Nikki Dobay: Hello and welcome to GeTtin' SALTy, a state and local tax policy podcast hosted by Greenberg Traurig. My name is Nikki Dobay, shareholder in the Portland, Oregon and Sacramento, California offices. We are getting on that time of year where the year is coming to a close. And so I was very excited for a repeat guest, I won't say repeat offender, a repeat guest joining me for this year-end wrap-up, Jared Walczak. He is the Vice [00:00:30] President of State Tax Projects at the Tax Foundation and a podcast regular. Jared, thank you so much for joining me.

Jared Walczak: Well, thank you for having me. It's always great to be on the podcast with you.

Nikki Dobay: And Jared, there's been some chatter in the SALT community about some changes in your future. So do you want to let the listeners know what is going on with you?

Jared Walczak: Yeah, I am going through some changes in the coming year that I'm really excited about. I am staying with Tax Foundation. [00:01:00] I've been at the Tax Foundation for about 11 years now. I've been head of the state team for almost six, but I'm going to transition in roles. I am going to be transitioning to a senior fellow role at the Tax Foundation. So I'll get to focus much more on the day-to-day policy rather than the management role that I've had for a number of years now. At the same time, this is giving me some new opportunities. I have launched my own policy consulting shop, so I'm going to be working with other groups as well. [00:01:30] You may see my byline with state think tanks, state chambers, other organizations. And as part of that, I've launched a Substack newsletter. I'm doing a lot of other things in addition to my work with the Tax Foundation that I'm really excited about, but still working with the Tax Foundation, still intend to do a lot through an organization that I've been with for a long time and hope to be with for a long time still.

Nikki Dobay: Awesome. Well, congratulations on that. I think it's really exciting. I'm just really excited that we'll be able to work in [00:02:00] new and kind of other creative ways that we haven't maybe been able to when you're in your current role. And that takes effect January 1. Is that the... All right. Well, we're glad you're not going anywhere else and that you'll still be doing this work. And so as we are coming to the end of the year, I thought it would be a good time to kind of think back about what we've seen over the past 11 months and maybe what we'll see over the next month. [00:02:30] And then we've got a little time, we can crystal ball it for 2026. But take us back to kind of early 2026 and where the states were at fiscally. I feel like the legislative session was so far away for many states. So take us back and kind of catch us up on, from your perspective, what were you seeing around the country?

Jared Walczak: So much has happened this year, especially with the enactment of OB3, the Reconciliation Act, that sometimes it's hard [00:03:00] to think back all the way to January.

Nikki Dobay: Right.

Jared Walczak: And what states were thinking about then, what seemed really important then, that seems a little less important now.

Nikki Dobay: I couldn't agree more.

Jared Walczak: When you think back, you think about states being a little concerned about revenue, saying that revenues have been trending down from some of the highs that they had experienced, say certainly 2022, 2023, which was when states hit their highest revenues ever by a significant margin. They were uncertain [00:03:30] where things would land. And some states continued with income tax rate reductions. Other states were maybe more cautious and didn't do as much this year. And what we're seeing as the year comes to an end that it's been a pretty good year for state tax revenue.

You look particularly at Q3 where we're just getting that data now where just about every state has come out with its third quarter revenue collections and you see that they're up. They're higher than projections in most states. [00:04:00] They are significantly higher than the revenue in third quarter of last year, which is a really good comparison, that states are doing pretty well. And that's really good news. And especially that's helpful when we think about the context of where states began, that with the enactment to the Tax Cuts and Jobs Act, you got that significant base broadening, you got the Wayfair decision, you got all of these things that grew revenues. And while you had that sugar high, maybe end of 2022, start of 2023, [00:04:30] and a little bit of fade from there, revenues are still dramatically up and they're trending upward again right now. That's helpful, I think, because we do have a change.

We have the Reconciliation Act that does impact revenues. And it's good that a lot of states do have this buffer that perhaps they hadn't fully anticipated because there are a few costs associated with the OB3, as everyone knows. I think some of them are pretty good policy, some of them you could do without, but that's really where the [00:05:00] discussions are going to be next year.

