



News From Congressman **BRIAN BAIRD**

Dear Friends,

To keep you informed about what is happening in Congress and to hear your opinions about the issues that are important to you, from time to time I will send you updates. Today, I am pleased to report to you that for the first time in eighteen years, Washington state has tax fairness—state sales tax deductibility has become a reality.

This was my number one priority when you first sent me to Congress, and I am proud to have achieved this important success for our taxpayers. As a result, Washingtonians will save more than \$500 million on their taxes each year for 2004 and 2005. Now I am working to make this commonsense, fair law a permanent part of our tax code. In this newsletter, you can find more information about the new state sales tax deduction, as well as some helpful taxpayer tips.

While I am glad this new deduction will put money back into many people's pockets, I am also working in Congress to eliminate another unfair tax now levied on many of our residents. I recently introduced legislation to ensure that Washington residents who work in Oregon will not be forced to pay Oregon's state income tax.

Another one of my priorities this Congress is to ensure our troops returning from Iraq and Afghanistan will have the health care they deserve. These men and women have risked their lives to protect our nation, and we must make sure they and their families are taken care of when they return home. That is why I have called on President Bush and the Congress to immediately provide \$1.3 billion in additional funding the Veterans Administration needs to fully serve our veterans.

My first responsibility is always to serve you, so please do not hesitate to contact me any time I may be of help to you or your family.

Sincerely,

A handwritten signature in blue ink, appearing to read "B. Baird".

Congressman Brian Baird

INSIDE THIS LETTER:

- TAXPAYER TIPS TO SAVE YOU MONEY
- VETERANS UPDATE
- SHARE YOUR THOUGHTS ON SOCIAL SECURITY

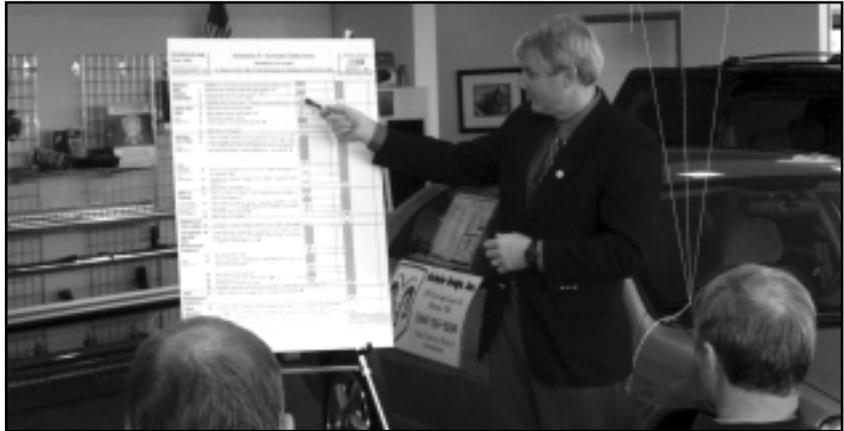
BAIRD'S SALES TAX DEDUCTIBILITY LEGISLATION BECOMES LAW

Deduction Will Save Washingtonians \$500 Million Per Year

On October 22, 2004, a bill to reinstate sales tax deductibility for Washington state taxpayers was signed into law, bringing tax fairness to Washingtonians for the first time in almost twenty years and marking a major legislative victory for Congressman Baird.

Baird has worked diligently to restore the sales tax deduction since coming to Congress in 1998, and after six years of his efforts building bipartisan coalitions and working with House leadership, the legislation restoring the deduction was approved by Congress and signed into law.

"Tax fairness has finally been restored to Washington state residents," Baird said. "Sales tax deductibility means \$500 million will be pumped back into our state's economy each year. On average, it means middle-class families who itemize their deductions will get



Congressman Baird explains the new sales tax deduction at a local car dealership. Sales tax on "big-ticket" purchases such as cars is deductible under the new law.

more than \$500 put back in their pockets, to spend or invest as they choose."

For the past eighteen years, Washington state taxpayers have been unable to deduct their state and local sales tax from their federal tax returns, while other states were able to deduct their state income tax. Congressman Baird and Senator Maria Cantwell built a true bipartisan coalition of Democrats and Republicans in the House and Senate, then managed to include their language as part of H.R. 4520, the American Jobs Creation Act,

bringing tax equity back to Washington state.

More than one million Washingtonians are expected to take advantage of the deduction and pay hundreds of dollars less in federal taxes for 2004 and 2005. For example, a family of four with an income of \$30,000 to \$40,000 would be able to deduct \$729, and a single mother with an income of \$34,500 who purchased a used car for \$10,000 would be able to deduct \$1,296.

