

103^D CONGRESS
2^D SESSION

H. R. 4420

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local general sales taxes and to compensate for the resulting revenue loss by providing that only 75 percent of the amount of all State and local taxes shall be allowed as a deduction.

IN THE HOUSE OF REPRESENTATIVES

MAY 12, 1994

Mr. SMITH of Michigan introduced the following bill; which was referred to the Committee on Ways and Means

A BILL

To amend the Internal Revenue Code of 1986 to allow a deduction for State and local general sales taxes and to compensate for the resulting revenue loss by providing that only 75 percent of the amount of all State and local taxes shall be allowed as a deduction.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

1 **SECTION 1. RESTORATION OF DEDUCTION FOR STATE AND**
2 **LOCAL GENERAL SALES TAXES; LIMITATION**
3 **ON DEDUCTION FOR ALL STATE AND LOCAL**
4 **TAXES.**

5 (a) ALLOWANCE OF DEDUCTION FOR STATE AND
6 LOCAL GENERAL SALES TAXES.—

7 (1) IN GENERAL.—Subsection (a) of section
8 164 of the Internal Revenue Code of 1986 (relating
9 to deduction for taxes) is amended by redesignating
10 paragraphs (4) and (5) as paragraphs (5) and (6),
11 respectively, and by inserting after paragraph (3)
12 the following new paragraph:

13 “(4) 75 percent of the amount of State and
14 local general sales taxes.”.

15 (2) DEFINITIONS.—Subsection (b) of section
16 164 of such Code is amended by adding at the end
17 thereof the following new paragraphs:

18 “(5) DEFINITIONS RELATING TO GENERAL
19 SALES TAXES.—For purposes of subsection (a)(4)—

20 “(A) IN GENERAL.—The term ‘general
21 sales tax’ means a tax imposed at one rate in
22 respect of the sale at retail of a broad range of
23 classes of items.

24 “(B) SPECIAL RULES FOR FOOD, ETC.—In
25 the case of items of food, clothing, medical sup-
26 plies, and motor vehicles—

1 “(i) the fact that the tax does not
2 apply in respect of some or all of such
3 items shall not be taken into account in
4 determining whether the tax applies in re-
5 spect of a broad range of classes of items,
6 and

7 “(ii) the fact that the rate of tax ap-
8 plicable in respect of some or all of such
9 items is lower than the general rate of tax
10 shall not be taken into account in deter-
11 mining whether the tax is imposed at one
12 rate.

13 “(C) ITEMS TAXED AT DIFFERENT
14 RATES.—Except in the case of a lower rate of
15 tax applicable in respect of an item described in
16 subparagraph (B), no deduction shall be al-
17 lowed under this section for any general sales
18 tax imposed in respect of an item at a rate
19 other than the general rate of tax.

20 “(D) COMPENSATING USE TAXES.—A com-
21 pensating use tax in respect of an item shall be
22 treated as a general sales tax. For purposes of
23 the preceding sentence, the term ‘compensating
24 use tax’ means, in respect of any item, a tax
25 which—

1 “(i) is imposed on the use, storage, or
2 consumption of such item, and

3 “(ii) is complementary to a general
4 sales tax, but only if a deduction is allow-
5 able under subsection (a)(4) in respect of
6 items sold at retail in the taxing jurisdic-
7 tion which are similar to such item.

8 “(E) SPECIAL RULE FOR MOTOR VEHI-
9 CLES.—In the case of motor vehicles, if the rate
10 of tax exceeds the general rate, such excess
11 shall be disregarded and the general rate shall
12 be treated as the rate of tax.

13 “(6) SEPARATELY STATED GENERAL SALES
14 TAXES.—If the amount of any general sales tax is
15 separately stated, then, to the extent that the
16 amount so stated is paid by the consumer (otherwise
17 than in connection with the consumer’s trade or
18 business) to his seller, such amount shall be treated
19 as a tax imposed on, and paid by, such consumer.”.

20 (b) LIMITATION ON DEDUCTIONS.—Paragraphs (1),
21 (2), and (3) of section 164(a) of such Code are each
22 amended by inserting “75 percent of the amount of” be-
23 fore “State and local”.

1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to taxable years beginning after
3 the date of the enactment of this Act.

○