

TAX FEATURES

www.taxfoundation.org

July/August 2003 Volume 47, Number 2

“Jock Taxes” Spread to Other Professions As State and City Governments Maximize Revenue

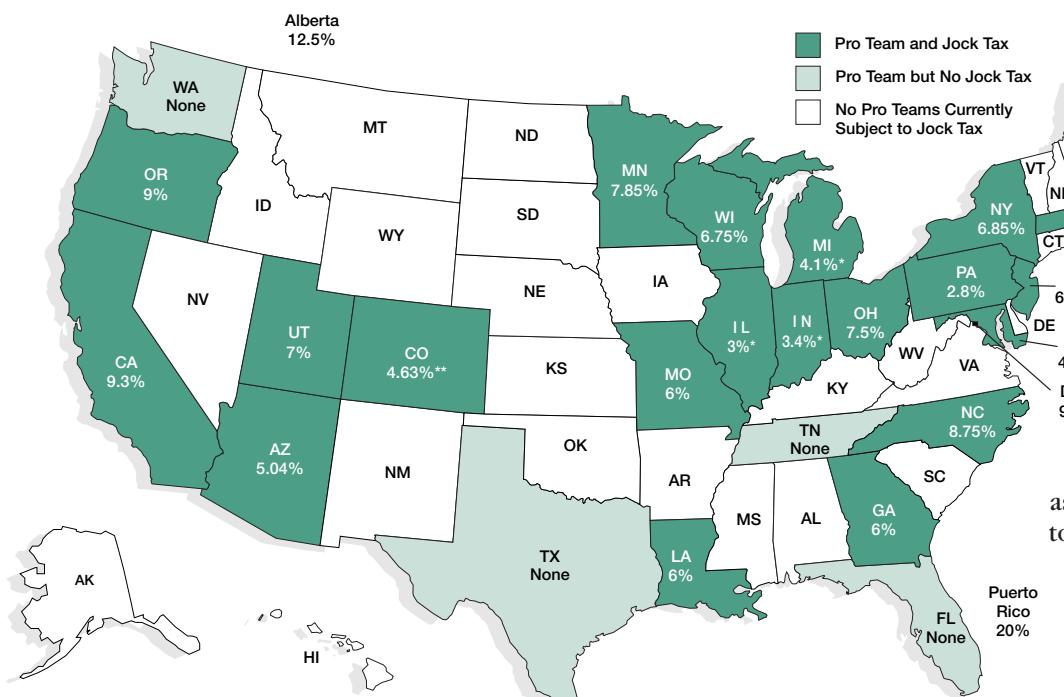
Routine Business Travel Triggers Income Tax Liability in Many States

State and city governments are trying to maximize revenue by extending their income taxes to nonresidents who just work for a few

full report on line at:
www.TaxFoundation.org/jocktax.html

“Jock Taxes” Spread Rapidly, but Not Just to Jocks

(Top Income Tax Rate Shown for Each Location)



* Tax base is federal AGI with modifications.

** Tax base is federal taxable income.

days in their states, according to a new report from the Tax Foundation.

Economist David Hoffman explains that states started with “jock taxes” because it was politically popular to tax young, famous, high-income athletes but are now targeting all workers who cross their borders.

The report was released to coincide with Major League Baseball’s All-Star Game in Chicago. Illinois is the only state that forgives the tax on visiting athletes if their home states do not tax Illinois athletes. That lets players from Texas, Florida, Tennessee and Washington off the hook. All other visitors have to pay Illinois taxes first, then apply for a credit against taxes due in their home states.

Despite its fair treatment of

See Jock Tax on page 6

In this issue:

Everyone's a Jock Now	1
Federal Taxing and Spending by State	2
Rep. Cardin on the Nation's Need for Better Pensions	4
New Publications	6
Foundation Message	7
Miscellany	8



