



WASHINGTON UPDATE

444 N. Capitol Street NW, Suite 234 ♦ Washington, DC 20001 June 21, 2010

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Financial Reform Conference Committee Enters Second Week

Last week's debate in the House and Senate Conference Committee on Financial Reform continues, with much of the "heavy lifting" still to come this week. Items of note from last week's activity include:

- An amendment that would allow the Securities and Exchange Commission to be a self-funded entity by collecting registration and transaction fees was approved.
- An amendment to delay Government Accountability Office studies into various operations of the muni market was accepted.
- An amendment that would fund the Governmental Accounting Standards Board by collecting fees from muni dealers is in the queue (not yet introduced or debated).

Outstanding issues for the conference committee to address this week include interchange fee caps and derivatives oversight.

The target date for completion of the conference committee's work is Thursday June 24, although it could run as late as Saturday June 26.

Interchange Fee Debate Hits the Senate

Before the conference committee got started in earnest last week, the Senate Appropriations Financial Services and General Government Subcommittee held a hearing to look at the effect of

interchange fees on federal payments. The hearing, entitled "Oversight of Federal Payment of Interchange Fees: How to Save Taxpayer Dollars," focused on what Subcommittee Chairman Durbin feels are unfair fees being imposed by Visa and MasterCard, not only on private sector businesses but in dealings with the federal government. In an excellent and detailed example of how the interchange fee issue seems to be gaining traction, Gary Grippo, deputy assistant secretary for fiscal operations and policy at the Treasury Department, told the subcommittee:

"Credit and debit cards represent the most expensive component of the infrastructure, costing \$116 million in interchange and card network fees, with an average transaction cost of \$1.45, in FY 2009... Card collections represent only 0.31 percent of total federal revenue, but 20 percent of total collections costs. Interchange fees charged by card networks are the largest component of these card costs, with an average rate of 1.9 percent across all federal credit card collections transactions in FY 2009. In contrast to a continuing decline in the unit cost of other collection mechanisms, moreover, this credit card interchange rate has remained relatively constant for many years."

Also, last Wednesday, the Government Accountability Office released its latest report on interchange fees entitled "Federal Agencies Benefit from Card Acceptance, but Have Limited Ability to Control Interchange Fee Costs." The report can be found at www.gao.gov/new.items/d10821t.pdf.

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Testimony from all panelists and the video archive of the hearing can be found at

<http://appropriations.senate.gov/ht-financial.cfm?method=hearings.view&id=43be164b-a0db-4a71-87a0-919f5f82eaf8>.

New State Taxes of Rental Vehicles Could be Banned Under Proposed Legislation

Last Tuesday, the House Judiciary Subcommittee on Commercial and Administrative Law discussed H.R. 4175, the “End Discriminatory State Taxes for Automobile Renters Act.” This bill would prohibit states or local governments from levying or collecting a discriminatory tax (a tax or tax assessment that is applicable to the rental of motor vehicles or motor vehicle businesses or property, but not to the majority of other rentals of tangible personal property within a state or locality) on the rental of motor vehicles, motor vehicle rental businesses, or motor vehicle rental property. Understandably, this legislation is opposed by state and local government groups. As was noted by Timothy Firestine, chief administrative officer of Montgomery County, Maryland, who spoke on behalf of the National League of Cities, the National Association of Counties, the U.S. Conference of Mayors, and the Government Finance Officers Association:

“Its preemption of the ability of states and localities to make their own determinations regarding the appropriate taxation of businesses within

communities and throughout the state represents an unwarranted federal intrusion into the long-recognized authority of local and state governments to make tax classifications and opens the door to unprecedented federal control and oversight of local and state tax authority.”

The full video archive of the hearing and additional testimony can be found at http://judiciary.house.gov/hearings/hear_100615_1.html.