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Camp Announces Hearing on Tax Reform and Tax Provisions Affecting State and Local Governments

Congressman Dave Camp (R-MI), Chairman of the Committee on Ways and Means, today announced that the Committee will hold a hearing on Federal tax provisions that affect State and local governments as part of the Committee's continued work on comprehensive tax reform. This tax reform hearing will examine the array of Federal tax provisions that affect State and local government operations and financing. **The hearing will take place on Tuesday, March 19, 2013, in Room 1100 of the Longworth House Office Building, beginning at 10:00 A.M.**

In announcing this hearing, Chairman Camp said, **"As we continue to work toward comprehensive tax reform that significantly lowers rates and makes the code fairer and simpler so that we can spur a climate for job creation, higher wages and better benefits, we must better understand how various aspects of the tax code affect stakeholders. To that end, it is important that the Committee hear directly from those who are familiar with the impact of Federal taxation on State and local governments before considering any proposals as part of comprehensive tax reform."**

BACKGROUND:

A number of different Federal tax provisions directly affect State and local governments. By far the largest tax expenditure affecting State and local governments is the itemized deduction for State and local taxes. Individual taxpayers who itemize may generally deduct their State and local income and property taxes. For some taxpayers, this deduction is reduced by the recently reinstated "Pease" limitation on itemized deductions and it is disallowed for taxpayers subject to the Alternative Minimum Tax (AMT). In addition, taxpayers may elect to deduct general sales taxes in lieu of income taxes, although this deduction expires at the end of this year, is also subject to the Pease limitation, and is disallowed under the AMT.

State and local governments also benefit from favorable Federal tax treatment of certain types of bonds they issue, including tax-exempt bonds, tax-credit bonds, and "direct-pay" bonds. In addition, numerous other Internal Revenue Code provisions have a significant impact on State and local governments, including pension and retirement provisions and payroll tax provisions, among others.

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