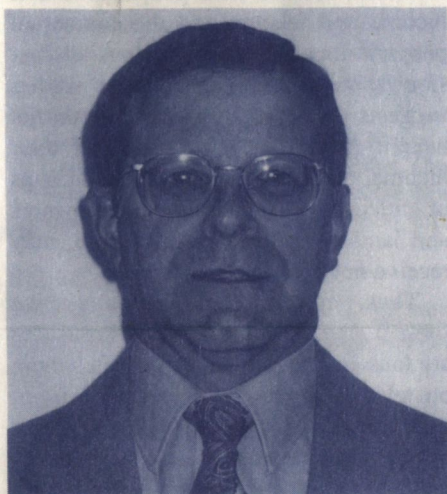


NTA Forum

Perspectives, Ideas and News from the National Tax Association

Number 30, March 1998

Public Subsidy of Stadiums



Dennis Zimmerman
Specialist in Public Finance
Congressional Research Service

Plan Now!

Spring Symposium
Crystal City Marriott
May 18-19, 1998

**91st Annual Conference
on Taxation**
Hyatt Regency Austin
November 8-10, 1998

THE UNITED STATES IS EXPERIENCING A BOOM IN STADIUM CONSTRUCTION for professional sports franchises. About \$6.5 billion of tax-exempt bonds have been issued for sports facilities since 1985. Conservative projections indicate that 30 new facilities will be built between 1996 and 2000 and that the public sector will issue tax-exempt bonds to finance about 60 percent of construction costs. This will require almost \$8 billion of future taxes to pay principal and interest on this debt, \$7 billion for state-local taxpayers and \$1 billion for federal taxpayers. Additional billions of state-local taxpayer funds are likely to be expended to finance operating deficits over the life of the stadiums.

Pundits are pontificating, citizen groups are forming, legislatures are debating, and voters are voting. The potential is great for the public finance economist to play a constructive role in this debate. Public subsidy of stadiums encompasses many of the issues at the heart of public finance analysis: market failure and public goods theory; the effectiveness of public subsidy of private business as an economic development tool; the benefit principle of taxation; tax incidence theory; intergovernmental fiscal relations and tax-exempt bonds; the median voter, voter referenda, and public choice; and the unforeseen incentives of public policies.

Market Failure

Professional sports leagues are monopolies. As such, they restrict the supply of franchises in order to maintain excess demand for existing franchises. This perpetual state of excess demand provides each individual franchise owner with the market power to extract a subsidy for stadium construction. Recall just two examples: the proposed relocation of the Chicago White Sox baseball team to Tampa Bay/St. Petersburg's empty domed stadium that preceded Illinois' decision to subsidize the new Comiskey Park; and the rent-seeking trek of the Oakland Raiders football team south along the California coastal highway to Los Angeles, followed by a return trip to Oakland. It is rare when the sports pages of the major urban daily newspapers do not include an item discussing some city's stadium subsidy debate. The message is clear: absent federal antitrust action that would force existing leagues to form several leagues that make independent decisions concerning the number and location of franchises, communities serious about having a team in professional sports leagues better be prepared to provide a stadium subsidy.

Of course, this does not explain why there has been such an explosion in stadium construction in the 1990s relative to earlier periods. Other factors are also at work. First, growing income and population increase the number of viable franchise locations, which enables the leagues to expand the supply of franchises while maintaining excess demand. These new franchises need stadiums. Second, the last great surge of building occurred from 1965 through 1975, and many of these stadiums are nearing the end of their useful life.

Third, franchise owners discovered the joys of price discrimination. Many facilities built in the 1970s and 1980s have inadequate numbers of luxury boxes and club seating necessary to extract the fans' consumer surplus. The franchise owner's rewards from price discrimination are increased even more because most leagues do not share this

NTA Forum

Number 30, March 1998

NTA Forum is a newsletter for members containing viewpoints, ideas, and news from the National Tax Association, a nonpolitical, nonpartisan, nonprofit association dedicated to advancing understanding of the theory and practice of taxation at all levels of government.

Expressions of opinion in *NTA Forum* are solely those of the authors and do not necessarily reflect those of the Association, its officers, directors, or other members.

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premium seat revenue among franchises as they sometimes do with general ticket revenue and media revenue.