Nikki Dobay: Before we jump into the OB3, because then that's kind of a whole new launch pad. The states where we saw really significant changes before that, Washington, I think Illinois was another big one. You'll fill me in on a couple of the big ones you were watching, but Washington for a minute, why are they in such a bad state fiscally? It is something to me that [00:05:30] their capital gains tax was upheld. The B&O tax is a cash cow. What is going on with a state like Washington and why can't they seem to get their fiscal house in order?

Jared Walczak: Yeah. The story of Washington is really the story of a few states that includes Maryland, Massachusetts, New Jersey, Minnesota, where it's not that revenues are down. Revenues are up. Revenues continue to grow at a pretty robust [00:06:00] pace, but spending is up even faster. And I think Washington's unique problem is it's a state that constitutionally has constraints on an income tax. Now, I know there's debates around whether it's a prohibition or not, but certainly that has been the position that they can't have a traditional income tax, but they're a state with instincts for much higher spending. I think the instinct is to be a higher tax state. And one of the traditional channels where you raise an awful lot of revenue is not [00:06:30] readily available to lawmakers.

So I think that's forced them to squeeze a lot out of all kinds of other taxes, raising the rates on the gross deceased tax, that B&O tax you talked about, getting the nation's highest estate tax by a really significant margin, expanding the sales tax base to include a lot of digital automated services, that capital gains tax, which still feels like an income tax to me, but that capital gains tax going up to 9.9% for the highest earners, all of [00:07:00] this is an attempt to be a high tax state in a state that doesn't have the ordinary channel in which you would be one, which arguably makes things worse. Not that I would want them to have a high rate, regular income tax, but it's created a lot of, I think, perverse creativity because the ordinary channel isn't available to lawmakers.

Nikki Dobay: Is that true of those other states you talked about or is it just the theme really that their spending continues to outpace the revenues that they're bringing [00:07:30] in even though... Because the ones you named, I think everybody has kind of the three-legged stool except for Washington of the states you named.

Jared Walczak: Yeah, that's absolutely right. So you look at a state like Maryland and they had a mandate to significantly increase education spending and that had to come from somewhere. Revenues were up, but they needed billions of additional dollars of revenue. So they raised a variety of taxes. They put a new capital gain surcharge in place. They expanded the sales tax to have a [00:08:00] new partial rate on IT and data and a lot of digital services. They increased the top rates for the highest earners. All of these sort of going back to the well, not because revenues weren't solid, they were good, but because they had significant new expenditures in the works. And I think that's the same story in a few of the other states that have also raised taxes. They're not doing it out of revenue inadequacy against previous baselines. It's a desire to increase revenue [00:08:30] substantially to fund new programs.

Nikki Dobay: Okay. So now we're getting into that. We get a May, June timeframe when, if you would've asked me in that timeframe if there was going to be a federal bill, I would've said no and I would've been wrong. But before we get there, any other states you want to highlight on the podcast, big ticket items that they accomplished during their general sessions?

Jared Walczak: So a lot of states still cut taxes or continued rates of reduction. So you think about say Georgia, [00:09:00] Indiana, Kansas, Kentucky, Mississippi, South Carolina. We'll see what North Carolina does next year, but a lot of states continued on the path of individual and sometimes corporate income tax reductions. Some states every year seem to come back for a little more. Utah just trims a little bit. Other states have really made significant reductions. So you have this contrast and it's getting larger every year between the states that every year seem to come back and ask for higher taxes and states that [00:09:30] every year seem to be lowering rates, just making that delta even larger. And I think we're going to see more and more responses to that. You also saw states doing things like Illinois adopting GILTI, which will now be NCTI. You saw states making moves on the property tax usually to provide property tax relief, I think usually fairly poorly structured.

