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## **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.

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### **The Urban Institute**

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