

# Calendar No. 1238

82<sup>d</sup> CONGRESS }  
2<sup>d</sup> Session }

SENATE

{ REPORT  
No. 1309

## WITHHOLDING OF STATE INCOME TAXES BY FEDERAL AGENCIES

---

MARCH 14 (legislative day, FEBRUARY 25), 1952.—Ordered to be printed

---

Mr. FLANDERS, from the Committee on Finance, submitted the following

### REPORT

[To accompany S. 1999]

The Committee on Finance, to whom was referred the bill (S. 1999) authorizing and directing the Secretary of the Treasury to enter into an agreement with any State, Territory, or possession of the United States, or any political subdivision thereof, to provide that the head of each department or agency of the United States shall comply with the requirements of any statute of such State, Territory, possession, or subdivision, which imposes upon employers generally the duty of withholding sums from the compensation of employees, having considered the same, report favorably thereon without amendment and recommend that the bill do pass.

#### GENERAL STATEMENT

The withholding provisions of the Vermont income tax, which became effective July 1, 1951, have raised the question of whether Federal agencies will cooperate with the State governments by withholding State income taxes from salaries of Federal employees. Federal agencies have indicated that under the law they lack authority to withhold the Vermont income tax from the salaries of their employees.

It is the policy of the Federal Government to cooperate with the States in the administration of their tax laws to the fullest extent practicable. To further this objective, your committee has approved S. 1999, authorizing Federal agencies to withhold State income taxes.

The bill provides that where any statute or provision of law of any State, Territory, or possession of the United States, or of any political subdivision thereof, provides for the collection of a tax by imposing

## 2 WITHHOLDING OF STATE INCOME TAXES BY FEDERAL AGENCIES

upon employers the duty of withholding sums from the compensation of employees and making returns thereof to the proper authorities, the Secretary of the Treasury, pursuant to regulations promulgated by the President, shall enter into an agreement with such State, Territory, possession, or subdivision within 120 days of the request for an agreement from the proper official of any such governmental unit, providing that the head of each department or agency of the United States shall comply with the requirements of such statute or provision of law with respect to the employees of such department or agency subject to such tax. The bill further provides that nothing in the act shall be deemed to consent to the application to the United States of any provision of any statute which has the effect of imposing more burdensome requirements upon the United States than it imposes upon other employers, or which has the effect of subjecting the United States or any of its officers or employees to any penalty or liability.

It is the view of your committee that every practicable step should be taken to cooperate in the area of withholding with the State, Territorial, and municipal governments in view of their cooperation with the Federal Government in fiscal matters generally, and particularly in withholding the Federal income tax from their employees. In a press release, dated August 13, 1951, the Treasury Department indicated that it strongly supports Federal cooperation with States which utilize employer withholding of taxes in the administration of their income tax as a logical development in Federal-State fiscal cooperation.

At the present time the Territories of Alaska and Hawaii, and the States of Vermont and Oregon, have withholding statutes which apply to salaries and wages of both residents and nonresidents.

The Treasury Department favors the enactment of S. 1999, and the Bureau of the Budget has advised that the proposed legislation is in accord with the program of the President.