To remain competitive in bidding for players, teams in smaller markets must increase their stadium-related revenue, and this means retiring prematurely many stadiums that have physical life remaining but have become economically obsolete. For example, the Miami and Orlando arenas, built in 1988, are being replaced in 1998. The situation is a bit like a dog chasing its tail. Eventually the large-market teams also get new stadiums, and the process begins again.

Stadiums as Economic Development Tools

Most public subsidy proposals are pushed by a politically dominant coalition of the team owner, the players, the chamber of commerce and real estate interests, the fans, and, frequently, the elected officials. An economic benefits study is commissioned, which invariably concludes that the stadium will have no costs to taxpayers because it will generate jobs, investment, and taxes at least sufficient to pay for the public subsidy. These studies usually make three errors that overstate the economic benefits to the community:

First, gross and net spending are confused. Some stadium-related spending that citizens in the jurisdiction have reallocated from other leisure spending is counted as new spending.

Second, the multiplier is too high; the share of new spending that is subsequently respent within the subsidizing jurisdiction is overstated. Such errors are responsible for convincing Maryland taxpayers to support a Baltimore Orioles baseball stadium that costs them \$14 million per year and generates \$3 million of annual economic benefits.

Third, opportunity cost is ignored, causing the value of the public resources invested in the project to be understated. For example, the Baltimore Ravens football stadium will generate jobs at a cost of \$127,000 per job while Maryland's Sunny Day Economic Development Fund generates jobs at a cost of \$6,250 per job. This difference was not counted as a cost to Maryland taxpayers.

In fact, econometric analysis of the impact of stadiums on growth seems to support the upward bias of proponents' studies. After accounting for other factors, neither personal income nor jobs grow more, and in many instances seem to slow, in jurisdictions investing in stadiums relative to those which do not.

The Benefit Principle

State-local governments, not being the primary governmental level responsible for redistribution, often are viewed as attempting to implement the benefit principle of taxation, an approach that seems appropriate for a stadium. Who benefits from a stadium and who pays for it depend on how people use their income and leisure, and the sources of people's income. The previous discussion about economic benefits studies suggests that citizens as a whole do not benefit from the sources side of their income, although identifiable subgroups of citizens, such as restaurant owners and landowners near the stadium, may receive net benefits.

Thus, most citizens' benefits arise from their uses of income. Those who are fans and attend games or watch them on television receive private consumption benefits. Consumer surplus might be considerable as fans reallocate spending from their last unit of other leisure activities to their first few units of games. In addition, all citizens receive collective consumption benefits from the pride of living in a "big league" town and having a topic of conversation that is common to most citizens. Potentially large in the aggregate due to their nonexcludability and indivisibility, these benefits probably are relatively small for each individual, particularly when compared to the magnitude of a fan's private consumption benefits.

It is important to recognize other dimensions of these benefits. First, both private and public consumption benefits spill beyond the political jurisdiction in which the stadium is located. Second, attendance at major league sports is dominated increasingly by those who are economically better off and by business entertainment. Third, the benefits from the stadium accrue over many years.

(continued on page 4)

What Do We Mean By "Taxpayer Relief"?

NTA SPRING SYMPOSIUM

May 18-19

Crystal City Marriott, Arlington VA

PRELIMINARY PROGRAM

MONDAY, MAY 18, 1997

8:45-9:00 AM

WELCOME AND INTRODUCTION

Edith Brashares, Office of Tax Analysis, U.S. Department of the Treasury

9:00-10:30 AM

PANEL ON IRS RESTRUCTURING

Co-moderators:

Elizabeth Wagner, Price Waterhouse, Washington, DC
Joel Slemrod, University of Michigan, Ann Arbor

Former IRS Commissioners:

Donald Alexander, Akin, Gump, Strauss, Hauer & Feld LLP
Lawrence Gibbs, Miller & Chevalier, Chartered
Fred Goldberg, Skadden, Arps, Slate, Meagher & Flom
Margaret Richardson, Ernst & Young LLP

10:45-12:15 PM

HOT TOPICS IN BUSINESS TAXATION

Moderator: *Mark Mazur*, U.S. Department of Energy

Presenters:

Jane Gravelle, Congressional Research Service—"Burning Issues in the Tobacco Settlement"
Michael Toman, Resources for the Future—"Greenhouse Gas Emissions Trading: The Basic Mechanics"
Peter Merrill, Price Waterhouse, Washington DC—"Delivering Energy Conservation through the Tax Code"

12:30-1:45 PM

SYMPOSIUM LUNCHEON

Chair: *Wayne G. Eggert*, Lucent Technologies Inc.

