NASACT National Association of State Auditors, Comptrollers and Treasurers

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Washington Update

TAX EXEMPT PROTECTION LETTER CIRCULATED IN HOUSE

Representatives Dutch Ruppersberger (D-MD) and Randy Hultgren (R-IL) distributed a bipartisan letter to House leaders last week in support of maintaining the tax-exempt status of municipal bonds. The letter, signed by 63 Democrats and 61 Republicans, asks leaders to reject any proposal to cap or eliminate the deduction on tax-exempt municipal bonds used to finance the vast majority of infrastructure projects in America's communities.

Rep. Ruppersberger stated:

> "If the federal income tax exemption is eliminated or limited, states and localities will pay more to finance projects, leading to less infrastructure investment and fewer jobs. Worse, they will be forced to shift costs to their main revenue source–property taxes–hitting the already-suffering real estate market and the wallets of American homeowners."

The letter goes on to say:

> "For more than a century, municipal bonds have enjoyed tax-exempt status and have been the primary method by which state governments and local municipalities finance public capital improvements and infrastructure construction. These projects are engines of job creation and economic growth, and it is imperative that their tax-exempt status remain unchanged…While we agree that we must reduce government spending and our country's unsustainable debt, we should not be eliminating a vital tool for job growth and economic development."

CONGRESS PASSES TWO-YEAR SCHIP EXTENSION

Last Tuesday, Congress voted to extend the State Children's Health Insurance Program (SCHIP) funding for another two years. SCHIP currently finances health insurance for over eight million children whose household incomes are too high for Medicaid eligibility but may be too low to afford private insurance. Beginning in October 2015, any state with insufficient CHIP funding must establish procedures to ensure that children who are not covered by CHIP are screened for Medicaid eligibility. If ineligible, children may be enrolled into private qualified health plans that have been certified by the secretary of Health and

Human Services as comparable to CHIP, if such a qualified private health plan is available.

The vote to extend SCHIP for two more years passed the House in late March in a 392-37 vote, and the Senate passed with a 92-8 margin on April 14. President Obama is expected to sign the legislation soon.

HOUSE PASSES PERMANENT STATE SALES TAX DEDUCTION

The House last week passed a bill to make the state and local sales tax deduction permanent. H.R. 622, the State and Local Sales Tax Deduction Fairness Act, passed by a 272-152 vote. The state and local sales tax deduction is taken in lieu of the state and local income tax deduction in those states that do not have an income tax. It is a temporary tax provision which expired at the end of last year. A companion bill, S. 126, is pending before the Senate Finance Committee. The Joint Committee on Taxation estimated that if enacted, the bill would cost the federal government $42.4 billion from fiscal years 2015 to 2025.

GAO RELEASES DUPLICATIVE PROCESSES REPORT

The U.S. Government Accountability Office has released a report examining duplicative processes within the federal government. The report, entitled "Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits," identifies 12 new areas of fragmentation, overlap or duplication in federal programs and activities, as well as 12 other opportunities for cost savings or revenue enhancement. In the Fragmentation, Overlap, or Duplication Area section, GAO recommends: "Because federal and state export promotion efforts overlap, the Department of Commerce should take steps to enhance collaboration among them to promote economic development while ensuring the most efficient use of limited federal resources." In addition, under the Cost Savings section, GAO identified two key state issues:

> "To potentially save hundreds of millions of dollars, the Centers for Medicare and Medicaid Services should ensure that states report accurate and complete data on state Medicaid sources of funds so that it may better oversee states' financing arrangements that can increase costs for the federal government.
>
> States should be able to more effectively fight fraud among beneficiaries of the Supplemental Nutrition Assistance Program—which provided more than $76 billion in benefits in fiscal year 2013—by using data to better focus investigative efforts on high-risk households."

The full report can be found at http://gao.gov/products/GAO-15-404SP.

GASB RELEASES 2015 STRATEGIC PLAN

The Financial Accounting Foundation, Financial Accounting Standards Board and the Governmental Accounting Standards Board have released their 2015 strategic plan to articulate the long-range vision and mission of each of the groups and the organization collectively.

The strategic plan affirms the discrete, individual roles of the groups comprising the FAF, while describing the overarching vision and mission that they share. The strategic plan describes four goals that will enable the FASB, GASB, FAF trustees, and FAF management to realize a collective vision and fulfill their collective mission:

1. Practicing and promoting continued excellence in standard setting.
2. Demonstrating a commitment to leadership in standard setting.
3. Building and maintaining trust with stakeholders.
4. Promoting public discourse on current and future financial reporting issues.

The full strategic plan can be found at www.accountingfoundation.org.

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