FRONT & CENTER

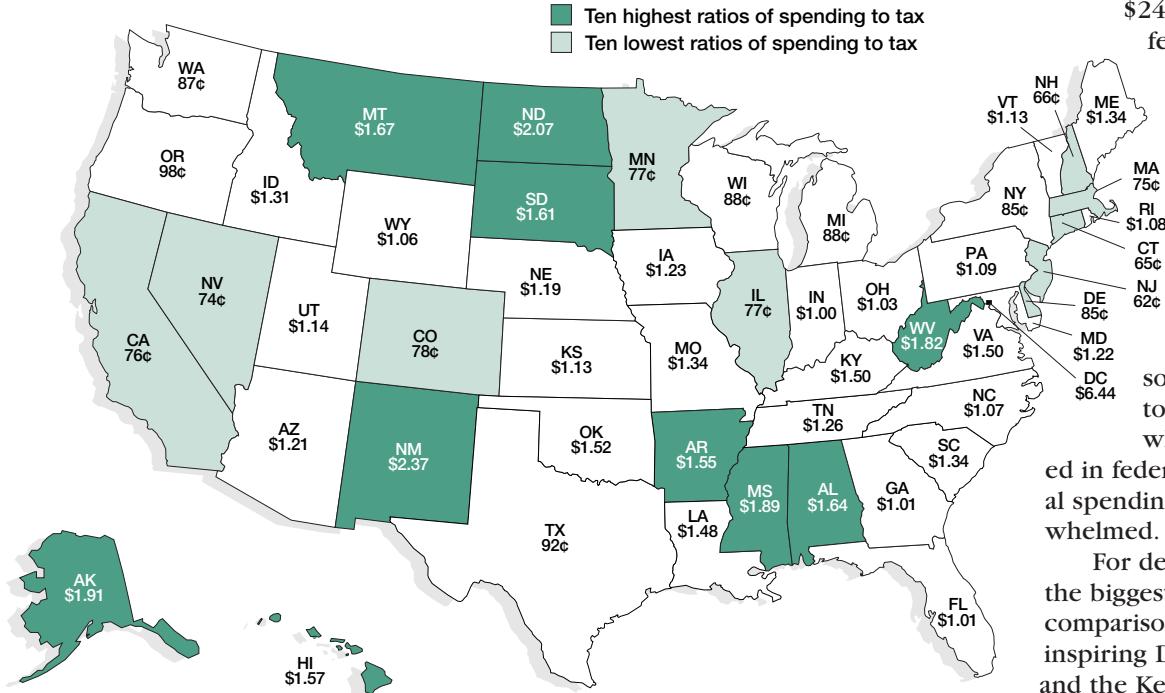
Helping Americans Save for the Future

Rep. Benjamin L. Cardin (D-MD), Ways and Means Committee

Federal Tax and Spending Patterns Benefit Some States, Leave Others Footing the Bill

Some states feast at the expense of others, according to the Tax Foundation's annual analysis of federal taxing and spending patterns.

Federal Spending by State for Each Tax Dollar Sent to Washington FY 2002



All taxpayers know that the federal government uses tax and spending policy to redistribute money from citizens with high incomes to those who make little, but geographically based income redistribution is less well known. In the newest edition of one of the Tax Foundation's most popular reports, Senior Economist Scott Moody compares the federal tax burden in each state with the Census Bureau's most recent data (2002) on federal spending in each state. The result is a ranking of which states got the best deal in 2002 from Uncle Sam's tax and spending policies.

Federally Favored States

In No. 124 of the Tax Foundation's *Special Report* series, titled "Federal Tax Burdens and Expenditures by

State," Moody points out that during fiscal 2002, taxpayers in New Mexico benefited the most from the give-and-take with Uncle Sam.

sent to the U.S. Treasury. The District's share of federal largesse amounted to \$58,347 for every man, woman and child. That is more than nine times the national average, and it includes over \$8,000 per person in grants, over \$19,000 per person in procurement, and over \$24,000 per person in federal wages. None of this has prevented District lawmakers from blaming their fiscal woes on the federal government.

States That Help Others

If some states are beneficiaries, then some must be benefactors — those states where so much is collected in federal taxes that any federal spending they receive is overwhelmed.

For decades, New York was the biggest payer in the annual comparison of taxes to spending, inspiring Daniel Patrick Moynihan and the Kennedy School of Government to launch their annual reference book on taxes and spending (www.ksg.harvard.edu/fisc99) more than 25 years ago. In recent years, however, other states have eclipsed New York for the "blessing" of being the state that gives far more than it receives.