Speaker: *Joel Slemrod*

2:00-3:30 PM

METROPOLITAN FINANCE ISSUES:

CURRENT PROBLEMS, FUTURE PROSPECTS

Moderator/Discussant: *Daphne Kenyon*, Simmons College

Presenters:

Robert P. Strauss, Carnegie Mellon University—"Taxes and Household Location Decisions in the Washington DC Metropolitan Area"
Judy Temple, Institute for Research on Poverty, University of Wisconsin, Madison—"President Clinton's Urban Education Initiatives"
Howard Chernick, Hunter College of the City University of New York; and *David Belkin*, New York City Independent Budget Office—"Fiscal Capacity in New York: The City versus the Region"
David Brunori, George Washington University—"Metropolitan Taxation in the 21st Century"

3:45-5:15 PM

SOUND BITES V. FUNDAMENTAL FEDERAL TAX REFORM

Moderator: *Thomas A. Barthold*, Joint Committee on Taxation

Presenters:

Thomas A. Barthold and *Joint Committee Staff*—"Effective Marginal Tax Rates under the Federal Individual Income Tax: Death by One Thousand Pin Pricks?"
Jeff Birnbaum, Washington Bureau Chief, *Fortune Magazine*—"Fundamental Tax Reform: Public Perception and Political Rhetoric"
Ronald A. Pearlman, Covington & Burling and Georgetown University—"Fresh from the River Styx: The Achilles' Heels of Tax Reform Proposals"

TUESDAY, MAY 19, 1997

8:30-9:45 AM

TAX COMPETITION: TAXATION WHEN 21ST CENTURY COMMERCE COLLIDES WITH 20TH CENTURY TAX LAW

Moderator: *Joann Weiner*, Office of Tax Analysis, U.S. Department of the Treasury

Presenters: 0000

Timothy J. Goodspeed, Hunter College of the City University of New York—"Tax Competition, Benefit Taxes, and Fiscal Federalism"
Howell Zee, Fiscal Affairs Division, International Monetary Fund—"Taxation of Financial Capital in a Global Economy"
Hugh Ault, OECD (on leave from Boston College)—"The OECD Report on Curbing Harmful Tax Competition"

Discussant: *William B. Modahl*

10:00-11:30 AM

PUBLIC POLICY AND SAVING

Moderator: *Leonard E. Burman*, The Urban Institute

Presenters:

Thomas Kane, John F. Kennedy School of Government, Harvard University—"An Analysis of Educational Saving Incentives"
Andrew Samwick, Dartmouth College—"Tax Reform and Target Saving"
Leonard E. Burman; *William G. Gale*, The Brookings Institution; and *David Weiner*, Congressional Budget Office—"Tax Rates on IRA Contributions and Withdrawals: Evidence and Implications"

11:30-11:45 AM

CLOSING REMARKS

The benefits discussion suggests five principles that might be followed when choosing subsidy financing options:

1. The largest share of subsidy costs probably should be raised from a substantial ticket tax and other stadium-related revenue, and from cable television and radio fees. The incidence of these taxes and fees would fall on stadium attendees and fans, and on owners and players. These are the groups that receive private benefits from viewing the games or from increases in their private income.
2. Most citizens probably attach some value to the public consumption benefits from the stadium. A broad-based tax that touches all citizens, such as a property tax, might be appropriate. If, however, these benefits are valued much more by those who view the games, one might wish to consider additional stadium-related user charges such as a higher ticket tax and a tax on cable TV fees.
3. Because private and public consumption benefits are enjoyed by taxpayers in all jurisdictions within the metropolitan area, tax bases selected should cover the entire geographic attendance area.
4. Gains from the sources side of income are probably fairly concentrated among real estate and restaurant interests, those who receive the few jobs created, and businesses using their luxury boxes for business entertainment. This might argue for a special taxing district if substantial appreciation in property values is expected, and for an additional tax on tickets associated with luxury boxes to account for their source-of-income benefits (as distinct from their use-of-income benefits).
5. Large cash payments should be avoided. Debt finance will minimize intertaxpayer subsidies across time.

