

**THE COUNCIL OF STATE GOVERNMENTS
CSG GOVERNING BOARD**

Resolution on Proposed Federal Business Activity Tax Legislation

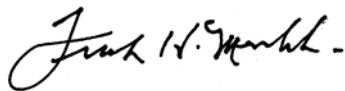
- WHEREAS,** the hallmark of the Federal-State relationship hinges upon the recognized sovereignty of state governments; and
- WHEREAS,** for over 225 years, the United States Congress has recognized and respected the taxing authority of states on interstate commerce within their borders; and
- WHEREAS,** the taxing authority of states and the raising of revenues is in many cases absolutely essential to the provision of basic state services; and
- WHEREAS,** state and local legislators far better understand the fundamental needs of their citizens and communities and should be able to make tax policy decisions that reflect the needs, interests and desires of their citizens and communities; and
- WHEREAS,** the exercise of this right by state government is fundamental to the proper allocation of the costs of government services to those who benefit from those services, which include in-state residents and businesses as well as out-of-state enterprises engaged in business within the state; and
- WHEREAS,** there is legislation pending before the United States Congress that would undermine the ability and rights of states to determine their own internal policy on business activity and taxation; and
- WHEREAS,** the legislation pending before the United States Congress would establish a “physical presence standard” for the imposition of state business activity taxes; and
- WHEREAS,** businesses with a tangible presence such as, buildings, property, inventory, staff would be subject to state business activity taxes, while business that are engaged in such activities as leasing, contracting, selling, and licensing, but have no physical presence would not be subject to state business activity taxes; and
- WHEREAS,** this legislation pending before the United States Congress encourages tax sheltering by businesses; and
- WHEREAS,** this legislation pending before the United States Congress would have a substantial and detrimental impact upon the revenue generated by state

governments. It is estimated that states could lose billions of dollars per year if businesses were able to circumvent state taxing authorities.

NOW BE IT THEREFORE RESOLVED, that The Council of State Governments opposes any federal legislation aimed at restricting individual state authority, other than specifically provided for in the Constitution of the United States, to establish their own tax policy in determining the most appropriate sources of revenue for that state;

NOW BE IT FURTHER RESOLVED, that The Council of State Governments specifically opposes any federal legislation aimed at restricting the ability and fundamental rights of individual states to determine and impose their own tax policy on business activity.

Adopted this 29th Day of September, 2004, at the
CSG Annual State Trends and Leadership Forum
In Anchorage, Alaska



Governor Frank Murkowski
2004 CSG President



State Senator John Hottinger
2004 CSG Chair