Combining the third highest tax burden per capita with the ninth lowest federal spending, New Jersey had the lowest federal spending-to-tax ratio (62¢). Other states that had low federal spending-to-tax ratios in FY 2002 are Connecticut (65¢), New Hampshire (66¢), Nevada (74¢), Massachusetts (75¢) and California (76¢).

Changing Ranks

The state that raised its ratio the most over the past ten years is Alaska, where federal spending rose from

full report on line at:
www.TaxFoundation.org/taxingspending.html

Mississippi (\$1.89), and West Virginia (\$1.82). See table on page 3.

The District of Columbia

Though not comparable as a state, the District of Columbia is by far the biggest beneficiary of federal spending. In 2002 it received \$6.44 in federal outlays for every dollar its taxpayers

\$1.26 to \$1.91 for each dollar in taxes. This 65¢-increase beats out North Dakota, where federal spending increased 53¢ per dollar of tax, Hawaii (43¢ more spending per tax dollar), and West Virginia (38¢ more spending per tax dollar).

States where the ratio dropped most are Colorado and Massachusetts. Colorado has seen its federal spending-to-tax ratio fall 28¢ from \$1.06 in FY 1992 to 78¢ in FY 2002. Massachusetts's has dropped 27¢.

How Can States React?

Federal spending on defense and other procurement dollars are often funneled to the states of powerful congressmen, and state governments can grab more federal grant money by skillfully — some would say slavishly — manipulating their spending to comply with federal regulations.

However, demography is at least as influential as politics. States with more

residents on Social Security, Medicare and other large federal entitlements are bound to rank fairly high. Similarly, the high spending levels in Virginia, Maryland and the District of Columbia are explained by the predominance of federal employees.

On the tax side of the equation, states with higher incomes per capita

— Connecticut stands out — pay much higher federal taxes per capita because of the income tax's progressive structure. The citizens in these high-income, high-tax states do not always live better or save more than people in low-income, low-tax states because the cost of living is usually that much higher or more. ●

Federal Spending by State Per Dollar of Federal Tax

Fiscal Years 1992 and 2002

	Expenditures Per Dollar of Taxes		10-yr Change in Spending Per Dollar of Tax	Ranking		Change in Rank
	FY 1992	FY 2002		FY 1992	FY 2002	
Total	\$ 1.00	\$ 1.00	—	—	—	—
Alabama	\$ 1.39	\$ 1.64	+ 26¢	7	7	0
Alaska	1.26	1.91	+ 65	14	3	- 11
Arizona	1.17	1.21	+ 3	19	22	+ 3
Arkansas	1.28	1.55	+ 27	13	10	- 3
California	.93	.76	- 16	38	45	+ 7
Colorado	\$ 1.06	\$.78	- 28¢	26	42	+ 16
Connecticut	.68	.65	- 2	49	49	0
Delaware	.72	.85	+ 13	48	41	- 7
Florida	1.08	1.01	- 7	24	33	+ 9
Georgia	1.00	1.01	+ 1	32	32	0
Hawaii	\$ 1.14	\$ 1.57	+ 43¢	21	9	- 12
Idaho	1.25	1.31	+ 6	16	18	+ 2
Illinois	.72	.77	+ 4	47	44	- 3
Indiana	.83	1.00	+ 17	41	34	- 7
Iowa	1.05	1.23	+ 18	28	20	- 8
Kansas	\$ 1.05	\$ 1.13	+ 8¢	27	25	- 2
Kentucky	1.20	1.50	+ 29	18	13	- 5
Louisiana	1.29	1.48	+ 19	11	14	+ 3
Maine	1.48	1.34	- 14	4	16	+ 12
Maryland	1.25	1.22	- 3	15	21	+ 6
Massachusetts	\$ 1.01	\$.75	- 27¢	31	46	+ 15
Michigan	.83	.88	+ 6	42	38	- 4
Minnesota	.77	.77	- 1	44	43	- 1
Mississippi	1.84	1.89	+ 5	2	4	+ 2
Missouri	1.25	1.34	+ 9	17	17	0
Montana	\$ 1.46	\$ 1.67	+ 21¢	5	6	+ 1
Nebraska	1.07	1.19	+ 12	25	23	- 2
Nevada	.74	.74	0	45	47	+ 2
New Hampshire	.74	.66	- 8	46	48	+ 2
New Jersey	.66	.62	- 3	50	50	0
New Mexico	\$ 2.08	\$ 2.37	+ 29¢	1	1	0
New York	.86	.85	- 1	40	40	0
North Carolina	.95	1.07	+ 13	33	29	- 4
North Dakota	1.54	2.07	+ 53	3	2	- 1
Ohio	.94	1.03	+ 9	34	31	- 3
Oklahoma	\$ 1.30	\$ 1.52	+ 22¢	10	11	+ 1
Oregon	.94	.98	+ 4	36	35	- 1
Pennsylvania	1.02	1.09	+ 7	30	27	- 3
Rhode Island	1.10	1.08	- 2	23	28	+ 5
South Carolina	1.29	1.34	+ 5	12	15	+ 3
South Dakota	\$ 1.31	\$ 1.61	+ 30¢	9	8	- 1
Tennessee	1.11	1.26	+ 15	22	19	- 3
Texas	.93	.92	0	37	36	- 1
Utah	1.17	1.14	- 3	20	24	+ 4
Vermont	.94	1.13	+ 19	35	26	- 9
Virginia	\$ 1.39	\$ 1.50	+ 11¢	8	12	+ 4
Washington	.89	.87	- 2	39	39	0
West Virginia	1.44	1.82	+ 38	6	5	- 1
Wisconsin	.82	.88	+ 7	43	37	- 6
Wyoming	1.02	1.06	+ 4	29	30	+ 1
District of Columbia	\$ 5.86	\$ 6.44	+ 58¢	—	—	—

