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NCSL recognizes that the U.S. Department of Veterans Affairs (VA) provides benefits and services to veterans of America’s armed forces, including a number of specialized programs for disabled, minority, homeless, and women veterans. NCSL supports and urges Congress and the President to protect VA funding of benefits for veterans from budget cuts.

NCSL further urges Congress to provide funding to streamline the VA processes for securing all benefits in a timely manner for those veterans coming home from deployment, including appropriate health care for physical injuries and psychological wounds.

NCSL recognizes that School districts with military installations are potentially disadvantaged because of their inability to levy taxes against the federal government. NCSL recognizes the importance of Federal Impact Aid to help offset the loss of tax revenue and supports continued funding of the program.

When closing or considering property transfers in a BRAC, NCSL supports federal grant incentives for community involvement during the re-development of bases.

Regarding matters of labor and employment for veterans, the federal government should continue its partnership with states to assist veterans in their transition from
military service to the civilian workforce. NCSL supports programs of the Small Business Administration (SBA) that help veteran-owned businesses. NCSL also supports and encourages federal assistance, including training and tax credits, for employers who hire veterans into their workforce.

### Educational Assistance and GI Bill

NCSL urges Congress to fund, as authorized, all programs associated with educational opportunities for returning veterans to have those benefits equivalent to the GI Bill of previous years.

### Preserve the Army National Guard and the Air National Guard

The National Conference of State Legislatures (NCSL) recognizes that the Army National Guard (ARNG) and the Air National Guard (ANG) are vital tools for helping states manage and respond to emergencies and natural disasters at home and abroad. With congressional reauthorization pending, a strong ARNG ensures an operational resource and a strategic reserve for our active duty military branches in combat roles overseas, as well as adapting to complex missions domestically.

NCSL urges the federal government to maintain current funding levels for the ARNG in order to preserve their highly regarded capabilities and to ensure that they are always prepared for duties in the states and abroad in service to our country.

NCSL recognizes that any effort to reduce our nation’s federal deficit requires reductions across all federal agencies. However, reductions should not be made without a thorough review of the overall Army force structure across the active, Guard and Reserve components.

NCSL further urges that any congressional or Department of Defense review of the Army structure, including the role of the ARNG, includes appropriate input from state policy makers.

NCSL also opposes any effort to preempt domestic control of the ARNG from state authority.
Services being provided to our veterans should also include members of the ARNG to help them transition into society and have equal access to job training and other benefits.

Furthermore, NCSL supports equipment return, replacement, and upgrade to address destroyed material left abroad during deployment.
COMMITTEES: COMMUNICATIONS, FINANCIAL SERVICES AND INTERSTATE COMMERCE

BUDGETS AND REVENUE

TASK FORCE ON STATE AND LOCAL TAXATION

POLICY: NCSL SUPPORTS AND URGES ENACTMENT OF THE REMOTE TRANSACTIONS PARITY ACT

TYPE: RESOLUTION

WHEREAS, the 1967 Bellas Hess and the 1992 Quill Supreme Court decisions denied states the authority to require the collection of sales and use taxes by out-of-state sellers that have no physical presence in the taxing state; and

WHEREAS, the combined weight of the inability to collect sales and use taxes due on remote sales through traditional carriers and the tax erosion from electronic commerce threatens the future viability of the sales tax as a stable revenue source for state and local governments; and

WHEREAS, a report from the National Taxpayers Union has estimated that from 2015 to 2025 states will be unable to collect $340 billion in sales taxes that are owed from out-of-state purchases; and

WHEREAS, the Remote Transactions Parity Act is bi-partisan legislation that was introduced in the United States House of Representatives which authorizes each member state under the Streamlined Sales and Use Tax Agreement to require all sellers not qualifying for a small-seller exception to collect and remit sales and use taxes with respect to remote sales, and allows a state that is not a member state under the Agreement to require sellers to collect and remit sales and use taxes with respect to remote sales sourced to such state if the state adopts and implements certain minimum simplification requirements; and
WHEREAS, unlike federal proposals, such as the Online Sales Simplification Act (OSSA), which would determine a product’s taxability based on the location of the seller, the Remote Transactions Parity Act does not preempt or impose new requirements on states that choose not to comply with the legislation’s requirements; and

