

United States Senate

WASHINGTON, DC 20510

February 2, 2012

Senate Majority Leader Harry Reid
522 Hart Senate Office Building
Washington, D.C. 20510

Republican Leader Mitch McConnell
317 Russell Senate Office Building
Washington, D.C. 20510

Dear Majority Leader Reid and Republican Leader McConnell:

As you know, the deduction for state and local sales taxes expired at the end of 2011 and will therefore not be in effect for the 2012 tax year unless Congress acts. As you're aware, taxpayers in our states - Alaska, Florida, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming - benefit from this common-sense deduction. In this time of economic uncertainty, it is especially important to make sure our constituents can utilize consistent, predictable deductions that they can plan around. We urge you to make extending the state and local sales tax deduction a top priority this legislative session.

This issue is a matter of fairness. Taxpayers in states with an income tax can deduct their state and local income taxes from their federal income. Our states have elected to use sales taxes rather than income taxes to finance government services. The ability to deduct state and local sales taxes helps level an uneven playing field. In 2009, the most recent year for which official data is available, taxpayers deducted less than \$16 billion in state and local sales taxes, a small fraction compared to the \$236 billion in state and local income taxes deducted on federal returns. Taxpayers in our states already bear a disproportionate share of the federal tax burden, which should not be worsened by Congressional failure to extend the state and local sales tax deduction.

For nearly two decades, taxpayers in our states were penalized because the federal tax code did not allow them to deduct state and local sales taxes. This disparity ended in 2004 when Congress successfully restored the deduction as part of the *American Jobs Creation Act*. The deduction helps taxpayers in our states and stimulates economic growth by drawing in new businesses, creating jobs, and keeping more money in the state.

As a tax extenders package is considered in the Senate, we urge you to ensure that our constituents are not losing their hard-earned income because of an unfair section of the tax code, and to help pass an extension of the state and local sales tax deduction as soon as possible. More importantly, we must

continue working toward making sure that states without an income tax are permanently afforded the same treatment in the federal tax code as states with an income tax.

We look forward to working with you on this critical issue to our nation's economy.

Sincerely,





MARIA CANTWELL

MARCO RUBIO

BILL NELSON





JOHN CORNYN

MIKE ENZI

JOHN THUNE





LAMAR ALEXANDER

KAY BAILEY HUTCHISON

JOHN BARRASSO





MARK BEGICH

BOB CORKER

DEAN HELLER




TIM JOHNSON

LISA MURKOWSKI

Cc:

**Senate Finance Committee Chairman Max Baucus
511 Hart Senate Office Building
Washington, D.C. 20510**

**Senate Finance Committee Ranking Member Orrin Hatch
104 Hart Senate Office Building
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