Sources: Census Bureau; Tax Foundation's "State-by-State Tax Burden Allocation Model."

Helping Americans Save for the Future

by U.S. Representative Benjamin L. Cardin (D-MD)

People in America do not save enough. Over the next decade, we as a nation will face a retirement crisis as 70 million baby boomers begin to retire in 2010.

In the meantime, we are facing large budget deficits and a low national personal savings rate, all of which place enormous strains on traditional retirement programs such as Social Security.

It's time for Congress to help Americans understand the importance of saving for retirement and to make the process easier. I recently introduced The Pension Preservation and Savings Expansion Act, HR 1776, with

A recent AARP study found that less than half of baby boomers save for retirement regularly.

According to the 2002 Retirement Confidence Survey, 44% of retirees age 60 or older have saved \$75,000 or less for their retirement and 11% have saved nothing.

Social Security is the primary source of income for 44% of retirees. Unfortunately, the average Social Security annual income in 2002 was \$12,096 for men and only \$9,288 for women.

These savings figures need to change and one of the most important

FRONT & CENTER

It also will provide temporary relief to multi-employer plans — plans for those who work for multiple employers such as in the building trades — from recent stock market losses and create more ways for small employers to offer retirement plans.

Increasing the coverage of employer-sponsored retirement plans helps retirement savings because these plans have been shown to provide the most effective and least expensive savings tools to workers. That is because there are fewer decisions to be made with an employer-sponsored plan and there is less individual risk with a defined benefit employer-sponsored plan in which the employer — not the employee — bears the risk of investment. In an employee-sponsored plan, employees can save by default, choosing to have their retirement savings deducted automatically from their pay.

This pension reform measure also will make it less daunting to start the planning process later in life by increasing contribution limits and catch-up contribution limits to allow people closer to retirement to save more money when they can afford to save more.

Another important consideration — particularly for millions of Americans who earn less and therefore have less disposable income — is finding the money to start savings. This is particularly true for people who will need the money the most when they reach retirement — lower-income people and women.

Women age 65 and older make up 58% of all Social Security beneficiaries and approximately 71% of beneficiaries age 85 and older. According to the Social Security Administration, Social Security comprises 51% of the total income of women age 65 or older. In contrast, Social Security benefits comprise only 37% of the retirement income of elderly men, and only 34% of

In 2001, out of 151 million American workers, only 65 million participated in an employer- or union-sponsored pension or retirement plan. This problem is particularly acute for people who work for small business. ... Only 20% of small businesses offer retirement plans.

Rep. Rob Portman (R-OH) to build on past legislation we have authored by providing greater retirement savings opportunities for millions of American workers.