UPDATE: Fighting to Make Sales Tax Deductibility Permanent

"Making state sales tax deductibility a reality for 2004 and 2005 was a big win for our state, but now we need to make this deduction permanent," Baird said at a press conference introducing legislation to make sales tax deductibility permanent. "This deduction benefits our state's economy in countless ways, and I will continue to work with colleagues on both sides of the aisle to make it permanent."

TAXPAYER TIPS TO SAVE YOU MONEY:

What you need to know about Sales Tax Deductibility

Q: How much money are people expected to save?

A: The new sales tax deduction will give Washington state residents an average tax cut of \$519 to \$575 per year. The savings amount depends on 2004 earnings and the number of exemptions your family takes. (See the official IRS table below to learn how much your family can save.)

Q: Who can benefit from sales tax deductibility?

A: The deduction option is available to anyone who itemizes his or her returns. Economists predict more than 1,240,000 Washington taxpayers will utilize the new sales tax deduction.

Q: Do I have to save my receipts to claim the deduction?

A: No, you do not have to save your receipts to take advantage of the deduction.*

Q: What will sales tax deductibility mean for the state?

A: The estimated tax savings are expected to create between 2,000 and 3,000 new Washington jobs and save taxpayers more than \$500 million per year.

Q: How much will my family save?

A: Washington state taxpayers who itemize deductions can determine the dollar amount of their 2004 state sales tax deduction by using the official Internal Revenue Service's table below. (The complete table, including deduction amounts for incomes more than \$120,000, is available online at <http://www.irs.gov/pub/irs-pdf/p600.pdf>)

This table allows families to calculate the amount of their deduction on Form 1040 Schedule A line 5. For example, a family of four with adjusted gross income (line 37 of form 1040) of \$42,000 annually would be able to deduct at least \$808.

IRS WASHINGTON STATE 2004 STATE SALES TAX DEDUCTION TABLE

INCOME		EXEMPTIONS					
At least	But less than	1	2	3	4	5	Over 5
\$0	\$20,000	389	439	471	496	516	543
\$20,000	\$30,000	500	564	605	636	662	696
\$30,000	\$40,000	574	647	694	729	758	797
\$40,000	\$50,000	637	717	769	808	840	883
\$50,000	\$60,000	694	780	836	879	913	960
\$60,000	\$70,000	744	837	896	942	978	1,029
\$70,000	\$80,000	791	890	953	1,001	1,040	1,093
\$80,000	\$90,000	834	937	1,004	1,054	1,095	1,151
\$90,000	\$100,000	875	983	1,052	1,105	1,148	1,206
\$100,000	\$120,000	929	1,043	1,116	1,172	1,217	1,279

***IMPORTANT NOTE:**

In addition to the deduction amounts specified in the table above, taxpayers can also deduct local sales tax, as well as state and local sales tax paid on any IRS-specified "big-ticket items," including motor vehicles, boats, and home building materials.

This information is provided as a general guide. If you have specific questions about filing your tax returns, please contact a tax professional or contact the IRS at (800)829-1040.

CONTINUING THE FIGHT FOR TAX FAIRNESS

New Proposal Would Prohibit Oregon from Levying Income Tax on Washington State Residents

In his continued effort to bring tax fairness to Washington state residents, Congressman Baird has introduced legislation to eliminate the requirement that forces Washington residents who work in Oregon to pay Oregon's state income tax.

"Southwest Washington residents who work across the Columbia River are getting a raw deal," Baird said. "Washington residents working in Oregon are forced to pay Oregon's state income tax, yet they receive few of the benefits those taxes provide. This bill would change that and ensure that Washington residents only have to pay Washington state taxes."

The Oregon Bureau of Revenue reported that in 2002, Southwest Washington residents filed 51,991 income tax returns in Oregon, totaling \$104,074,000. This money funds social, educational, and health care programs in Oregon to which Washington residents do not have access. Congressman Baird was joined in his effort to prevent the state of Oregon from imposing an income tax on Washington residents by Senator Maria Cantwell (D-WA), who introduced companion legislation in the Senate.

"Senator Cantwell and I both recognize that it will be a tough fight to pass this legislation, but it is a fight the



Congressman Baird speaks with workers about taxation.

citizens of Washington deserve," Baird stated. "The injustice of this situation could not be more obvious. Every year more than 50,000 Washington residents who work across the river in Oregon

have to pay an income tax to a state that does not represent them in government and does not provide them with health care or educational services."