But you look at, say, what has happened in Texas or what's happened in [00:10:00] Wyoming where there's significant residential property tax relief. Of course, the money has to come from somewhere. It may be shifting onto commercial property. It may be shifting onto other taxes. In some cases, certainly local governments are being left in the lurch for at least part of it, but that is something I'm sure we're going to see way more of next year. I mean, that's just clearly... I think I've been off on calling this because last year I said 2025 is going to be the year of the property tax. [00:10:30] And in some ways it has. There's been a lot of movements on the property tax, but I think I was off by year. 2026, this is going to be just a massive issue in quite a few states.

Nikki Dobay: I actually think 2025 could have been the year of the property tax, but I know you were doing an awful lot of work cautioning states, you and others, as to why massive property tax reform may not be the best idea. So maybe you can take a little credit for kicking that can down the road, but I do think it's one of those things where it's [00:11:00] so easy for legislators and policymakers to get caught up when they're hearing from their constituents about the increases in property tax, but we all know there's reasons for that. And then when you come in and explain to them what the property tax is supposed to do, I feel like a lot of them actually got the memo that the property tax is doing what the property tax is supposed to do, and that's why it's just been around for so long.

Jared Walczak: [00:11:30] I hope that's the message they're getting. And I think certainly more understand that now, that this is a relatively economically efficient tax, that it is much more closely tied to the benefits you receive as a resident or a homeowner than any other tax you could imagine that is very responsive to local demand in a way that any shift to a state-based tax would not be. And then frankly, just the alternatives are not palatable. I have a paper from a couple of months ago that actually explores [00:12:00] what it would take to replace the property tax in a number of states. And we're talking about 15 or 16% income taxes, sometimes say 15% flat income taxes. And you have to ask if you're willing to do that.

And all the redistribution that takes place where you're no longer funding your local services either. I think that a lot of times people have been asked half a question. They've been asked, "Would you like to no longer pay property tax?" And it's really easy to say yes to that. They're not being asked, "What would you be willing to [00:12:30] pay instead and to what level of government?"

Nikki Dobay: Right. No, I think that's absolutely right. Also, I was in Texas the week before last and at the Texas Taxpayer Research and Association. And the conversation with the policymakers on this issue was pretty fascinating. There was a lot of agreement actually between the Rs and the Ds that, okay, we're going to take this on at the state level, that's massive, and how do we raise that [00:13:00] money? So again, this isn't squarely within my wheelhouse of what I'm talking about, but my sense is people are getting the message that you've been providing.

All right, so now there was this little bill that passed in July, got signed July 4th, OB3, and you all did some great analysis on state tax conformity issues on this. So you want to kind of set [00:13:30] the stage there on what does OB3 mean to the states, and then we can kind of get into where we're at now with state conformity.

Jared Walczak: Yeah. OB3 means a lot to the states in a lot of ways that go beyond just tax policy. Obviously, there are changes in funding of programs that states have a role in. There's changes to funding of different programs within states that states aren't funding themselves, but have an impact. But my [00:14:00] focus, because I do state tax policy, has been the implications for state tax codes. So really this comes down to a constellation of four personal provisions, those deductions for tips over time, auto loan interest, and then the enhancing deduction. The constellation of business expensing provisions under 168K, that basically machinery and equipment, first year expensing. 174, [00:14:30] the restoration of the first year deduction for research and development. The new 168N, which is for certain structures, essentially think certain factories. And then 179, which is small business expensing. And there's a final bucket, a final thing that is about international, that's that transition from GILTI to NCTI.

All of these are really significant. The personal deductions only affect a few states, at least immediately, because you have to conform to federal taxable income as your starting [00:15:00] point to bring these in. Only seven states do and some of them are already preparing to decouple from this. The flip side is there are a few states looking at this and saying, "Well, if the federal government's offering a deduction for tips, maybe we should too, even if that's not something we automatically ordinarily conform to." So it's going to be a real discussion in the states, regardless of where the starting point is.

The other bucket though, that constellation of deductions for business expenses, that hits almost [00:15:30] every state once they conform to a post OB3 version of the internal revenue code. And that's been a real discussion in a lot of states. And I get that, that it's seemingly big, it's important, it's worth discussing, but I think there's been maybe some misapprehension on parts of it, particularly with the research and experimentation, or maybe in more lay language, the research and deduction provision. This is a provision that was available nonstop [00:16:00] from 1954 to 2022. I think sometimes everyone's now thinking about this as some new Trump-

Nikki Dobay: New thing. Yeah.