WHEREAS, unlike federal proposals, such as the Online Sales Simplification Act (OSSA), which would determine a product’s taxability based on the location of the seller, the Remote Transactions Parity Act does not impose new taxes on consumers, fundamentally change how states raise revenue, establish tax havens, or jeopardize the viability of consumption taxes as a revenue source for states; and

WHEREAS, it has been over three years since the United States Senate overwhelming passed similar legislation, the Marketplace Fairness Act, yet the Remote Transactions Parity Act has not even received a hearing, despite the fact that it has 65 cosponsors and enjoys broad support in the committee of jurisdiction and congress; and

NOW, THEREFORE BE IT RESOLVED THAT, the National Conference of State Legislatures (NCSL) appreciates the leadership of U. S. Senators Richard Durbin (Ill.), Mike Enzi (Wyo.), Lamar Alexander (Tenn.) and Heidi Heitkamp (N.D.) for championing this issue in the Senate; and

BE IT FURTHER RESOLVED THAT, the National Conference of State Legislatures appreciates the leadership of Congressman Chaffetz and his colleagues in drafting the Remote Transactions Parity Act and urges Congress to pass the legislation, co-sponsored in the House by Congressman Steve Womack (Ark.), Congressman John Conyers (Mich.), Congresswoman Kristi Noem (S.D.), Congresswoman Jackie Speier (CA.), Congressman Peter Welch (Vt.), and dozens of their colleagues; and

BE IT FURTHER RESOLVED THAT, a copy of this resolution be sent to the President of the United States and to all of the members of the 114th Congress.
WHEREAS, digital goods and services are online purchases that are downloaded directly by, or services that are provided electronically to, consumers that can transcend numerous state and local boundaries across the United States; and

WHEREAS, the exponential growth of digital commerce has demonstrated the importance of digital products to the American economy. In 2009, consumers downloaded 2.5 Billion apps. In 2017, that number is expected to exceed 278 Billion. The revenue from digital commerce was approximately $18 Billion in 2012 and is expected to grow to $46 Billion by 2016; and

WHEREAS, state policymakers recognize that the continued deployment of broadband infrastructure and adoption of broadband services is vital to economic growth and participation in the global economy; and

WHEREAS, digital goods and services are a major driver of the rapidly growing 21st Century digital economy and as such, fair and rational tax policies are needed that will not impede the continued growth of this segment of the economy; and

WHEREAS, due to the complex nature of the way digital commerce is transacted, current state and local tax laws governing the taxation of sales transactions are outdated and ill equipped to address many of the issues that surface in taxing today’s “borderless” digital economy; and
WHEREAS, as state and local governments continue to seek to modernize their tax base to include various forms of digital commerce, doing so without establishing a national framework could potentially subject consumers to multiple states claiming the right to tax the same transaction or subject such transactions to discriminatory taxation at rates higher than the rates imposed on the in-state sales of similar goods or services; and

WHEREAS, establishing a national framework would clearly identify which state and local jurisdiction can tax a digital transaction, providing much needed certainty to consumers, providers required to collect such taxes and state and local governments seeking to tax such goods and services in a fair, uniform and rational manner; and

WHEREAS, establishing a national framework as set forth in the Digital Goods and Services Tax Fairness Act preserves state sovereignty as the decision to tax digital commerce or not remains solely with the states; and

WHEREAS, the Mobile Telecommunications Sourcing Act (P.L. 106-252) established uniformity in sourcing mobile telecommunications services for state and local tax purposes using similar concepts to those contained in the Digital Goods and Services Tax Fairness Act; and

WHEREAS, NCSL has worked with other state and local organizations as well as members of the Download Fairness Coalition to develop the principles contained in the legislation and is poised to assist states as needed in complying with the federal legislation; and

NOW, THEREFORE BE IT RESOLVED THAT, The National Conference of State Legislatures urges Congress to pass the Digital Goods and Services Tax Fairness Act, in conjunction with or after consideration of the Remote Transactions Parity Act, to establish a national framework providing certainty and uniformity for state and local governments in the taxation of digital goods and services, while protecting consumers from multiple and discriminatory taxation and supporting the continued growth of the digital economy.
State legislatures authorize and fund public employee pension plans and determine their regulation and oversight. With these plans, state and local governments provide retirement savings vehicles and security to virtually all full-time state and local employees. Any federal regulation of state and local government pension plans should recognize the unique designs and protections inherent in these plans and should only be pursued through consultation with state and local governments. Current federal regulations that impose excessive and unnecessary administrative costs on states and localities should be simplified or eliminated.