These principles have not been followed in most stadium financing deals. For example, the Baltimore Ravens and Seattle Seahawks stadiums are financed primarily with lottery revenue, the incidence of which is not compatible with either public or private consumption benefits. The Ravens stadium used a lot of preexisting lottery revenue, thereby imposing a disproportionately heavy

burden on today's taxpayers relative to future taxpayers.

Hotel/motel and car rental taxes are also popular financing sources (the Seahawks stadium and the proposed Dallas arena). Of course, these taxes are borne primarily by consumers who do not attend games and by the hotel and car rental industries, whose business is not greatly increased by the stadium.

The new stadium for the Milwaukee Brewers is financed primarily by a five-county general sales tax, which has the advantage of trying to target the primary attendance area. But it is regressive, is not focused on the private consumption beneficiaries, and makes no effort to tax those who benefit from the sources side of income.

Increasingly popular revenue sources are personal seat licenses (PSLs), naming rights, and pouring rights. PSLs require consumers and businesses to pay for the right to purchase tickets. Naming rights and pouring rights require businesses to pay for the exclusive right to have their name associated with the structure or to sell refreshments and souvenirs. These up-front payments are substitutes for excise taxes on tickets and concessions and probably are borne partly by fans and partly by owners and players. These payments have adverse incentives that are discussed later.

Some stadium deals as announced and discussed by elected officials purposely obscure the incidence of the financing sources. For example, the campaign to garner approval of the Seahawks stadium argued that the \$128 million in general sales taxes to be collected at the stadium represented payments made by the fans in exchange for their private consumption benefits. Of course, these fans would be paying sales tax on their spending even without a new stadium, and that sales tax revenue would go to the general fund, not to the stadium authority. Thus, the incidence of the tax is on the general taxpayers, who must raise \$128 million from other sources or forgo the benefits from \$128 million of public services that would have been financed with this general sales tax revenue. Similar misleading arguments are being made about the annual \$4 million of sales and income tax revenue that

would be collected at the prospective Northern Virginia baseball stadium.

Stadium Referenda and Public Choice

Between 1974 and early 1996, a public stadium subsidy was put to a vote 29 times in 20 cities. San Francisco tops the list, putting the issue on the ballot four times (once in 1987, twice in 1989, and once in 1996).

The evidence on the usefulness of referenda in approximating the median voter's preferences is not promising. Votes often are scheduled for off-elections when many voters feel no strong reason to go to the polls. Information available to the voters often is not symmetric, with the small subset of voters that stands to gain substantially investing much more in the voting "education" process than the potentially large subset that stands to lose small amounts. For example, over \$1.5 million was spent by proponents of the Seahawks stadium, but less than \$150,000 by opponents. Thus, the decision often is made by those with the greatest financial interest in the outcome.

Furthermore, the proposition submitted to the voters is most often "set" by the politically dominant coalition favoring the stadium. Voters often are left with a polar choice between a third- or fourth-best subsidy financing option and the loss of the team. As a result, the stadium receives a larger public subsidy than desired and a less-than-optimal distribution of the tax burden for financing the subsidy.

The Intergovernmental Role

The state and local portion of most stadium capital costs is usually financed with tax-exempt bonds. Because the interest income on these bonds is exempt from federal income tax, the interest rate is reduced and a portion of the state and local interest cost is paid by federal taxpayers.

Congress thought it had ended this federal subsidy for stadiums in the *Tax Reform Act of 1986* when it attempted to curb the growing use of the tax exemption privilege for private investment. It eliminated stadiums from the list of private activities eligible to receive tax exempt financing. However, the test for

being a private activity is two-pronged. Not only must a nongovernmental entity use more than 10 percent of the bond proceeds but more than 10 percent of the debt service must be paid by property used in a trade or business. Keeping public funding sources within the 10 percent rule has created some perverse economic incentives.

Stadium-related revenue increasingly is raised with up-front payments for PSLs and naming/pouring rights rather than with ticket taxes and concession fees. The former do not count against the 10 percent rule; the latter do. But the up-front payments have adverse effects on team quality and future revenue. Cities also have turned increasingly to generally applicable revenue sources, such as a lottery, hotel/motel tax, or sales tax, that do not count against the 10 percent rule but do violate the benefit principle of taxation. Sen. Daniel Patrick Moynihan has introduced a bill that would deny the use of tax-exempt bonds for stadiums under any circumstances, which if adopted would reduce federal revenue loss and improve economic incentives.

