

107TH CONGRESS
1ST SESSION

H. R. 2683

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local sales taxes in lieu of State and local income taxes.

IN THE HOUSE OF REPRESENTATIVES

JULY 31, 2001

Mrs. CUBIN (for herself, Mr. BAIRD, Mr. BRADY of Texas, Mr. HILLEARY, and Mr. CLEMENT) introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local sales taxes in lieu of State and local income taxes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Sales Tax Equity Act
5 of 2001”.

1 **SEC. 2. DEDUCTION OF STATE AND LOCAL GENERAL SALES**
2 **TAXES IN LIEU OF STATE AND LOCAL IN-**
3 **COME TAXES.**

4 (a) IN GENERAL.—Subsection (b) of section 164 of
5 the Internal Revenue Code of 1986 (relating to definitions
6 and special rules) is amended by adding at the end the
7 following:

8 “(5) GENERAL SALES TAXES.—For purposes of
9 subsection (a)—

10 “(A) ELECTION TO DEDUCT STATE AND
11 LOCAL SALES TAXES IN LIEU OF STATE AND
12 LOCAL INCOME TAXES.—

13 “(i) IN GENERAL.—At the election of
14 the taxpayer for the taxable year, sub-
15 section (a) shall be applied—

16 “(I) without regard to the ref-
17 erence to State and local income
18 taxes,

19 “(II) as if State and local general
20 sales taxes were referred to in a para-
21 graph thereof, and

22 “(III) without regard to the last
23 sentence.

24 “(B) DEFINITION OF GENERAL SALES
25 TAX.—The term ‘general sales tax’ means a tax

1 imposed at one rate with respect to the sale at
2 retail of a broad range of classes of items.

3 “(C) SPECIAL RULES FOR FOOD, ETC.—In
4 the case of items of food, clothing, medical sup-
5 plies, and motor vehicles—

6 “(i) the fact that the tax does not
7 apply with respect to some or all of such
8 items shall not be taken into account in
9 determining whether the tax applies with
10 respect to a broad range of classes of
11 items, and

12 “(ii) the fact that the rate of tax ap-
13 plicable with respect to some or all of such
14 items is lower than the general rate of tax
15 shall not be taken into account in deter-
16 mining whether the tax is imposed at one
17 rate.

18 “(D) ITEMS TAXED AT DIFFERENT
19 RATES.—Except in the case of a lower rate of
20 tax applicable with respect to an item described
21 in subparagraph (C), no deduction shall be al-
22 lowed under this paragraph for any general
23 sales tax imposed with respect to an item at a
24 rate other than the general rate of tax.

1 “(E) COMPENSATING USE TAXES.—A com-
2 pensating use tax with respect to an item shall
3 be treated as a general sales tax. For purposes
4 of the preceding sentence, the term ‘compen-
5 sating use tax’ means, with respect to any item,
6 a tax which—

7 “(i) is imposed on the use, storage, or
8 consumption of such item, and

9 “(ii) is complementary to a general
10 sales tax, but only if a deduction is allow-
11 able under this paragraph with respect to
12 items sold at retail in the taxing jurisdic-
13 tion which are similar to such item.

14 “(F) SPECIAL RULE FOR MOTOR VEHI-
15 CLES.—In the case of motor vehicles, if the rate
16 of tax exceeds the general rate, such excess
17 shall be disregarded and the general rate shall
18 be treated as the rate of tax.

19 “(G) SEPARATELY STATED GENERAL
20 SALES TAXES.—If the amount of any general
21 sales tax is separately stated, then, to the ex-
22 tent that the amount so stated is paid by the
23 consumer (other than in connection with the
24 consumer’s trade or business) to the seller, such

1 amount shall be treated as a tax imposed on,
2 and paid by, such consumer.

3 “(H) AMOUNT OF DEDUCTION TO BE DE-
4 TERMINED UNDER TABLES.—

5 “(i) IN GENERAL.—The amount of
6 the deduction allowed under this para-
7 graph shall be determined under tables
8 prescribed by the Secretary.

9 “(ii) REQUIREMENTS FOR TABLES.—
10 The tables prescribed under clause (i)—

11 “(I) shall reflect the provisions of
12 this paragraph,

13 “(II) shall be based on the aver-
14 age consumption by taxpayers on a
15 State-by-State basis, as determined by
16 the Secretary, taking into account fil-
17 ing status, number of dependents, ad-
18 justed gross income, and rates of
19 State and local general sales taxation,
20 and

21 “(III) need only be determined
22 with respect to adjusted gross incomes
23 up to the applicable amount (as deter-
24 mined under section 68(b)).”.

1 (b) **EFFECTIVE DATE.**—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

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