First, and perhaps most important, is the challenge of getting people to understand the importance of saving. Too many Americans worry about saving for retirement, but few actually plan in a way that will provide them with the retirement they want and deserve.

ways to do that is to ensure that every American has access to a pension plan.

In 2001, out of 151 million American workers, only 65 million participated in an employer- or union-sponsored pension or retirement plan. This problem is particularly acute for people who work for small businesses employing fewer than 25 workers. Only 20% of small businesses offer retirement plans.

Employer-sponsored plans provide low-administration options for employees. HR 1776 will encourage the maintenance and creation of employer-sponsored plans by: addressing defined benefit funding problems by setting a responsible funding rate to replace the now-defunct 30-year Treasury bond rate.

Rep. Ben Cardin has been a Member of the House Ways and Means Committee since 1989 and represents Maryland's Third Congressional District in the House of Representatives.

elderly couples' income. In addition, 26% of unmarried elderly women depend on Social Security for their only source of income. Women also live longer and build up less in lifetime earnings than men.

We can't provide all of the money needed to secure a happy retirement for every American, but HR 1776 would help by expanding and making permanent a tax credit for low- and moderate-income people to put money into an Individual Retirement Account (IRA), 401(k) plan (including a SIMPLE 401(k) plan), 457 plan, 403(b) plan, Roth IRA, SIMPLE IRA, or Simplified Employee Pension plan.

The IRS has estimated that this important credit has already been used by more than 4 million people in 2002.

This legislation also addresses the issue of the portability of retirement plans. Today, the average American changes jobs between four to eight times during the course of his or her career. As Americans — particularly women and younger Americans — change jobs more often and leave and re-enter the workforce, they need retirement savings that can move with them, and that will fit their families' needs.

This new measure would improve portability of retirement savings. It would ensure an employee's ability to roll over after-tax contributions and permit direct rollovers from workplace retirement plans to Roth IRAs. It also would allow rollovers directly to a spouse's retirement plan, allowing couples to balance their savings and act more as a single financial unit. The measure also will allow greater portability for non-spousal rollovers.

If the Enron and WorldCom scandals have taught us anything it is that Americans who have employer-sponsored plans often do not have enough information to make informed decisions. This is particularly true for low- and moderate-income Americans who are much less likely to be able to afford financial advice.

HR 1776 would provide pre-tax savings for independent financial advice for employees, increasing the attractiveness of employer-sponsored

plans and providing greater notice requirements for employees about their employers' management of their retirement plans.

Finally, in an era in which Americans are living longer, we need to rethink the age at which we require withdrawals from retirement plans. This legislation would create greater financial security during retirement by increasing the minimum required distribution from age 70 to 75. The current law was adopted in 1962 at a time when life expectancy was 70.1 years.

According to the Department of Health and Human Services, in 2001 life expectancy for Americans had increased to 77.2 years. Today, Americans are living more than seven years longer than they did in 1962 when the 70-1/2 minimum required distribution rules were put in place. This is a change that has been recommended by both the Joint Committee on Taxation (who actually advocate getting rid of the minimum required distribution rules in total), and by the AARP.

One of the biggest problems confronting retirement policy is the need to protect the long-term security of retirement assets during retirement.

There has been a move towards lump-sum distributions of retirement plans. This trend is disturbing because many Americans are taking their money out of their retirement and not using it for their long-term, living-on funds. To ensure that people do not out-live their savings, we have to find ways to encourage Americans to take annuitant retirement.

HR 1776 will provide incentives for taking retirement savings as an



annuity, providing a guaranteed retirement income over a lifetime. This provision would give people a tax exclusion of up to \$2,000 on a portion of their annuitant income every year.

HR 1776 also contains provisions designed to fight leakage from the retirement system by facilitating default rollover options for departing employees, which will significantly expand the existing program to match employees with their lost retirement plan benefits.

Americans face a myriad of challenges when they sit down to plan for their retirement. Policy makers must learn to face these challenges along with their constituents, or find themselves confronted with a generation of people who are not financially prepared for their future.

The Pension Preservation and Savings Expansion Act will provide the next step in the ongoing effort to provide Americans with greater savings opportunities. 

The Tax Foundation invites national leaders from all perspectives to contribute columns to Tax Features. The opinions expressed are not always those of the Tax Foundation.