Much has been written on the stadium subsidy issue. Thorough and recent discussions are found in the 15 articles included in Roger Noll and Andrew Zimbalist, *Sports, Jobs, and Taxes: The Economics of Sports Stadiums* (Washington DC: The Brookings Institution, 1997).

Welcome, New NTA Members

Julia Lynn Coronado, Federal Reserve Board of Governors, Washington, DC

Dwight V. Denison, New York University, New York, NY

Adam Forest, University of California, Davis, CA

Marilyn J. Fox, City of Austin, TX

Amy Rehder Harris, University of Maryland, College Park

Alexa A. Heffernan, Meredith Corporation, Des Moines, IA

Ursula Herr, Società Generale d'Informatica, Rome, Italy

Myungsoon Hur, New York University, New York, NY

Alison D. Morantz, Yale Law School, New Haven, CT

Michael A. Sell, Meredith Corporation, Des Moines, IA

William Voorhees, Indiana University, Bloomington

Property Tax Committee Seeks Action on Taxable Property Values Report

At the 1997 Annual Conference on Taxation in Chicago, the NTA Property Tax Committee held a special workshop on "Taxable Property Values: With or without the Census Bureau." The Census Bureau discontinued the Taxable Property Values (TPV) survey in 1996, and the practitioners attending the session called for action to restore it.

TPV provided, among other things, the only nationwide assessment-sales price ratio study, as part of each 5-year Census of Governments, from 1957 until 1982. TPV had distinctions other such surveys have not been able to match. It was internally consistent nationwide, and thus uniquely valuable as a means for making interstate and intrastate comparisons of results. Moreover, its findings reside in the public domain.

For each edition, most recently for 1982, Census calculated de facto assessment levels (each a ratio of assessed value to sales price), coefficients of dispersion, effective tax rates (a parcel's property taxes expressed as a percentage of its sale price), and the magnitude and composition of the real property tax base. Census used basically two samples, one consisting of individual sales of realty parcels, the other of individual parcel assessed values. The sampling occurred in about 2,000 of the nation's 13,600 primary local assessment jurisdictions, containing about 120 million locally assessed realty parcels.

The Committee invites interested NTA members to join a Working Group to help bring back TPV. It contained data available nowhere else. Tax professionals and citizens generally have lost unique information. This loss need not last if we cooperate, as the Census Bureau, states, and local governments always did, with innovations wherever possible. Staying ahead of the curve meant maximum effort. Computerized enumeration, for example, began in 1967 for seven large sample counties. By 1982, such enumeration was successful in 540 of 1,996 sample places. That stirred hope for 1992. Indeed, processing for as many as 20 states was completed when the Census Bureau halted TPV, citing deficient response rates and fiscal problems.

Three ways to revive TPV suggest themselves, each with government and foundation financing:

- (1) Form a consortium that includes the Census Bureau and any others, including state and local governments, to study the methodology of the Census Bureau, find any cost saving modifications, develop and complete a pilot project, and agree on the resulting survey plan.
- (2) Use the Standard on Ratio Studies being developed by the International Association of Assessing Officers as the basis for a nationwide assessment-sales price ratio study, then combine it with Census Bureau methodology for determining tax base value and composition elements, together with effective property tax rates.
- (3) Use a third alternative methodology developed from either or both of the above, or from approaches not now apparent.

Those attending the workshop emphasized three aspects of the new technology that can be expected to play a major part in TPV's revival: survey cost, likely developments affecting mass appraisal of individual parcels of real estate (for any purpose), and identification of the survey producer (whether a single entity or a consortium). Participants concluded that: (1) today's technology would facilitate restoration of TPV, despite the inability at Census to achieve survey targets within the budgeted framework, and (2) a producer of TPV can be found, given TPV's usefulness in helping officials and the public understand and improve state and local property taxation.

We look forward to hearing from you, NOW! If you would like to join a Working Group on TPV, join us for a session in Washington DC on May 19, immediately following the Spring Symposium. Contact John Behrens by phone (202-582-3199), FAX (202-582-7858), or e-mail at behrens@potomac.net. Or respond to NTA headquarters. (The Property Tax Committee report on the Chicago Workshop is available from NTA on request.)