Protecting and Expanding Our National Parks



Mr. Craig Obey of the National Parks Conservation Association (NPCA) recently presented the NPCA's annual "Park Achievement Award" to Congressman Baird for "superior leadership to fund and protect the national parks and to establish Lewis & Clark National Historical Park."

FIGHTING FOR OUR TROOPS

PROVIDING FOR OUR VETERANS

BAIRD PROPOSES \$1.3 BILLION INCREASE FOR VA SERVICES FOR RETURNING SOLDIERS

“One of our most important responsibilities as members of Congress is to look out for the welfare of the men and women who serve our nation in the military,” Congressman Baird recently said after introducing a proposal to add an additional \$1.3 billion to the \$81.1 billion Iraq supplemental funding bill to fund Veterans Administration (VA) health care services for all veterans.

Demand on VA services in the Northwest is expected to increase sharply this year as thousands of troops return from overseas. The proposed \$1.3 billion increase would be appropriated to the VA to

provide family services, mental health care, rehabilitation, job training, counseling, and other crucial benefits for soldiers returning from Iraq and Afghanistan. The proposal has been endorsed by the American Legion, the Military Officers Association of America, the National Military Families Association, and the Paralyzed Veterans of America.

“American soldiers who have risked their lives to protect our nation will soon be returning home to find a Veterans Administration that cannot meet their health care needs because it is simply underfunded,” Baird stated. “If we can find another



Congressman Baird and Maj. Gen. Timothy Lowenberg speaking to the first planeload of Washington National Guardsmen returning from service in Iraq.

\$80 billion to send to Iraq and Afghanistan, we can certainly find the \$1.3 billion needed to take care of our soldiers and their families.”

Baird Praises Bipartisan Effort To Increase Military Death Benefit

Congressman Baird recently renewed his support for raising the military death benefit paid to families of U.S. soldiers killed in action from \$12,420 to \$100,000 and applauded the decision of the Bush Administration and several House Republicans and Democrats to endorse the proposal.

“We must provide for the families of those who have died to defend our nation,” Baird said. “Raising the military death benefit is not a Democrat or Republican issue—it is an American issue.”

Congressman Baird is a cosponsor and longtime supporter of bipartisan legislation that would increase the military death benefit paid to families of U.S. soldiers killed in action. Baird

currently supports multiple House proposals to raise the military death benefit, including the HEROES Act, which mirrors a proposal endorsed by the Bush Administration. The HEROES Act would increase the death benefit for personnel killed in combat to \$100,000 and direct the Department of Defense to pay for \$150,000 in life insurance coverage for all forces serving in a combat zone.

“This is how Congress should work, members on both sides of the aisle working together to solve problems and make America stronger. It has long been an embarrassment that our country’s military death benefit was a paltry \$12,420. Now, I am very optimistic that may change,” Baird said.



COMMON SENSE ON MEDICAL MALPRACTICE

To deal with the medical liability crisis plaguing the health care industry, Congressman Baird recently announced he will introduce comprehensive medical malpractice legislation in the House of Representatives.

“The costs of medical liability insurance are an excessive and growing burden on doctors and hospitals,” Baird said. “Unfortunately, most of the legislative proposals we’ve seen in Congress have put political sound bites over sound policy and have favored special interests rather than working for real solutions. What we need is a comprehensive approach that lowers the costs of insurance, reduces medical errors, limits frivolous lawsuits, protects the rights of patients who have been harmed, and lets doctors and hospitals focus on what really matters—caring for patients and their families.”



Commenting on Baird’s proposals, Southwest Washington Medical Center Chief Medical Officer Dr. Gil Rodriguez said, “Overall, it is a great starting point for the discussion. Understanding there will be compromise, it’s right on.”

Baird added, “Before entering Congress, I worked in health care for twenty-three years. That’s why I wanted to hear firsthand from doctors and hospitals to learn more about the challenges they face and get their input

on how our proposal would address those challenges. Everyone might not agree one-hundred percent with this legislation, but they should be able to recognize that it is a commonsense, practical effort that will lower the costs and improve the quality of health care, protect patient rights, prevent abuses by unrestrained insurers, and give doctors and hospitals the assurance that they do not have to go broke paying malpractice insurance or live in constant fear of unfounded lawsuits.”