Jared Walczak: [inaudible 00:16:11] we have to decide if we want it or not. You got this new in the Eisenhower administration and we've had it ever since. And I can't really find any evidence that anyone was questioning it. You didn't have state lawmakers saying, "Oh, I think we should decouple from R&E first year expensing." It was just absolutely going to be part of your state's corporate income tax, which made sense. Why would [00:16:30] you penalize research and development? You don't want to raise the user cost of research and development. This has huge positive spillover effects.

[Inaudible 00:16:40] and the federal government spend a lot of time thinking about how they can enhance R&D expenditures and investment because they know it's good for the economy as a whole. So this really just wasn't on the table, but it was a dumb pay for in the Tax Cuts and Jobs Act where they were trying to keep numbers under a certain amount. And they said, "In the [00:17:00] final five years, we'll amortize it. We'll go to a five-year amortization." And honestly, I don't think they thought it would happen. I think the gamble, the bet that they had was, this is so crazy. This would be such obviously undesirable policy that-

Nikki Dobay: We'll fix it later.

Jared Walczak: Yes. We'll come in and extenders and fix it. And sure, that'll make the bill cost more than we claimed on paper initially, but we'll fix it. And they didn't. So now we were stuck with this. OB3 fixes [00:17:30] it. OB3 was obviously not a bipartisan bill, but I think this was a pretty bipartisan [inaudible 00:17:37]. This is something that everyone wanted, but at the state level, it now feels new. It feels like, oh, this is a new cost. Should we conform to this new business cost?

And I really want to get across the point, it's not new. It's a restoration of something we had for 68 straight years before being on an amortization schedule for a few years. It's proper treatment of R&D. And a lot of the cost [00:18:00] is really just getting over a hump. If you think about going from five-year amortization to bringing it back to the first year, most of this is a timing effect. So there's a meaningful cost initially, but once you get past that, it's not significant. You are addressing the time value of money, you're addressing inflation, you're reducing a disincentive for businesses. You're no longer saying, "We're going to penalize you for choosing to spend in R&D rather than in something else." But the cost is pretty trivial in the out years.

[00:18:30] There is a transition cost and I know states are balking at that, but I really hope that they will realize they got a windfall for a few years. They were collecting way more revenue for a few years because they were front loading and that was actually going to cost them in the future because they'd have to keep providing deductions in the future. Basically, that's being clawed back. I know that you feel that, but you get through this, you claw back a little of the extra you collected for a few years and you get back to the treatment that you always intended. I really hope states choose to do that.

Nikki Dobay: And [00:19:00] I just want to reiterate that point. This is a timing issue. Yes, Jared hit all the points, but I'm going to state them again because sometimes we need to hear things twice. It's going to hurt this first year, but then things are going to smooth out and you would be providing these deductions anyways. It's just when you're going to do that. And I think the detrimental impact to the states that decouple is going to be incredibly more significant and harmful because [00:19:30] I'm thinking of the states in the west that do stuff like this, and you're absolutely right, Jared, that it's becoming a political issue when this is actually one of those just really sound tax policy issues that got screwed up for a few years and we're trying to write the course. And so really hope the states understand you are not going to get a lot of bang for your buck by decoupling and long term you're going to hurt your state when it comes to competitiveness.

Jared Walczak: [00:20:00] Yeah. There's a great new paper out there that I think puts this into stark relief. It uses the fact that businesses have different fiscal years. Some end in December with the calendar year, some end in June with the fiscal year, some of their own fiscal year that's different than that. And that affects how you file your taxes. So this creates this wonderful natural experiment where we can say different businesses started amortizing R&E at different times, and we can then actually create a control [00:20:30] group and a group of businesses that were subject to this and see, did R&D investment change? Did R&D employment change? And the really notable thing in basically a six-month window, really little time to adjust, in that six-month window where there was a difference between these firms, you saw a 3.2% reduction in employment where R&E was amortized across five years rather than being available.