MTC Invites NTA Members' Participation in State Sales Tax Simplification Action Plan

Wayne Eggert, the NTA representative on the Multistate Tax Commission's Sales Tax Simplification Planning Committee, requests your participation in the work of the Committee. *If you are interested in being a member of the Sales Tax Simplification Committee in a specific state, please contact Wayne before April 30 by e-mail (weggert@lucent.com) or phone (973-606-2813) with your name and the state in which you would like to participate.* Your commitment will be to seek implementation of one of the simplification ideas by working with state officials and other committee members in your state. The ideas and the states where action is appropriate follow.

STATE SALES TAX SIMPLIFICATION ACTION PLAN—DECEMBER 1997

COMPLIANCE SIMPLIFICATION

EXEMPTION PROCESSING

- (1) Each state has a **web site** that contains a list of **all exempt customers** and their respective registration numbers; includes Direct Pay Permit holders. Once established, this eliminates the need for all businesses to have nonprofit exemption certificates and eases verification of the status of exemption in each state.

Status: Not aware of any state that has this capability as of 12/31/97

- (2) Acceptance by all states of uniform **multijurisdictional exemption certificates**.

Status: *New Mexico* has by far the most burdensome process, which typically necessitates multi-department involvement. The state has 17 types of certificates, each of which must have a unique number. Other states that do *not* accept multijurisdictional certificates are *Indiana, Louisiana, Massachusetts, New Mexico, New York, North Carolina, Virginia, and Wyoming*. (NOTE: The list seems to vary by taxpayer experience, but most states do accept a multijurisdictional form, which has been a real plus in the buyer/vendor process.)

- (3) Uniform date of expiration of exemption from time of issuance. The first preference is to have **no expiration date**; however, a 5-year recertification process with notification to taxpayers of businesses that fail to requalify also seems acceptable.

Status: States with no renewal requirements (preferred) are: *Alabama, Arizona, Arkansas, California, Colorado, District of Columbia, Georgia, Hawaii, Idaho, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Minnesota, Mississippi, New Jersey, New York, North Dakota, Ohio, Oklahoma, South Carolina, Tennessee, Texas, Utah, Virginia, Wisconsin and Wyoming*.

TAX RETURNS

Home Rule Issues

- (1) Eliminate home rule jurisdiction reporting; the state would administer all county, city, and special district reporting by utilizing one return covering both state and substate reporting.

Status: This is the most burdensome aspect of compliance for multistate taxpayers (using 60 percent of resources in one case reported). Home rule reporting exists in: *Alabama, Arizona, Colorado, Louisiana, Illinois (Chicago), Idaho, Minnesota (Duluth), and Mississippi (Tupelo)*.

General

- (1) **Eliminate returns by type** (e.g., sales, rentals, consumer use) so that only one return is necessary for the reporting jurisdiction.

Status: Multiple returns exist in *Alabama, Iowa, Kansas, Mississippi, Oklahoma, and Virginia*. *Michigan* has prepayment by type.

- (2) **Eliminate returns** and reconcile payments periodically; payments made monthly or quarterly with annual reconciliation to jurisdiction reporting requirements (MTC#6)

Status: Not aware of any state that has accomplished this as of 12/31/97.

- (3) **Allow less frequent filing** (annually, quarterly), with minimum threshold.

Status: Not aware of any state that has accomplished this as of 12/31/97.

- (4) Allow **consolidated returns** for affiliated corporations so that sales tax for those corporations could be filed on one return under one account number in each state.

Status: Pending.

- (5) Allow agents of a company to file returns.

Status: Pending.

Other Compliance Activity

- (1) Allow meaningful vendor discounts without maximum for reporting period or for annual reporting or exclusions by type of industry.

Status: 17 states have meaningful discounts; 11 states have maximums that eliminate the value of the discount; 18 states have no discount.

- (2) Tax application at national level; **rates at state level or zip code** only. Allow varying flexibility of revenue raising depending on which of the aforementioned is chosen, yet provide simplification via tax boundaries that taxpayers have ready access to, such as state or zip code boundaries.

Status: States with local jurisdiction taxes have not moved to accept zip code or state-level reporting.

- (3) Limit tax rate changes to annual, on a certain date each year, with a required 3-month notification. Notification and limits to tax rate changes simplify tax systems and, equally important, reduce vendor-customer interaction concerning taxes.

Status: Not aware of any state that has accomplished this as of 12/31/97.

- (4) Reduce instances of non-taxable t.p.p. (exemptions) and reduced or **special rate treatment** for selected products or invoice amounts.