BAIRD SAVES WASHINGTON STATE \$20 MILLION IN MEDICAID FUNDING

Mental Health Care Funding Extension Will Aid 40,000 Washingtonians

For the past eleven years, Washington state has used federal Medicaid funds in conjunction with state funds to provide mental health care to Medicaid-eligible patients as well as to patients who need service but do not qualify for Medicaid. In April 2004, the federal agency that oversees Medicaid and Medicare, the Center for Medicare and Medicaid Services (CMS), required that the state cease using their Medicaid funds to serve patients who do not qualify for Medicaid effective January 1, 2005. This change, which came at a time the State Legislature was out of session and could not meet to solve the problem, threatened to suddenly terminate mental health care for 40,000 patients across our state.

From years of experience working as a clinical psychologist in community mental health clinics,

Congressman Baird understood that this type of funding cut would have many negative effects and immediately took action. After consulting with members of the legislature and state agencies, Congressman Baird personally contacted administrators at CMS. The Congressman drew upon his own professional background to explain the needs of the patients and the harm that could result from terminating their services. He then requested an extension be granted to give the state time to arrange alternative funding to continue the care. To their great credit, CMS granted a six-month waiver in late December, extending mental health care services to more than 40,000 Washingtonians through June 2005 and saving the state more than \$20 million.

Congressman Baird Wants To Know Your Opinion!

Social Security Survey

Your ideas about Social Security are especially important as Congress debates ways to assure the solvency of this vital program. Please take a moment to complete the survey below and send us your thoughts about some possible approaches to solving the challenges. Your answers will be kept strictly confidential. Please indicate your opinion of each statement by circling the numbers below on a scale of 1 to 5, with 1 representing a statement with which you strongly disagree, 3 representing a statement about which you feel neutral, and 5 representing a statement with which you strongly agree.

A. Whether or not Social Security is in crisis right now, we should act now to ensure its long-term solvency so we do not wait until it is too late.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

B. We should stop using the Social Security trust funds for other government functions. The government should report the true deficit and not try to hide its borrowing by using Social Security funds.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

C. Social Security is meant to be an insurance program. If it helps assure the program will be there for those who need it most, and if it helps us keep from passing greater debts on to our children, it would be fair to adjust and lower the Social Security benefits based on people's needs and financial resources. This needs-based adjustment would include those already receiving benefits and those who would be eligible in the future.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

D. Social Security is meant to be a guaranteed retirement account, and everyone, regardless of their needs, should get back everything they and their employer put into it, plus interest.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

E. Presently, people only pay social security taxes on wages of up to about \$90,000 of income per year. To generate more revenue for the program and help it stay solvent, we should raise this cap so higher income earners will continue to pay on all their wages just like lower income earners.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

F. We should give people the option of taking part of what they pay into Social Security and putting it into individual accounts that are invested in the stock market but could only be drawn on when the person retires. We should do this even if it means lowering guaranteed benefits of future retirees to compensate for the reduced revenue.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

G. We should let current workers invest part of their Social Security taxes into private accounts, even if that means borrowing money today and increasing the deficit and the debt.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

H. We should help working families develop personal retirement accounts, but they should be separate from Social Security and should not rely on Social Security funds or borrowing that increases the debt.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

I. Rather than establishing individual private accounts, it would be good for the government to set up an agency that would invest part of the overall social security trust funds in the stock market for the good of the program as a whole.

1 Strongly Disagree 2 Moderately Disagree 3 Neutral 4 Moderately Agree 5 Strongly Agree

Please offer any additional thoughts or ideas you have about this issue and what government and individuals should or should not do:

Name _____

Address _____

ZIP _____

Age _____ Email Address: _____

May we send you email updates from time to time? Yes No

Please mail this response form to :

1421 Longworth House Office Building
Washington, DC 20515



DO YOU NEED HELP WITH A GOVERNMENT AGENCY?

Last year, Congressman Baird successfully helped more than 1,500 Southwest Washington families when they needed help dealing with federal agencies, such as the Veterans Administration or the Social Security Administration. If you or your family need assistance in dealing with a federal agency, please contact one of the addresses below:

VANCOUVER OFFICE

General O.O. Howard House
750 Anderson Street, Suite B
(Officers Row)
Vancouver, WA 98661
Phone: (360) 695-6292
Fax: (360) 695-6197

OLYMPIA OFFICE

120 Union Avenue, SE
Suite 105
Olympia, WA 98501
Phone: (360) 352-9768
Fax: (360) 352-9241



SIX YEARS IN CONGRESS AND OVER 225 TOWN HALL MEETINGS!

Congressman Baird is seen here speaking with a concerned citizen about Social Security at a recent Town Hall Meeting.

Questions or Suggestions?
Visit: www.house.gov/baird

Congressman Brian Baird
U.S. House of Representatives
1421 Longworth HOB
Washington, D.C. 20515
www.house.gov/baird

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