

# Federal Update: Key Deadlines and Actions Needed

## October 15, 2014

Below, NASBO has outlined important recent events, upcoming federal deadlines and action items relevant for states. As these action-forcing deadlines approach, NASBO will continue to keep members updated on congressional and executive branch policy developments through the Washington Report newsletter. This newsletter is distributed by email to every member who has created a user account on NASBO's website.

## Recent Events

### January 1, 2014

#### Tax Extenders Expired

More than 50 temporary federal tax breaks expired at the end of calendar year 2013. Because these provisions have regularly been extended by Congress in past years, they are often referred to as "[tax extenders](#)".

*Action Needed:* Lawmakers are expected to debate renewing these so-called "tax extenders" retroactively during the lame duck session after the November 2014 elections and prior to the start of the 2014 tax filing season in January 2015. The Internal Revenue Service (IRS) Commissioner recently [warned](#) that Congress must decide whether to renew the tax extenders by the end of November 2014 to prevent disruptions and tax filing delays, and provide taxpayers with more certainty. These breaks have been regularly renewed – often retroactively – in recent years, though Congress typically has not waited this late in the year to address them. Among the 55 expired tax breaks is the deductibility of state and local sales taxes (in lieu of state income taxes).

### October 1, 2014

#### Beginning of Federal Fiscal Year (FY) 2015

A short-term [continuing resolution](#) (CR) was passed in September to fund the federal government temporarily for the beginning of fiscal 2015. For the most part, programs were funded at fiscal 2014 levels with a 0.0554 percent rescission.

## Upcoming Events

### December 11, 2014

#### Continuing Resolution (CR) Expires

The current continuing resolution (CR) funding federal government operations expires, along with Temporary Assistance for Needy Families (TANF) and related programs that were extended for the duration of the CR.

*Action Needed:* Congress must pass and the President must sign all 12 appropriations bills, or another CR, by this date to keep the federal government funded and avoid a federal government shutdown, as well as extend authorization for TANF and related programs. Appropriation levels will need to comply with the discretionary spending limits established under the [Budget Control Act of 2011](#) and modified under the [Bipartisan Budget Act of 2013](#), a two-year budget agreement for fiscal 2014 and fiscal 2015.

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The temporary ban on state and local taxation of internet access (known as the [Internet Tax Freedom Act](#)), which was extended as part of the CR, expires. The Internet Tax Freedom Act was initially enacted in 1998 and has been periodically extended since then. This ban has always contained a grandfather provision that exempts several states that already had imposed taxes on such services prior to the law's enactment.

*Action Needed:* Lawmakers are likely to extend the Internet Tax Freedom Act, but will need to resolve differences in approach. Current leadership in the House would prefer to make the ban permanent, as well as to remove the grandfather provision, while leaders in the Senate are likely to favor another temporary ban and will try to use it as a vehicle to advance the [Marketplace Fairness Act](#), which would authorize states to compel online and other remote retailers to collect sales taxes on purchases.

## Upcoming Events, Con't.

**March 15, 2015**

### **Federal Debt Ceiling is Reinstated**

The current suspension of the debt limit under the [Temporary Debt Limit Extension Act](#) expires on this date. The debt limit will go back into effect and be automatically raised to a level that covers all borrowing that has taken place during the suspension period. The U.S. Treasury can then take actions commonly known as “extraordinary measures” to continue meeting the federal government’s obligations under existing borrowing authority for a short period (possibly 2-3 months).

*Action Needed:* Congress must approve another increase in the debt limit before the U.S. Treasury exhausts its use of extraordinary measures. Failure to do so would leave Treasury unable to pay all of its obligations, as the department would have to rely only on cash available on hand. This situation would be unprecedented, so it is difficult to fully predict the fiscal and economic consequences of the federal government breaching the debt ceiling. This [report](#) describes what could happen in this situation, and how payment of some or all bills or obligations would be delayed or limited.

**May 31, 2015**

### **Highway Bill Extension Expires; Highway Trust Fund Runs Out**

The [Highway and Transportation Funding Act of 2014](#), which temporarily extended spending authority for surface transportation programs under the Moving Ahead for Progress in the 21st Century Act, expires.

*Action Needed:* Congress will need to pass and the President must sign a long-term surface transportation reauthorization, or another short-term extension, by this date to keep programs operating.

As part of the [Highway and Transportation Funding Act of 2014](#), the Highway Trust Fund (HTF) received a one-time cash infusion in summer 2014 to avert insolvency through May 31, 2015, but the HTF will need additional resources to fulfill its funding obligations after this date, as projected HTF obligations exceed anticipated revenues credited to the fund.

*Action Needed:* As part of the effort to reauthorize or extend surface transportation programs, Congress will also need to agree on a way to finance the HTF over the long term to put it on a sustainable path and/or approve another one-time cash infusion into the HTF from the U.S. Treasury’s general fund or another funding source.

*Note: In addition to receiving more information and updates from NASBO, you can also find more details on the above items and other upcoming deadlines pertinent to specific federal grant programs in Issue Brief 14-33 published by Federal Funds Information for States (FFIS), available to subscribers at <http://ffis.org/node/3527>. To learn if your state is a subscriber to FFIS, visit [http://www.ffis.org/subscription\\_options](http://www.ffis.org/subscription_options).*

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