



Legislation Text

File #: 2004-0463, **Version:** 2

A MOTION thanking the Washington state congressional delegation for their efforts to pass House Resolution 4520 to amend the Internal Revenue Code of 1986 and restore the deduction of state sales taxes in lieu of state and local income taxes; providing a fair federal income tax structure for the people of Washington, Florida, Nevada, South Dakota, Tennessee, Texas and Wyoming; and petitioning the President of the United States to sign the legislation into law.

WHEREAS, The federal tax reform act of 1986 unfairly penalized the taxpayers of King County and the state of Washington by eliminating the state retail sales tax deduction in the calculation of federal income taxes owed, and

WHEREAS, since 1986 federal law has allowed taxpayers in over forty states to deduct their state income tax from their federal tax return, but does not allow the deduction of state sales taxes for those residents of states without an income tax, including Washington, Florida, Nevada, South Dakota, Tennessee, Texas and Wyoming, and

WHEREAS, two families with the same salary and identical financial profiles are taxed differently under the federal tax code simply because they live in states with different local tax structures, and

WHEREAS, nearly one million working men and women living in King County pay disproportionately higher federal income taxes than similar families across America, because King County residents are not able to deduct Washington State sales taxes from their federal income tax returns, and

WHEREAS, with the restoration of the retail sales tax deduction, taxpayers of King County would realize substantial savings, estimated at between five hundred nineteen dollars per year to five hundred seventy

five dollars per year per itemized return in their federal income taxes, with a total savings to Washington State taxpayers estimated at five hundred forty one million dollars annually, and

WHEREAS, Congress is in the process of considering tax reduction and tax equity proposals which restore the itemized deduction for state sales taxes for residents of Washington and six other states, and

WHEREAS, the metropolitan King County council has consistently advocated for federal tax equity for county residents, urging the United States Congress to restore the state sales tax deduction in lieu of state income taxes in Motion 11173 adopted on April 16, 2001, and

WHEREAS, city and county officials joined together to request amendments to the Internal Revenue Code of 1986 to restore the deduction of state sales taxes in lieu of state and local income taxes, with joint letters of support submitted to the state Congressional delegation on July 31, 2003, and on June 2, 2004, and

WHEREAS, the Congress of the United States has approved House Resolution 4520, also known as the Foreign Sales Corporation/Extraterritorial Income Exclusion bill, that amends the Internal Revenue Code of 1986 to allow a deduction of state sales taxes in lieu of state and local income taxes, which restores tax equity by allowing Washington state taxpayers to deduct state and local sales taxes from their 2004 and 2005 federal income tax returns;

NOW, THEREFORE, BE IT MOVED by the Council of King County:

The King County council respectfully expresses our gratitude to the members of the Washington state congressional delegation for their efforts to pass House Resolution 4520, also known as the Foreign Sales Corporation/Extraterritorial Income Exclusion bill, to restore tax equity to the fifty-two million residents of Washington, Florida, Nevada, South Dakota, Tennessee, Texas and Wyoming.

Further, the King County council respectfully petitions to the Honorable George W. Bush, President of the United States, that the legislation be signed into law as soon as possible.