



NEWS

FOR IMMEDIATE RELEASE:
October 12, 2004

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FLORIDA TAXPAYERS GET A NEEDED BREAK ***Deducting State Sales Taxes on Federal Returns is a Return to Fairness***

TALLAHASSEE — Florida TaxWatch commends last night's action by the U.S. Congress that would allow Floridians to deduct state and local sales taxes they've paid from their federal tax return. The President is expected to sign the bill.

"The reinstatement of the federal personal income tax deduction for state and local sales taxes paid is an excellent accomplishment," said Dominic M. Calabro, President of Florida TaxWatch. "It will bring tax fairness and direct benefit to ordinary citizens and the working families of Florida."

Prior to 1986, taxpayers were permitted to deduct all of their state and local taxes paid, along with some other taxes, when computing their federal income tax liability. The Tax Reform Act of 1986 eliminated the deductions, while reducing tax rates on individuals. State income taxes were still deductible, but seven states – including Florida, have no state income tax.

"Taxpayers in 43 states have been able to deduct state income tax payments from their federal returns, but Floridians haven't enjoyed comparable tax relief," said Calabro. "As a result, Floridians generally pay a higher percentage of taxes to the federal government than residents of states with state income taxes."

Florida TaxWatch studied the issue and recommended the reinstatement of the deduction in a May 2001 Research *Briefings*, [Reinstatement of the Federal Income Tax Deduction for State and Local Sales Taxes Would Restore Equity Across the States, May 2001](#).

The new law allows taxpayers who itemize deductions to deduct either state income or state sales tax on their 2004 and 2005 federal tax returns. Florida's state sales tax rate is 6%, plus as much as another 1 ½% local option sales tax. The Governor's Budget Office estimates this will save the average Florida taxpayer about \$300 a year, or \$730 million statewide.

The IRS is developing standard tables for taxpayers to use in estimating their average state sales tax deduction, based on income and household size. Or, taxpayers could keep their receipts to show the actual amount spent on sales taxes for purchases, both inside and outside of Florida. The IRS is developing a third option, which combines the previous methods, for use on big-ticket items.

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These options apply only to taxpayers who itemize their deductions. Some taxpayers may enjoy a greater benefit taking the standard deduction rather than itemizing deductions. "We urge Congress to extend the sales tax deductions beyond the current 2004 and 2005 tax year," said Calabro. "We would also like to see the IRS develop rules and tables to allow those individuals who don't itemize, especially our lower income citizens, to receive a proportionate benefit," said Calabro.

MEDIA AVAILABILITY: Dominic Calabro will be available this afternoon for interviews.

Florida TaxWatch is a private, non-profit, non-partisan research institute supported by homeowners, small businesses, corporations, professional firms, labor unions, associations, individuals and philanthropic foundations -- representing a wide spectrum of Florida's citizens. The organization is dedicated to improving taxpayer value, government accountability and citizen understanding and participation in their state and local government fiscal policies. On the web at www.floridataxwatch.org