Jock Taxes *from page 1*

workers visiting from states with no jock tax, Illinois is less forgiving to its own athletes, refusing credits for out-of-state jock taxes paid. During last year's All-Star Game in Milwaukee, Chicago Cub Sammy Sosa paid both Wisconsin and Illinois taxes on his daily income. At present, no other state refuses credits.

The jock tax has spread from California to 20 states and half a dozen cities, as well as Puerto Rico and Alberta. Professional athletes are the most famous but by no means the only targets. Hoffman gives three major reasons the jock tax is ill-conceived:

♦ *The tax is poorly targeted.* Advertised as one that hits only ultra-rich athletes, the jock tax has quickly spread to many people with moderate incomes, such as trainers and scouts, and to other professions.

♦ *The tax is arbitrary.* Professionals in other occupations with comparable incomes over their working lives, such as doctors and corporate executives, are not penalized by a "doc tax" or

"exec tax," though that is changing. New Jersey has recently started taxing visiting lawyers, causing no great outcry.

♦ *The tax imposes an unrealistic administrative burden.* Travelers can end up filing dozens of state and city income tax returns.

Conclusion: Abolish the Jock Tax and Reform Nonresident Income Taxation

In Alberta, Canada, and in Puerto Rico, the jock tax is even levied at a separate, higher rate than for other residents. An effort to establish such a separate rate in Colorado in 2002 fortunately failed.

New Jersey is now taxing visiting attorneys. Cincinnati is imposing its municipal income tax on entertainers and has even proposed extending it to all workers that enter the city. In Missouri, state officials are creating a constituency for higher jock taxes by "earnmarking" the revenue for popular programs.

A reasonable approach to nonresident taxation would not include jock taxes or any attempt to levy income

taxes on salaried employees who spend only a few days traveling in the state for business. ☐

Publication Summary

General: Special Report No. 123; ISSN 1068-0306; 12pp.; \$10 or \$50/yr. for 6 issues on varied fiscal topics

Title: State and Local Income Taxation of Nonresident Professional Athletes Spreads to Other Professions

Author: David K. Hoffman

Date: July 2003

Subject: Discussion of the recent trend for state governments to extend their income taxes to selected nonresidents, a trend that started with professional athletes.

Tables: Salaries and Jock Taxes of Major League Baseball All-Star Game Participants, 2003; Individual Income Tax Rates in States with NFL, NBA, NHL or Major League Baseball Franchises; The Complex State Income Tax Obligations of Three Professional Athletes; Salary Ranges of Non-Athletic Members of Professional Athletic Teams; Statistical Comparison of the Incomes and Taxation of Athletes and Airline Pilots

New Editions of Foundation Reference Books

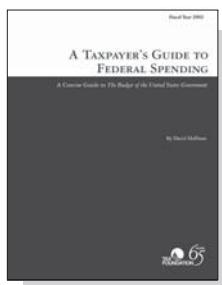
A Taxpayer's Guide to Federal Spending, Fiscal Year 2004

The detailed account information and historical tables of the President's 2004 Budget have been available since

March, but most of the Budget is still being debated by Congress.

As anyone who has examined the official *Budget of the U.S. Government* realizes, it's a frustrating document if you want to see how the federal government spends our tax dollars.

The Tax Foundation makes it easier



A Taxpayer's Guide to Federal Spending, Fiscal Year 2004

ISSN 1528-0381
ISBN 1-884096-19-0
Ed.: Matthew Lutz
Summer 2003
262 pp.
Paper \$40 (s/h inc.)

with the seventh edition of *A Taxpayer's Guide to Federal Spending*. It uses the same terminology as the Budget, so you can refer to it with confidence in official communications. Organized by department, agency, program area, and individual expenditure account, the *Taxpayer's Guide to Federal Spending* boils more than 2,500 pages down to one tenth of that size, but you won't miss a thing.

Facts & Figures on Government Finance, 37th Edition

When rhetoric about tax and spending policies is so often full of sound and fury, it's a relief to see a volume full of facts. Published regularly since 1941, *Facts and Figures on Government Finance* brings together data on public finance at all levels of government, with comparisons of taxing and spending levels spanning a century.