**Federal Reductions to Social Security Benefits**

Under some circumstances, the Social Security Administration reduces benefits to state and local employees who earn government pensions through work not covered by Social Security. Since 1983, the Social Security Administration has reduced worker and spousal benefits through two provisions called the Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP). There have been numerous proposals before Congress to repeal or to limit the application of the GPO and the WEP. The National Conference of State Legislatures supports efforts by Congress and the Administration to address the inequities and unintended consequences to state and local government retirees caused by federal reductions of Social Security benefits. NCSL urges Congress to enact legislation that will reduce or eliminate the impact of the GPO and WEP on state and local government retirees, particularly those who have earned lower uncovered government pension benefits or partial benefits.

**Mandatory Medicare and Social Security Coverage**

The National Conference of State Legislatures opposes expansion of mandatory Social Security and Medicare Coverage to public employees of state and local governments.
who are not already covered. NCSL believes that state and local governments should be allowed to affiliate their plans with Social Security and Medicare on a voluntary basis.

**Taxation and Regulation**

NCSL believes that the exemption of state pension and benefits plans from federal taxation is a sound component of federal tax policy that should continue.

All states and many local governments sponsor defined contribution plans that allow employees to defer an additional portion of their salary in anticipation of retirement needs. Federal legislation enacted in 2001 simplified participation in, and the administration of, these supplemental arrangements. NCSL supports further improvements that enhance flexibility, improve existing arrangements, avoid increased federal regulation, maintain or expand the plans’ unique features and characteristics and avoid mandates that would replace existing plans with methods designed for the private sector. NCSL opposes any federal encroachment on state authority to regulate state pensions that would supplant rather than supplement current savings, and other efforts that could result in additional cost and complexity for state and local governments and their plan participants.

**Reporting Requirements**

NCSL strongly opposes any effort by Congress to impose annual federal reporting and funding requirements on state and local governments regarding various aspects of their public employee pension plans and penalties for non-compliance, such as loss of federal tax exempt financing benefits for bonds issued by state or local governments during any noncompliance reporting period.

NCSL believes these actions would be unnecessary, intrusive and coercive. This federal effort would impose new, unfunded costs on states by requiring additional reports and compels the presence of the federal government in issues exclusively managed and legislated by states. States report comprehensive information in proposed federal legislation in their consolidated annual financial reports as recommended by the Governmental Accounting Standards Board.
The National Conference of State Legislatures (NCSL) supports federal efforts that allow public sector retirees to deduct health care premium costs and/or additional medical expenses from their taxable income, as well as federal efforts to allow retirees to save for health care costs through tax preferred vehicles.
It is the policy of the National Conference of State Legislatures to advance and defend a balanced, dynamic partnership among governments at the local, state and federal level. The growth of federal mandates and other costs that the federal government imposes on states and localities is one of the most serious fiscal issues confronting state and local government officials. NCSL applauds the success of the Unfunded Mandates Reform Act of 1995 (UMRA; P.L. 104-4) in bringing attention to the fiscal effects of federal legislation on state and local governments, improving federal accountability and enhancing consultation. However, unfunded and underfunded federal mandates continue to pose an undue burden on state and local governments. NCSL calls upon the federal government to reassess the Unfunded Mandate Reform Act and to broaden its scope and increase its effectiveness.

