to three or more years.
- 43 • Avoid the negative state impact of retroactive application of tax changes.
- 44 • Provide technical expertise to states to ease any transition of administrative  
45 responsibilities to the states resulting from federal tax reform.
- 46 • Provide adequate federal administrative funds for any federal tax reform that  
47 involves modified or increased collection responsibilities for the states.
- 48 • Ensure that federal tax changes are made in a manner that preserves federal  
49 data collection used by the states.

#### 50 **Do No Harm**

- 51 • Provide flexibility and strengthen states' ability to finance and administer  
52 programs for which they are traditionally responsible or have gained through  
53 devolution.
- 54 • Recognize that federal tax reductions should not compromise funding for existing  
55 and future commitments to mandated state-federal partnership programs.

- 56       • As imposition of sales, consumption or value added taxes is historically a state  
57       prerogative, oppose the imposition of any such tax on a federal level.

58   **Tax-Exempt Financing/Bonds**

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

72   **Enforcement**

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

78   **Payment in Lieu of Taxes**

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

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

### 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 **Other**

- 106 • Prohibit further preemption of state courts by refusing to give federal courts  
107 jurisdiction to establish the valuation of property for state and local tax purposes

108 or by refusing to give selected classes of state and local taxpayers procedural  
109 and substantive privileges unavailable to most taxpayers.

- 110 • NCSL also encourages Congress and the administration to review the Railroad  
111 Revitalization and Regulatory Reform Act (4-R Act) to determine if the courts  
112 have expanded the 4-R Act beyond the original intent of Congress and reject  
113 federal legislation that would extend to other industries 4-R type benefits.
- 114 • NCSL requests the federal government to respect the sovereignty of states to  
115 allow or prohibit games of chance or skill. Any effort by Congress or the  
116 administration to reform this regulation preempts states and diminishes the  
117 flexibility of state legislatures to use this mechanism as a revenue-related tool to  
118 meet the unique needs of residents of each state.
- 119 • To address the evolution of remote work and its impact on state budgets, any  
120 comprehensive federal tax policy shall allow state legislatures to collect tax  
121 revenue without providing an unnecessary burden on states, taxpayers and  
122 businesses.
- 123 • NCSL urges the adoption of legislation under Title II of the Tax Relief for  
124 American Families and Workers Act of 2024, including the policies that support  
125 research and development for section 174, bonus depreciation for section 179  
126 and Pass-Through Business Deduction under section 199A, and allowing  
127 depreciation, amortization or depletion expense to be excluded from the  
128 calculation of adjusted taxable income in determining the interest expense  
129 limitation under 163(j).