That's big. [00:21:00] And then really, in some cases, it's even bigger than that depending on how you look at it. But what's really notable is that a lot of the losses are in sort of the middle income jobs. Basically, a lot of businesses, they can't fire their top scientist. You can't lose that talent, but you can lose a lot of other people. And they were shedding jobs at the sort of middle income tiers within research and development because of this change. And that was just the six-month adjustment. [00:21:30] So I really hope states take that to heart and realize we don't want those job losses. We want to bring back that R&D here in this country and in these states.

Nikki Dobay: So I think at a high level, from my perspective and conversations I've had with policymakers, and just also kind of trying to read the politics of all this, while the individual provisions seem shiny and really [00:22:00] good for your residents, those are the ones that maybe they're shiny for a reason because they're a little too cute and there are going to be some dollars that you would lose. And so decoupling from those, maybe not bad tax policy, but it's really the business pieces. And again, I think the majority of the business provisions, correct me if

I'm wrong, are timing issues. They're all these... [00:22:30] We're just kind of moving things around as to when you get deductions, but those are also going to be the job creators and ultimately what is going to drive business to your state and make you more competitive.

Jared Walczak: That's absolutely right. So they are timing issues. I think it's also important to mention they are what a corporate income tax is supposed to be. This isn't let's give special handouts to businesses and not do the same for individuals. When we think about the corporate income tax, it's on net income. It's supposed to [00:23:00] be on profits, which is why you need to be able to deduct all of your ordinary costs of doing business, whether that's compensation, whether it's the cost of goods sold, whether it's capital investment, including R&D. All of those things are costs. They're clearly not part of your profits. So we're going to deduct them. That's always the case that they're going to be deducted. The question is just when. And the depreciation schedule makes great sense as an accounting rule. Obviously, if you go out and purchase a million dollar [00:23:30] piece of equipment, you as a company are not a million dollars poorer.

You have traded cash for an asset that will produce for you, and then will depreciate in value over time. But that's not really the question that the corporate income tax is answering. It's not a net worth tax. It's not a wealth tax. It's a profits tax, a net income tax. So there's no logical reason why that should be amortized or depreciated. It should just be expensed in the same way that your compensation or other business costs are taken when they are incurred. So this isn't a special [00:24:00] favor for businesses. This isn't an R&D incentive. There are R&D credits and other incentives, but this isn't one of them. This is just ordinary treatment. And that's not the case with the personal provisions where they are targeted benefits, and I would argue maybe fairly ill-targeted benefits. Take, for instance, the deduction for tips. Certainly helpful to people who receive tipped income, but if you have someone who makes 40,000 and a lot of that's tips and you have another person who makes 40,000 and none of it is tips, why is one [00:24:30] more deserving of that than the other?

And only about 4% of those in the bottom half of the income distribution get tips. The other thing is it changes behavior. You think about say movers or appliance installers or all kinds of other professions that are on that list of professions that sometimes receive tips. And imagine they come to you now and say, "Hey, this is my ordinary fee. We could cut that in half if you'd replace most of the difference with a tip." I think we're going to see a lot of that, and that's not really what the tax code should be encouraging.

Nikki Dobay: Right. [00:25:00] And what about the foreign provisions? I feel like at the federal level, they broadened the base a little bit. They increased the preferential rate and then they gave you more foreign tax credits. So it seems to me at the federal level that it's kind of a... I don't want to say it's a wash. I'm sure there was some math related to getting this thing across the table and what needed to happen, but at the federal level, it's not a huge change moving from GILTI to, I like to say NCTI, [00:25:30] but at the state level, the state implications could be pretty significant for the states that conform to GILTI. And I feel like we're going to be back in the soup with a lot of other states that haven't conformed to any of these federal provisions, seeing a new bucket of money that looks bigger.