Specifically, we call on Congress and the President to eliminate and avoid:

- direct federal orders without sufficient funding to pay for their implementation;
- burdensome conditions on grant assistance;
- cross sanctions and redirection penalties that imperil grant funding in order to regulate and preempt the states actions in both related and unrelated programmatic areas;
- amendments to the tax code that impose direct compliance costs on states or restrict state revenues;
- overly prescriptive regulatory procedures that move beyond the scope of congressional intent;
• incomplete and vague definitions which cause ambiguity; and

• perceived or actual intrusion on state sovereignty.

Unfunded mandates result in substantial costs to state and local governments and, collectively, have eroded state legislators’ control over their own states’ budgets.

NCSL continues to demand sufficient federal funding for state-federal partnership programs through the mechanism of mandatory spending. If the federal government is unwilling to provide such funding as an entitlement to the states, states should be absolved of their legal responsibility to provide services to entitled individuals and fulfill other federal mandates. One approach is the “trigger” mechanism that would delay mandated activities in any year in which the federal government does not meet its state funding commitment.

Specifically, NCSL encourages the federal government to enact the following:

• Expand the definition of an unfunded mandate to include:

  o all open-ended entitlements, such as Medicaid, child support and Title 4E (foster care and adoption assistance);

  o proposals that would put a cap on or enforce a ceiling on the cost of federal participation in any entitlement or mandatory spending program;

  o proposals that would reduce state revenues, especially when changes to the federal tax code are retroactive or otherwise provide states with little or no opportunity to prospectively address the impact of a change in federal law on state revenues;

  o proposals that fail to exceed the statutory threshold only because they do not affect all states; and

  o new conditions of federal funding for existing federal grants and programs, including costs not previously identified, including mandated results.
• Ensure that any proposal that places a cap or enforces a ceiling on federal funding must be accompanied by statutory offsets that reduce state spending, administrative duties or both;

• Expand legislation subject to UMRA review;

• Revise the definitions of mandates, direct costs or other provisions of the law to capture and more accurately reflect the true costs to state governments of particular federal actions;

• Require that mandate statements accompany appropriations bills;

• Require federal reimbursement for mandated costs imposed on state and local governments by any new federal mandates;

• Improve and enforce Title II, including enhanced requirements for federal agencies to consult with state and local governments, such as strengthening the consultation process for state and local governments and requiring agencies to prepare and disseminate federalism assessments as to the cost of proposed regulations on state and local governments. State legislatures should be consulted throughout the regulatory process to respond to agency proposals and provide feedback on various options for implementing regulations;

• Create an office within the Office of Management and Budget that is analogous to the State and Local Government Cost Estimates Unit at the Congressional Budget Office. This should include an annual regulatory statement analyzing the direct and indirect impacts of federal rules on state and local governments to ensure more accountability and information on federal mandates;

• Enforce executive orders that call for principles of federalism and urge agencies to have an accountable process to ensure for meaningful and timely input by state and local officials in the development of regulatory policies;

• Avoid preemption of state laws; and
78  • Repeal or modify certain existing mandates as recommended by other NCSL resolutions.
It is the policy of the National Conference of State Legislatures to advance and defend a balanced, dynamic partnership among local, state and federal level governments.

Too often, the federal government has responded to budget pressures by simply shifting costs and exporting deficits to the states. The federal government should resist accomplishing national goals through unfunded mandates on state and local governments.

NCSL believes that the federal government must:

- Maintain its financial commitment to federal programs that rely on state participation for implementation and provide stable and predictable funding for state-federal partnership programs;
  - Maintain its matching rate for federal programs for which it shares responsibility with state governments. Where match rate reductions are proposed for shared programs, there should be a corresponding reduction in the regulatory and administrative burdens imposed on states; and
  - Avoid delaying the release of funds for state-federal programs within a fiscal year.
- Affirm the role of state legislatures in their appropriation and oversight of federal funds;
  - Streamline the waiver process that states are subject to concerning education, the environment, human services, Medicaid, health and other programs; and
Limit the federal oversight role of state grant funds to audit and evaluation.

Avoid unfunded mandates and underfunded national expectations in state-federal partnerships;

- Avoid increasing federal domestic programs at the expense of funding for state administration or state sharing ratios; and
- Fully fund the long-term maintenance as well as the short-term startup costs of federal mandates; and
- Avoid capping federal entitlement spending while retaining the legal entitlement obligation of the states; and
- Avoid the long-term commitment of funds based on short-term revenue projections.

