NASACT National Association of State Auditors, Comptrollers and Treasurers

MARCH 16, 2015

# Washington Update

## THE 2015 WASHINGTON OFFICE SURVEY RESULTS ARE IN!

The 2015 NASACT Washington Office survey was completed last Friday. Twenty-five offices from 15 different states participated in the survey this year. Responses to the survey provide a snapshot of which federal relations issues are most important to NASACT's members, as well as where the focus should be during the upcoming year for efforts through the Washington office.

Thank you to all of those who were able to respond and submit comments.

Examples of top issues identified by members as **most important** include:

- Medicaid and its impact on state budgets
- Public sector pension plans (disclosure)

Issues identified as **least important** include:

- Federal intervention/bankruptcy for states
- Regulations resultant of the Dodd-Frank Act

Look for the in-depth review of the 2015 survey in this month's March *NASACT News*.

Questions about the survey or results may be directed to Neal Hutchko at nhutcho@nasact.org.

## SEC COMMISSIONER: MUNICIPAL MARKET NEEDS SUPERVISION

U.S. Securities and Exchange Commissioner Dan Gallagher gave a speech at the Financial Industry Regulatory Authority's Fixed Income Conference in New York City last Tuesday. In the speech, entitled "A Watched Pot Never Boils: the Need for SEC Supervision of Fixed Income Liquidity, Market Structure, and Pension Accounting," Commissioner Gallagher gave a detailed appeal for expanded disclosure, and possible Congressional influence, into the municipal securities market. Key comments within his speech:

- "The SEC, through the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative, has been testing compliance with Rule 15c2-12, and holding municipal issuers accountable for representations in offering documents, and for compliance with their continuing disclosure obligations."
- "I fully support prohibiting municipalities that cannot or will not comply with the law from accessing the securities markets, as well as pursuing the culpable officials who perpetrate the fraud."
- "The SEC is also bringing cases against state and local entities — San Diego, New Jersey, Illinois, and most recently Kansas — for making misleading disclosures about the funding of their pension plans. The failure by municipal issuers to provide adequate disclosures of underfunded pension plans is an unpardonable sin. Politically-powerful state workers' unions, and state constitutional protections for benefits, make the reduction of these liabilities extremely difficult
- "Pension liabilities are a true systemic risk."
- "We need a legislative fix to mandate the use of GASB standards for municipal issuers — whether it is a grant of authority to the Commission to recognize GASB standards as they do the FASB's, or as a condition placed on the bonds' exempt status. This should help drive better transparency for investors in the muni market."

Text of his full speech can be found at www.sec.gov/news/speech/031015-spch-cdmg.html#.VQBXy410w5s.

## SENATE COMMITTEE SEEKS PUBLIC INPUT ON OVERHAULING TAX CODE

Senate Finance Committee Chairman Orrin Hatch (R-UT) and Ranking Member Ron Wyden (D-OR) have announced a bipartisan effort to begin soliciting ideas from interested members of the public and stakeholders on how best to overhaul the nation's tax code to make it simpler, fairer and more efficient. The goal of this effort is to provide additional input, data and information to the committee's bipartisan tax working groups, which are currently analyzing existing tax law and examining policy trade-offs and available reform options within each group's designated area.

In a joint statement, Hatch and Wyden noted: "By opening up our bipartisan working groups to public input, we hope to gain a greater understanding of how tax policy affects individuals, businesses, and civic groups across our nation." Individuals, businesses, organizations, and advocacy groups interested in submitting comments should send an email to the group or groups below that relates to their area of interest:

- **Individual Income Tax**: Individual@finance.senate.gov
- **Business Income Tax**: Business@finance.senate.gov
- **Savings & Investment**: Savings@finance.senate.gov
- **International Tax**: International@finance.senate.gov
- **Community Development & Infrastructure**: CommunityDevelopment@finance.senate.gov

### Submission Requirements

All submissions must be submitted as a pdf attachment. The attachment should be saved using the name of the organization/individual submitting the recommendations.

- Parties should list the name of the tax working group they wish to contact in the subject line of the email.
- Please include contact name, organization (if the submission is being submitted on behalf of a group), phone number, and email address, in the body of the email.
- Submissions will be accepted ***through April 15, 2015***, and made public at a later date.

## ONLINE SALES TAX BILL INTRODUCED

A bipartisan group of Senators has introduced a bill that would allow local brick-and-mortar retailers to compete on a level playing field with out-of-state sellers. The Marketplace Fairness Act of 2015 (S. 698) would give states the option to require out-of-state businesses, such as those selling online or through catalogs, to collect and use taxes already owed under state law the same way local businesses do. Bill sponsor Sen. Mike Enzi (R-WY) issued this statement upon introducing S. 698:

> "The Marketplace Fairness Act is about supporting the jobs we have in our towns. It is about the people who are our neighbors who work in our local stores. Right now, thousands of local businesses are forced to do business at a competitive disadvantage because they have to collect sales and use taxes and remote sellers do not. The Marketplace Fairness Act would put Main Street businesses on a level playing field with online retailers. In 2013, the Senate passed this bill with bipartisan support. It's time to give states the right to enforce their own laws without having to get permission from Washington."

S. 698 has nine cosponsors. It is estimated that states and localities could collect up to $23 billion of additional sales taxes annually from this legislation.


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