

107TH CONGRESS  
2D SESSION

# H. R. 4487

To amend the Internal Revenue Code of 1986 to allow residents of States with no income tax a deduction for State and local sales taxes.

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## IN THE HOUSE OF REPRESENTATIVES

APRIL 18, 2002

Mr. BRYANT (for himself and Mr. HILLEARY) introduced the following bill; which was referred to the Committee on Ways and Means

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## A BILL

To amend the Internal Revenue Code of 1986 to allow residents of States with no income tax a deduction for State and local sales taxes.

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

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “Sales Tax Fairness  
5 Act of 2002”.

6 **SEC. 2. DEDUCTION OF STATE AND LOCAL GENERAL SALES**  
7 **TAXES FOR RESIDENTS OF STATES WITH NO**  
8 **INCOME TAX.**

9 (a) IN GENERAL.—Subsection (b) of section 164 of  
10 the Internal Revenue Code of 1986 (relating to definitions

1 and special rules) is amended by adding at the end the  
2 following:

3 “(5) GENERAL SALES TAXES.—For purposes of  
4 this section—

5 “(A) DEDUCTION OF STATE AND LOCAL  
6 SALES TAXES BY RESIDENTS OF STATES IMPOS-  
7 ING NO INCOME TAX.—In the case of an indi-  
8 vidual who is a resident for more than half of  
9 the taxable year of a State which imposes no in-  
10 come tax on income earned within such State  
11 by residents of such State and who elects the  
12 application of this paragraph, subsection (a)  
13 shall be applied—

14 “(i) without regard to the reference to  
15 State and local income taxes,

16 “(ii) as if State and local general sales  
17 taxes were referred to in a paragraph  
18 thereof, and

19 “(iii) without regard to the last sen-  
20 tence.

21 “(B) DEFINITION OF GENERAL SALES  
22 TAX.—The term ‘general sales tax’ means a tax  
23 imposed at one rate with respect to the sale at  
24 retail of a broad range of classes of items.

1           “(C) SPECIAL RULES FOR FOOD, ETC.—In  
2 the case of items of food, clothing, medical sup-  
3 plies, and motor vehicles—

4           “(i) the fact that the tax does not  
5 apply with respect to some or all of such  
6 items shall not be taken into account in  
7 determining whether the tax applies with  
8 respect to a broad range of classes of  
9 items, and

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

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

23           “(E) COMPENSATING USE TAXES.—A com-  
24 pensating use tax with respect to an item shall  
25 be treated as a general sales tax. For purposes

1 of the preceding sentence, the term ‘compensating use tax’ means, with respect to any item,  
2  
3 a tax which—

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

6 “(ii) is complementary to a general  
7 sales tax, but only if a deduction is allow-  
8 able under this paragraph with respect to  
9 items sold at retail in the taxing jurisdic-  
10 tion which are similar to such item.

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

16 “(G) SEPARATELY STATED GENERAL  
17 SALES TAXES.—If the amount of any general  
18 sales tax is separately stated, then, to the ex-  
19 tent that the amount so stated is paid by the  
20 consumer (other than in connection with the  
21 consumer’s trade or business) to the seller, such  
22 amount shall be treated as a tax imposed on,  
23 and paid by, such consumer.

24 “(H) AMOUNT OF DEDUCTION TO BE DE-  
25 TERMINED UNDER TABLES.—

1           “(i) IN GENERAL.—The amount of  
2           the deduction allowed under this para-  
3           graph shall be determined under tables  
4           prescribed by the Secretary.

5           “(ii) REQUIREMENTS FOR TABLES.—  
6           The tables prescribed under clause (i)—

7                   “(I) shall reflect the provisions of  
8                   this paragraph,

9                           “(II) shall be based on the aver-  
10                          age consumption by taxpayers on a  
11                          State-by-State basis, as determined by  
12                          the Secretary, taking into account fil-  
13                          ing status, number of dependents, ad-  
14                          justed gross income, and rates of  
15                          State and local general sales taxation,  
16                          and

17                           “(III) need only be determined  
18                          with respect to adjusted gross incomes  
19                          up to the applicable amount (as deter-  
20                          mined under section 68(b)).”.

21           (b) EFFECTIVE DATE.—The amendments made by  
22           this section shall apply to taxable years beginning after  
23           the date of the enactment of this Act.

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