Minimize the imposition of state maintenance of effort requirements in existing and future federal fiscal assistance-related legislation;

Achieve a sustainable fiscal path forward;

- Contain all possible avenues for deficit reduction, including discretionary spending, entitlement and mandatory program reform and revenue-related options; and
- Make a commitment to reduce deficits so that state-federal programs do not carry an unreasonable share of any deficit reduction actions; and
- Provide commensurate relief from obligations imposed by federal laws, regulations, and practices if funding to states is reduced; and
- Provide a fiscal analysis of the potential intergovernmental and federalism implications of any recommended actions.
NCSL believes the federal government should maintain its guaranteed financial commitment to federal-state programs. Any devolution of federal responsibilities to the states should constitute a serious attempt at restoring balance to the state-federal partnership and not result in any reduction of the federal financial commitment to affected programs either in the short or long run. To that end, NCSL has developed a set of principles for any new block grant the federal government considers. Because state legislatures are the bodies that are most involved in the decision-making process with regard to program delivery in the states, we urge Congress and the administration to adhere to the following principles when constructing any new block grant plan or revising any existing block grant program:

- Funding levels for block grants must be adequate to finance mandated programs long-term and to respond to economic changes through countercyclical assistance.

- In the event that Congress imposes "maintenance of current level of services" mandates on funds appropriated for any federal grant program, Congress should provide the funds necessary to maintain and support the current levels of services existing at the time of such mandates. State "maintenance of effort" (MOE) clauses are inappropriate for program consolidations. Requiring states to spend a fixed amount while implementing decreases in federal funding for block grants is equivalent to an unfunded mandate.

- The consolidation of categorical programs into a single funding stream should not be accompanied by a limitation in the types of services provided or constitute new mandatory categories of services.

- Language should be included in any block grant legislation that allows federal block grant funds to be distributed or expended "according to state law." Federal law must allow each state to choose the manner of appropriation of federal block grants. States should be authorized to determine the agency within state government that is responsible for carrying out public participation requirements.
• Maximum flexibility in terms of program implementation and administration should be maintained.

• Technical assistance to states by federal agencies during transition to any block grant should be provided.

• State reporting requirements should not be burdensome or require the use of funds that would otherwise be spent on program delivery.

• The federal government should not create new entities to oversee the implementation of any block grants to the states.

• Federal agencies and their administrators should rely on the single audits prepared by the states. The federal government should pay the full costs for performing these audits.

Given the interdependency of federal government activities with state and local economies, and recognizing that a federal government shutdown has serious implications for state and local governments, NCSL believes that in the event of a federal government shutdown, the federal government must:

• Establish a National Incident Management System (NIMS) structure, including an Incident Command System (ICS), to integrate and manage the shutdown and to involve all levels of government in the coordination of the incident;

• Provide flexible, temporary authority to states that have a federally-approved contingency plan to assume basic-level operations of selected national parks and laboratories; and

• Reimburse state funding with interest that was spent providing services that otherwise would have been paid for with federal funds.
It is the policy of the National Conference of State Legislatures to advance and defend a balanced, dynamic partnership among local, state and federal governments. Tax reform efforts and tax actions at the federal level affect states because:

- Federal and state tax systems are inextricably linked; and
- Federal programs rely on state participation for implementation; and
- Any federal reform will likely have serious fiscal and administrative ramifications on the states.

Therefore, NCSL urges that all federal tax reform and other actions be guided by the following principles:

**General**

- Preserve the fiscal viability and sovereignty of state governments;
- Encourage work, savings, equity and simplicity;
- **Promote efficiency and predictability**;
- Avoid further intrusion upon the state excise tax base;
- Preserve states’ ability and discretion to tax certain revenue sources; and
- Preserve the ability of state and local government to adopt fair and effective tax systems. This includes authorizing states with sales and use taxes to require interstate sellers to collect and remit those taxes and preserving the state and
local income tax, sales tax and property tax deductions for federal income tax purposes.

- Continue tax policies that reward work, specifically the Earned Income Tax Credit (EITC) and Individual Development Accounts (IDAs).