The 37th edition will provide the data to answer:

♦ Do the wealthy pay their share of income tax?

♦ Which states tax the least?

♦ What are the trends in local property tax?

Facts and Figures on Government Finance includes material from out-of-print government documents and private sources. For libraries looking to fill the gap left by the discontinuation of the Census Bureau's *Government Finance* series, nothing else will do as well. ☐



Facts & Figures on Government Finance

ISSN 0071-3678
37th Edition
Summer 2003, 345 pp.
David Hoffman, ed.
Hard: \$65 (s/h inc.)
ISBN 1-884096-17-4
Paper: \$45 (s/h inc.)
ISBN 1-884096-18-2

FOUNDATION MESSAGE

Tax Cuts: Are Corporate Income Tax Rates Next?

This fall, Congress will continue its contentious debate over how best to comply with the World Trade Organization's ruling against a particular provision of U.S. international tax law.

The WTO said that a rule granting favorable tax treatment to manufacturing export profits—once called the Foreign Sales Corporation (FSC) and now the Extraterritorial Income Exclusion (ETI)—constituted an illegal tax subsidy. The punishment is extreme: \$4 billion in trade sanctions by the European Union if Congress fails to repeal it.

Not surprisingly, the proposed legislative fixes have split lawmakers into different camps. What is surprising is that nearly half the members of the House of Representatives—evenly split between Democrats and Republicans—back proposals that include a cut in the corporate income tax rate.

Considering how heated the debate over President Bush's plan to cut the top marginal tax rate on individuals from 39.6 percent to 35 percent (two-thirds of those affected were business owners), it is welcome to see a bipartisan recognition that the U.S. corporate tax rate is out of step with our global competitors.

It's been 17 years since Congress cut the statutory corporate tax rate. That was when the Tax Reform Act of 1986 reduced it from 46 to 34 percent, well below the 42 percent average rate of OECD developed countries. (In the U.S., state corporate tax rates made up most of the difference.)

A table comparing international tax rates can be found at <http://www.TaxFoundation.org/internationaltax/corptax.html>.

The corporate rate stayed at 34 percent until the Clinton Administration's first budget raised it to 35 percent. Meanwhile, tax competition among developed countries was driving worldwide rates down. By 1994, the U.S.'s 35 percent rate was above average, and now the average OECD statutory rate stands at 29 percent while we've remained

frozen at 35 percent.

A recent academic study also found that the *effective* corporate tax rate—the rate companies pay after deductions and credits—is also higher in the U.S. than in the EU: 24 percent in 2001 compared to an average of 20.4 percent in the EU. That's a reversal from 1990, when the effective U.S. rate was 23 percent compared to 25.6 percent in the EU.

It is clear that the corporate rate should be cut substantially for the U.S. economy to remain competitive in the global market. Unfortunately, each of the proposals pending in Congress are too narrowly focused to benefit the entire economy.

The plan with the largest number of co-sponsors is the bi-partisan Job Protection Act of 2003 introduced by Representatives Phil Crane (R-IL) and Charlie Rangel (D-NY). With 136 co-sponsors, divided equally between the parties, the bill would repeal the current-law FSC/ETI tax benefit and replace it with a deduction for manufacturers that reduces their effective tax rate from 35 to 31.5 percent.

While clearly a step in the right direction, the legislation benefits only manufacturers, who comprise just 16 percent of private sector GDP. Excluding 84 percent of the domestic economy from this lower tax rate contradicts the principle of tax neutrality and diminishes the economic benefits.

The leading competitor of the Crane/Rangel legislation is The American Jobs Creation Act of 2003, introduced by Bill Thomas (R-CA), Chairman of the House Ways and Means Committee. Along with reforming many obsolete components of the U.S. international tax code, the Thomas bill would cut the corporate rate to 32 percent for corpora-



Scott A. Hodge
President
Tax Foundation

tions with taxable income less than \$10 million per year.

According to the Ways and Means Committee, 99.7 percent of all corporations would be eligible for this lower rate. What this statistic overlooks, however, is that the largest corporations in America—the remaining 0.3 percent of all corporations—generate 80 percent of all taxable corporate income. Excluding the largest companies from the new lower rate greatly minimizes the economic effects of the plan.

