

United States Senate

WASHINGTON, DC 20510-4705

December 9, 2010

The Honorable Max Baucus, Chairman
Committee on Finance
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

Thank you for your continued leadership as you work to assemble year-end tax legislation to extend expired and expiring tax breaks. While there has been a lot of activity in this area recently and progress is being made, it remains uncertain at this point whether and when Congress will enact such legislation.

Although there are many expiring provisions which I strongly support extending before the 111th Congress adjourns, I write today to stress the importance of ensuring that the deduction for state and local sales taxes is extended before the end of the year. While I am encouraged that there is no doubt *whether* the sales tax deduction will be included in the tax bill that will come before the Senate in the next few days, I cannot stress enough the importance of timely action on the sales tax deduction.

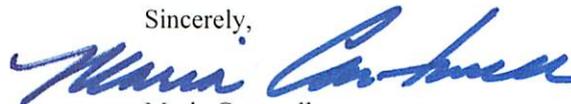
As you know, the deduction for state and local sales taxes expired at the end of 2009 and is therefore not currently in effect for the 2010 tax year. As the year rapidly draws to a close and taxpayers and the Internal Revenue Service (IRS) prepare for tax filing season, the uncertainty surrounding the extension of the sales tax deduction is highly problematic, particularly for residents of Washington state. Unlike many expiring or expired tax provisions which can be extended retroactively with minimal inconvenience for taxpayers, inaction on the sales tax deduction has severe repercussions for millions of taxpayers in my state and nationwide.

To echo the concerns of IRS Commissioner Douglas Shulman in his recent letter to you, it will be extremely disruptive for millions of taxpayers if the sales tax deduction is not passed this year. As he stated, there will be significant complications that will stem from trying to re-program systems and publish new forms and instructions in the middle of a filing system. The cost of delay is disruptions for millions of Washingtonians whose returns may be delayed, or who may be forced to file without claiming the deduction and then file amended returns, delaying tax refunds and causing unnecessary headaches for taxpayers. In this time of economic uncertainty, it is especially important to make sure Washington families can get consistent, predictable deductions that they can plan around.

As you know, I sponsor legislation that would make the deduction for state and local sales taxes permanent. In my view that is the only way to avoid this uncertain situation in the future, and ensure that states that do not pay income taxes, such as Washington, can have tax parity along with states that can take advantage of the permanent state income tax deduction.

I appreciate your continued attention and leadership on these important issues.

Sincerely,



Maria Cantwell
United States Senator

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