**Transition**
- Provide states with adequate transition time to implement and respond to new tax systems, preferably up to three or more years.
- Avoid the negative state impact of retroactive application of tax changes.
- Provide technical expertise to states to ease any transition of administrative responsibilities to the states resulting from federal tax reform.
- Provide adequate federal administrative funds for any federal tax reform that involves modified or increased collection responsibilities for the states.
- Ensure that federal tax changes are made in a manner that preserves federal data collection used by the states.

**Do No Harm**
- Provide flexibility and strengthen states’ ability to finance and administer programs for which they are traditionally responsible or have gained through devolution.
- Recognize that federal tax reductions should not compromise funding for existing and future commitments to mandated state-federal partnership programs.
- To the extent that a national sales, consumption, or value-added tax is considered as part of ongoing deficit reduction efforts, the historic role of such taxes as a major revenue source for state and local governments must be protected and all deliberations concerning such taxes must include
representatives of the federal government’s partners in the nation’s cities and states.

**Tax-Exempt Financing/Bonds**
- Preserve tax-exempt financing for infrastructure and capital projects, including the use of public-private partnerships.
- Maintain the tax-exempt status of state and local government bonds and lift existing restrictions on state and local government use of tax-exempt bonds.
- Avoid provisions that weaken the fiscal integrity of state and local governments. This includes: the arbitrage rebate provisions, which essentially are a one-hundred percent tax on the interest income of state and local governments; the alternative minimum tax, which now taxes interest from otherwise tax-exempt bonds; volume caps, which have unduly restricted the use of bonds for projects that have increasingly become governmental responsibilities; and restrictions on advance refunding which increases the cost of government.
- Support the Mortgage Revenue Bond (MRB) program and the low-income housing tax credit.

**Enforcement**
- Increase enforcement efforts of the federal income tax laws so individual and business taxpayers are not bearing the burden of those who fail to pay owed taxes.
- Continue to take into account states’ reliance on federal tax rates and federal collection efforts.

**Payment in Lieu of Taxes**
The National Conference of State Legislatures supports federal efforts to:
- Continue, but reform the Payment in Lieu of Tax Program (PILT) program; to create a more predictable, fair and flexible system that accurately reflects the fiscal effects of federal lands on state and local governments; and

- Provide full funding for the PILT program, provided that this goal is accomplished in a manner consistent with long-term federal debt management and deficit reduction; and

- Provide a more flexible payment system through authorization for the transfer of land of equivalent value from the federal government to states or counties in lieu of monetary payment, consistent with state statutes and practice.

**State Legislators’ Tax Issues**

The National Conference of State Legislatures supports the standard deduction allowed state legislators under section 162 (h) of the Internal Revenue Code. Regulation, interpretation, or other statutes should not undermine the section. Regulations implementing this code section should reflect the intent of Congress and should include the following recommendations:

- A "session day" should mean a day in session as defined by the laws or rules of the state of residence of the legislator.

- A "committee" of the legislature should mean 1) a committee of one or more legislators conducting the business of [or reporting to] the legislature, or 2) a committee created by state or federal statute, resolution, order or rule on which the legislator serves in his or her capacity as a legislator. This definition of "committee" should include caucuses that conduct the business of the legislature.

- "State legislator" should include newly-elected legislators who attend official organizational meetings prior to administration of their oath of office.
Other

- Prohibit further preemption of state courts by refusing to give federal courts jurisdiction to establish the valuation of property for state and local tax purposes or by refusing to give selected classes of state and local taxpayers procedural and substantive privileges unavailable to most taxpayers.

- NCSL also encourages Congress and the administration to review the Railroad Revitalization and Regulatory Reform Act (4-R Act) to determine if the courts have expanded the 4-R Act beyond the original intent of Congress and reject federal legislation that would extend to other industries 4-R type benefits.

- NCSL requests the federal government to respect the sovereignty of states to allow or prohibit games of chance or skill. Any effort by Congress or the administration to reform this regulation preempts states and diminishes the flexibility of state legislatures to use this mechanism as a revenue-related tool to meet the unique needs of residents of each state.