

Bond Case Briefs

Municipal Finance Law Since 1971

Effects of a Federal Value-Added Tax on State and Local Government Budgets.

Abstract

A longstanding concern of state and local governments is that a federal value-added tax (VAT) could severely limit their reliance on sales taxes as a major source of revenue. This concern is too narrowly focused; a federal VAT could affect revenues from other sources and spending more than sales tax receipts. These broader budgetary effects have received little attention, even though they are a direct consequence of how a VAT would affect incomes, relative prices, and the value of existing assets.

[Download PDF.](#)

The Urban Institute

by James R. Nunns & Eric Toder

September 8, 2017