Status: *Arizona, North Carolina, North Dakota, and Tennessee* have maximum tax at invoice levels

- (5) Standard situs for taxable t.p.p. transactions (e.g., destination, origination).

Status: *Illinois, Kansas, Mississippi, New Mexico, South Carolina, and Tennessee* require contract acceptance situs for interstate activity.

POLICY SIMPLIFICATION

- (1) States should allow bad debt deductions and adopt a uniform methodology, such as monthly deduction of bad debt write-offs. The process in some states is too complex to be practical.

Status: *District of Columbia, Pennsylvania, South Carolina, and West Virginia* do not allow bad debt deductions. Some states do not allow the typical requirement of bad debts written off and deductible for income tax purposes and reported each month on tax return: *Louisiana, Massachusetts, and South Dakota* have an Annual Special Report; *Missouri* has a credit application; *New Jersey* and *New York* have a refund process.

- (2) All states should allow companies to obtain **direct payment permits**, and should adopt uniform rules and procedures in connection with such permits.

Status: Pending.

- (3) States should allow taxpayers to enter into agreements with the states to use effective tax rates for the remittance of use tax based on uniform sampling techniques and/or prior audit results.

Status: Pending.

AUDITS AND APPEALS

Auditor Training: Develop a training program that would provide educational opportunities in audit fundamentals. Potential topics would include sample selection, statistical sampling, research methods, documentation standards, etc.

Status: Pending.

EDUCATION AND COMMUNICATION

Encourage and expand existing **taxpayer information** sessions among the states and provide easy access to taxpayer information and updates via modern forms of communication, such as Tax Bulletin Boards for each state.

Status: Pending.

The MTC Committee also requests your participation in recognizing simplification changes as they occur. A brief outline of the Sales Tax Simplification Recognition Program follows.

Sales Tax Simplification Partner. All state and local tax jurisdictions are eligible for this quick, formal way of recognizing the introduction of a change to simplify the sales tax process. The awards may be made any time. Any business may write to the MTC Committee nominating a state or local change. All nominees will be announced quarterly in various sales tax publications. The award is an acknowledgment or lunch for no more than three sales tax department team members, given by the business that made the nomination, and a recognition letter from the MTC Committee.

Simplification Excellence Award. Members of the taxpayer community are eligible for this recognition for support of a change to simplify the sales tax process. Any jurisdiction representative or business group may write to the MTC Committee at any time to nominate a business for its support. All nominees will be announced quarterly in various sales tax magazines. The award is a recognition letter from the MTA Committee and acknowledgment by state personnel involved with the change.

Simplification Outstanding Partner. All state and local tax jurisdictions are eligible for this award. The MTC Committee will annually select the three best from among all the Sales Tax Simplification Partner nominees. The award is recognition made by each participating tax association (AICPA, COST, IPT, NTA, TEI) and in publications covering sales tax matters.

Plan on Coming to Austin November 8-10

Polish your dancing shoes! In the city known for its rocking night life—"The Live Music Capital of the World"—we've made plans for a big Texas barbecue and dance party. Look for regular Conference updates in the *FORUM*.

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What Do We Mean By Taxpayer Relief?

Attend the Spring Symposium, May 18-19, at the Crystal City Marriott, and find out!

As you will see from the program on page 3, this promises to be a great meeting, starting with the views of four former IRS Commissioners on IRS restructuring, and ranging through hot topics in business taxation, metropolitan finance issues, sound bites v. fundamental federal tax reform, tax competition, and public policy and saving.

Edith Brashares, of Treasury's Office of Tax Analysis, is Program Chair for the 1998 Spring Symposium. Edith is a financial economist, responsible for examining financial institution taxation, tax incentives for enterprise zones, and consumption taxes. She spent two years in the late 1980s as an economic consultant to the New Zealand Treasury, evaluating social policy programs and traveling around the country. Edith earned her doctorate in economics from the University of Michigan and her BA from Wellesley College.

Other members of the Program Committee are *Elizabeth Wagner*, Price Waterhouse, Washington DC; *Joel Slemrod*, University of Michigan; *Mark Mazur*, U.S. Department of Energy; *Daphne Kenyon*, Simmons College; *Thomas A. Barthold*, Joint Committee on Taxation; *Joann Weiner*, Office of Tax Analysis, U.S. Department of the Treasury; and *Leonard E. Burman*, The Urban Institute.

Programs and registration materials will be mailed in a few weeks.