One of the most interesting proposals incorporated into the Thomas bill would give companies a six-month window to bring profits earned abroad back into the U.S. at a tax rate of 7 percent instead of the normal rate of 35 percent. Earlier versions introduced in the House and Senate set the tax rate on repatriated earnings at 5.25%.

Experts agree that the high U.S. corporate tax rate discourages U.S. companies from "repatriating" foreign-earned profits and reinvesting them into the U.S. economy.

A study produced by economists at JPMorgan Securities Inc. estimates that the promise of a 5.25 percent tax rate could prompt U.S. companies to bring home as much as \$300 billion in foreign-earned profits, now sitting off shore.

As attractive as that may sound to lawmakers, tax purists worry that these type of "amnesty" programs can create the expectation of future amnesties and, thus, dampen the normal repatriation of foreign earnings. On the other hand, if this temporary tax cut proves to be wildly successful, lawmakers could be convinced to make it permanent.

The time is right for a broad-based cut in the U.S. corporate income tax rate to bring it closer to the OECD average. While the individual income tax cuts have buoyed the consumer economy, the intermediate business economy remains stalled. To be sure, some will worry about increasing the deficit. But this would be a small and temporary price to pay for a U.S. economy that is more attractive to do business in and to export from.

TAX FEATURES®

Tax Features® (ISSN 1069-711X) is published bi-monthly by the Tax Foundation, an independent 501(c)(3) organization chartered in the District of Columbia. Annual subscriptions are \$15.

Joseph O. Luby, Jr.
Chairman, Program Committee

Michael P. Boyle
Vice Chairman, Program Committee

Scott A. Hodge
President

Bill Ahern
Editor & Communications Director

Alicia Hansen
Staff Writer

J. Scott Moody
Senior Economist

David Hoffman
Economist

Tax Foundation
(202) 464-6200
(202) 464-6201 Fax
www.TaxFoundation.org
TF@TaxFoundation.org

Tax Foundation in the News

State finances have dominated tax-related news since the spring ended with President Bush's signature on another federal tax cut.

The California screamin' has been so loud that it seems more like a national mud-wrestling match than a state recall vote. The Tax Foundation's new *State Business Tax Climate Index* has been prominently featured in the news as proof that California state lawmakers have made a hash of their state's economy. Cited by *The Wall Street Journal*, *The Detroit News*, and *The Los Angeles Business Journal*, the new index ranked California as having the second worst business tax climate in the nation.

Our annual comparison of federal taxing to federal spending in each state also made a big splash this year. New Jersey has the dubious distinction of getting only 62¢ back in spending for every \$1 sent to Washington, as the *New York Daily News* pointed out. ☺

Foundation Web Site Adds International Tax Section

International taxes are a hot topic in Washington because legislation reforming them must pass soon. If not, the World Trade Organization will slap \$4 billion worth of trade sanctions on the U.S.

The two most talked-about legislative solutions are the Thomas and Crane-Rangel proposals, but Senator Hatch has recently introduced a competing bill.

People who want to know the issue can find it presented in a comprehensible fashion on the Tax Foundation's web site at www.TaxFoundation.org/internationaltax.html.

The pages include international comparisons of tax rates and import/export data, a glossary of terms used in international tax debate, an overview of how the dispute over U.S. international tax code provisions went against us, commentary by experts in academia, and dispassionate explanations of some contentious issues like repatriation and corporate inversions. ☺

Planned Gifts to the Tax Foundation

The Foundation's mission sounds simple: telling the truth about taxes to taxpayers, lawmakers and the media.

But considering how many people do not want the truth told, the job is always difficult, and it would be impossible without your generous support.

The Tax Foundation does not receive government funds, so we rely on you. Here are some ways that you can help:

- ◆ Employer matching gift programs

- ◆ Giving stocks or bonds
- ◆ Giving assets such as a life insurance policy or real estate
- ◆ Remembering the Tax Foundation in your will

The Tax Foundation is a 501(c)(3) organization, so all contributions are tax-deductible.

For more information on ways to ensure your support of the Tax Foundation continues, call Julie Burden, Director of Development, at (202) 464-5102.

1900 M Street, NW Suite 550
Washington, DC 20036-3508

Non-Profit Org.
US Postage
PAID
Washington, DC
Permit No. 5229

