



Memorandum

TO: DRIVING A STRONG ECONOMY COMMITTEE **FROM: Leslye Krutko**

SUBJECT: SEE BELOW

DATE: March 15, 2006

Approved

Date

Council District: All
SNI: All

SUBJECT UPDATE ON PRESIDENT'S ADVISORY PANEL ON FEDERAL TAX REFORM RECOMMENDATIONS

RECOMMENDATION

It is recommended that the Driving a Strong Economy Committee accept the report and direct staff to continue monitoring the federal legislation related to Federal Tax Reform.

BACKGROUND

The bipartisan President's Advisory Panel on Federal Tax Reform released a report in November 2005 with a series of recommendations on changes to simplify and streamline the federal tax code.

On October 24, 2005, the City Council adopted a resolution opposing the Panel's recommendation to cap the mortgage interest deduction at \$350,000. The City Council stated that this cap was unrealistic for high-cost areas and would significantly harm first-time and low-income homebuyers. At that time, staff noted that they would keep the City Council informed of any further adverse impacts due to the Panel's recommendations.

ANALYSIS

The City's federal lobbyist, Patton Boggs, prepared a memorandum related to the relevant changes outlined by the President's Panel on Federal Tax Reform's recommendation (Attachment A): This memorandum outlines some of the significant aspects of the Tax Reform Panel's recommendations on local governments, including repeal of the Alternative Minimum Tax (AMT), State and local tax deductions, and the Low Income Housing Tax Credit (LIHTC); and changes in the mortgage interest and tax-exempt bond deductions.

DSE COMMITTEE

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Last year, staff anticipated that legislation might be introduced in Congress to adopt some of the Panel's recommendations. However, to date there has been no legislation introduced to further these efforts. Additionally, while it was anticipated that President Bush might refer to these tax reform recommendations in his State of the Union address, his speech did not touch on the subject. City staff and the federal lobbyist will continue to monitor any legislation that might be introduced. If, in fact, legislative proposals resulting from the Panel's report are put forward, staff will conduct further analysis of the impacts to San José and forward a recommendation to the City Council.

COORDINATION

This memorandum was coordinated with the City Attorney's Office, the Director of Intergovernmental Relations, and the City's federal lobbyist, Patton Boggs.

A handwritten signature in blue ink, reading "Leslye Krutko". The signature is written in a cursive style with a large, looping initial "L".

LESLYE KRUTKO
Director of Housing