Capitol-to-Capitol

- Capitol-to-Capitol is a weekly newsletter from the Washington D.C. office of the National Conference of State Legislatures.

- Distributed each Monday, Capitol-to-Capitol provides up-to-the-minute information on activity at the federal level and highlights legislation that will affect states.
<table>
<thead>
<tr>
<th>Date</th>
<th>Event</th>
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<tr>
<td>June 24, 2016</td>
<td>House GOP released their vision for tax reform (the “Blueprint”).</td>
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<td>April 26, 2017</td>
<td>President Trump released his overall vision for business tax reform.</td>
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<td>Sept. 27, 2017</td>
<td>The White House and Congressional Republicans released the Unified</td>
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<td>Nov. 2, 2017</td>
<td>The House Ways and Means Committee released legislation, the “Tax</td>
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<td>Cuts and Jobs Act” (H.R.1) (“TCJA”), which totaled 429 pages.</td>
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<td>Nov. 9, 2017</td>
<td>The Senate released its tax reform proposal.</td>
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<td>Nov. 16, 2017</td>
<td>The House passed its tax reform bill 227-205</td>
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<td>Dec. 2, 2017</td>
<td>The Senate passed its tax reform bill 51-29</td>
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<td>Dec. 15, 2017</td>
<td>Reported by Joint Conference Committee</td>
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<td>Dec. 20, 2017</td>
<td>Final bill passed both chambers</td>
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<td>Dec. 22, 2017</td>
<td>President Trump signs the TCJA (H.R. 1) into law. (P.L. 115-97)</td>
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What were the drivers of federal tax reform?

Improve the International Competitiveness of the US Corporate Income Tax System

CIT Rate

Worldwide Taxation
Territorial Taxation

US Post-TCJA
New law will reduce federal revenues by $1.5 trillion over 10 years – as provided for in the budget resolution

- Deficit financing of cuts imposes fiscal constraints on the federal government and its ability to finance intergovernmental and other programs
- Stuff rolls down hill

Certain aspects of reform will constrain state tax resources

- Limit on deduction of state and local taxes
  - Increases the after-tax costs of state and local government at a time when federal resources will be constrained
  - Reducing federal rates has similar effect
THE FEDERAL BUDGET IN 2017

Mandatory Spending
13.1% $2.5 Trillion

Social Security
4.0% of GDP
$930 Billion

Medicare
3.1% of GDP
$591 Billion

Medicaid
1.9% of GDP
$375 Billion

Other
3.2% of GDP
$514 Billion

Net Interest
1.4% of GDP
$263 Billion

Tax Revenues
17.3% $3.3 Trillion

Payroll Taxes
6.4% of GDP
$1.2 Trillion

Individual Income Taxes
8.3% of GDP
$1.6 Trillion

Corporate Income Taxes
1.5% of GDP
$257 Billion

Excise, estate and gift taxes, customs duties, remittances from the Federal Reserve, and miscellaneous fees and fines

Spending
20.8% $4.0 Trillion

Defense
3.1% of GDP
$590 Billion

Nondefense
1.2% of GDP
$270 Billion

Discretionary Spending
6.3% $1.2 Trillion

Spending on many programs related to transportation, education, veterans' benefits, health, housing assistance, and other activities

Source: Congressional Budget Office
The Remainder of this Congress?

- Last week, the House is Recessed until the Senate.
- The Senate is not as lucky. They will most likely only take a one break in August, largely due to the Supreme Court confirmation.
- Congressman Schuster released a transportation proposal that included a gas tax increase. It likely will not be considered this year, but could serve as a starting point in a future congress.
- Farm Bill (the legislation is in conference).
- Trade/Tariffs
- September 30 spending deadline
Sports Betting

Professional and Amateur Sports Protection Act (PASPA)

- Expressly prohibited government entities, including the states, from authorizing sports wagering. The only exceptions were in the states of Nevada, Oregon, Montana and Delaware.

- On May 14, 2018, in Murphy v. NCAA, the Supreme Court ruled that PASPA is unconstitutional in a 6-3 decision.
South Dakota v. Wayfair
June 21, 2018

In a 5-4 decision, the Court found that “economic and virtual contacts” are enough to create a “substantial nexus” with the state, allowing the state to require collection.