

Congress Extends Sales Tax Deduction Through 2007

December 8, 2006 Washington, DC: Congress today passed needed legislation that will allow Texas taxpayers to continue claiming a federal tax deduction for sales taxes paid in Texas. Had Congress not acted, residents of Texas (and other states without a state income tax) would have been denied this deduction when computing their 2006 federal tax returns. The sales tax deduction was included as part of a much larger tax, healthcare, and energy bill.

Texans have been discriminated against by our tax rules since 1987. Most American taxpayers are able to deduct their state income taxes from their federal tax bill. However, citizens of Texas (and other states with no income tax) obviously cannot claim such a deduction, and the deduction for states sales taxes was eliminated in 1987. As a result, Texans have paid proportionately more income taxes than residents of many other states.

Congress passed legislation in 2004 that allowed taxpayers to claim an itemized federal deduction for state and local sales taxes, but only for 2004 and 2005. The bill passed today extends this deduction for 2006 and 2007. Taxpayers can either accumulate receipts and deduct the total amount, or use tables produced by the Internal Revenue Service.