

Washington Update



PROPOSAL SEEKS TO TIE STATE SALES TAX DEDUCTION TO RAISING FEDERAL GAS TAX

Senators Chris Murphy (D-CT) and Bob Corker (R-TN) announced a bipartisan partnership last week to push for a 12 cent per gallon increase in the federal gasoline tax to support the rapidly depleting Highway Trust Fund (HTF). The federal gas and diesel taxes, which are used to fund the HTF, have not been updated in over 20 years despite the immediate need for road and bridge improvements. Murphy and Corker noted that the purchasing power of the gas tax is approximately 63 percent of what it was in 1993, and a change to the federal gas tax would not only strengthen purchasing power, but would create thousands of new jobs and allow states to invest in long-term economic development projects. To offset the impact of the higher gas taxes, Murphy and Corker proposed permanently extending the federal deduction for state sales taxes.

See the senators' joint statement at www.corker.senate.gov/public/index.cfm/news?ContentRecord_id=b53492d7-af1c-43c7-962a-832eec9fb8a4.

INTERNET CAUCUS SEEKS PERMANENT INTERNET TAX BAN

The co-chairs of the Congressional Internet Caucus sent a letter last Thursday to House and Senate leaders encouraging the passage of legislation before the August recess to permanently eliminate new state and local taxes on Internet access. The Internet Tax Freedom Act (ITFA) was first passed in 1998, and it placed a moratorium on the ability of state and local governments to impose new taxes on Internet access or to impose multiple or discriminatory taxes on e-commerce. However, the moratorium is in effect only through November 1, 2014, and two new pieces of legislation have been introduced to extend it permanently – H.R. 3086, the Permanent Internet Tax Freedom Act in the House, and S. 1431, the Internet Tax Freedom Forever Act in the Senate. S. 1431 has 50 co-sponsors, and H.R. 3086 has 226 cosponsors.

The Government Finance Officers Association and several other state and local groups are opposing the measure.

The letter can be viewed at <http://eshoo.house.gov/uploads/6.19.14%20PITFA%20Letter%20to%20House%20and%20Senate%20Leadership.pdf>.

GAO: U.S. CONSOLIDATED FINANCIAL STATEMENTS HAVE CONTROL DEFICIENCIES

The U.S. Government Accountability Office has released its latest audit of the consolidated financial statements (CFS) of the U.S. government, and once again GAO has found numerous control deficiencies. Since GAO's first audit of the fiscal year 1997 CFS, certain material weaknesses and other limitations on the scope of its work have prevented GAO from expressing an opinion on the accrual-based CFS. To address these findings, GAO made several recommendations to both Treasury and the



Office of Management and Budget to focus on the control deficiencies identified during the audit:

- The fiscal assistant secretary should develop and implement procedures to sufficiently document management's conclusions and the basis of such conclusions regarding the accounting policies for the CFS.
- The fiscal assistant secretary, working in coordination with the controller of OMB, should:
 1. Continue to build on the procedures in place to effectively identify systemic root causes of intragovernmental differences and monitor how federal entities are addressing the root causes.
 2. Establish and implement policies and procedures for accounting for and reporting all significant general fund activity and balances, obtaining assurance on the reliability of the amounts, and reconciling the activity and balances between the general fund and federal entities.
 3. Establish a formalized process to require the performance of additional audit procedures specifically focused on intragovernmental activity and balances between federal entities to provide increased audit assurance over the reliability of such information.

To view the full GAO report, visit www.gao.gov/products/GAO-14-543.

IRS UPDATES SEQUESTRATION EFFECTS ON BONDS

- The Internal Revenue Service (IRS) last week issued an update entitled "Effect of Sequestration on State and Local Government Filers of Form 8038-CP" This update applies to refund payments of certain state and local government filers claiming refundable credits applicable to certain qualified bonds that are subject to sequestration. These direct-subsidy bonds include: Build America Bonds, Qualified School Construction Bonds, Qualified Zone Academy Bonds, New Clean Renewable Energy Bonds, and Qualified Energy Conservation Bonds. Refund payments processed on or after October 1, 2013, and on or before September 30, 2014, will be reduced by the fiscal year 2014 sequestration rate of 7.2 percent, irrespective of when the amounts were claimed by an issuer on any Form 8038-CP that was filed with the IRS.
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- The full notice, along with reference links, is available at www.irs.gov/Tax-Exempt-Bonds/Update-Effect-of-Sequestration-on-State-&-Local-Government-Filers-of-Form-8038-CP.
- <http://naturalresources.house.gov/calendar/eventsingle.aspx?EventID=381702>

WASHINGTON STAFF

CORNELIA CHEBINOU
Washington Director
cchebinou@nasact.org

NEAL HUTCHKO
Policy Analyst
nhutchko@nasact.org

TANYA GRAYSON
Administrative Assistant
tgrayson@nasact.org

National Association of State
Auditors, Comptrollers and Treasurers

HEADQUARTERS OFFICE

449 Lewis Hargett Circle, Suite 290
Lexington, KY 40503-3590
P (859) 276-1147, F (859) 278-0507

WASHINGTON OFFICE

444 N. Capitol Street, NW, Suite 234
Washington, DC 20001
P (202) 624-5451, F (202) 624-5473

www.nasact.org

For more information on this newsletter's content, contact Cornelia Chebinou at cchebinou@nasact.org or (202) 624-5451.

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