Jared Walczak: Yes, that's exactly right. Under GILTI, under the former regime, we could basically think of that as a tax on [00:26:00] intangible income on the returns on essentially your supernormal returns, your returns on royalty income, other things abroad that were deemed not ordinary returns. And some states brought that in. I think that was bad policy, but obviously some states brought that in. Under OB3, this all changes. Now essentially think of this as a minimum tax. Functionally, it's 14% in change and there's some adjustments, but functionally think about this as basically being a 15% [00:26:30] minimum tax, sort of complying with the global 15% minimum that we saw directionally countries heading towards and some penalties if countries didn't comply with that and businesses had lower taxes than that. So at the federal level, this works as a minimum tax because whatever you pay abroad, you get a tax credit at the federal level in the United States and if you paid less than 15% abroad, essentially you gross that up, you pay the difference to [00:27:00] the United States. And if you paid more, then the credit fully offsets and you don't pay anything to the federal government.

The problem, of course, is that states do not offer foreign tax credits. At the state level, what you're seeing is simply a substantial broadening of the tax base. These controlled foreign corporations, these subsidiaries, affiliates, other entities associated with US-based multinationals are brought into the tax base. Their income is apportioned to the states, [00:27:30] and then it's just taxed. It doesn't matter how much you're paying abroad, there's no foreign tax credit. You are simply paying taxes at the state level on that income. So this is a huge issue. This is not the tax that was intended. It's very different than what the federal government is offering. And the states that have been taxing GILTI will now be taxing, we'll call it NCTI, as you're calling it, NCTI, they will be taxing that.

Even more than that, you have other states where this is a real possibility. [00:28:00] States that decoupled from GILTI, where they actually said that they would not tax global intangible low taxed income, well, now we have NCTI. It's in the same code section. It's in 951A. So if they decoupled from 951A, they're good. But if they decouple specifically from something called GILTI, well, that doesn't exist anymore. In the same way, you have states that made determinations that GILTI was exempt because it was a foreign dividend and subject [00:28:30] to their dividends received deduction, or that it was essentially subpart F income, or a variety of other reasons why they said administratively that GILTI is not subject to tax.

Now, a lot of that same logic could apply, I think should apply to NCTI, but someone has to make that connection. It's not necessarily automatic. So we have a lot of states that could be taxing NCTI even if they didn't tax GILTI. And then we have this constellation of states that did [00:29:00] tax GILTI that are now taxing something much worse that doesn't belong in their tax codes that makes them substantially less competitive.

Nikki Dobay: Yeah. And then there's the states that put in their statutory provisions, their code, GILTI, global intangible low tax income. Oregon's in that camp. We treat it as a dividend, provide a DRD for it, but it says GILTI right there in the code. So something needs to happen there. Illinois, we mentioned earlier, [00:29:30] just earlier this year, they conformed to GILTI and they already went back and did fix that. So now it does refer to NCTI. But to your point, the bigger question is what are the constitutional limitations of this? Because GILTI was narrower. I mean, we've saw challenges with 965. I'm certain there are challenges in the works for GILTI, but I think this kind of, again, is going to bring in a whole [00:30:00] new set of constitutional challenges as to, can they tax this at all? If they can, then what do they have to provide for factor relief?

So I would say I would love to see the states decouple from this as well, Jared, but I don't think you and I are so good at our jobs that we're going to get every state to actually do that.

Jared Walczak: I think we're just creating full employment for ourselves. There will always be work to do on this, but I'm hoping that many states [00:30:30] will decouple from this provision. I think especially if they were already decoupling from GILTI, that hopefully they will do whatever it takes to make sure they're doing the same thing with NCTI. You're absolutely right. There's constitutional implications of this. I think there were constitutional implications of GILTI, but it's a much more significant issue with NCTI where you're simply taxing all of the income apportioned to your state for these foreign affiliates and subsidiaries [00:31:00] that have nothing to do with your state. So I think that's a clear constitutional question that will have to be addressed. Certainly hoping that states will do the right thing here, but we have a lot of work ahead of us.

Nikki Dobay: But some of the states like that. So we'll put a pin in that one until next year when we see more movement. All right. Well, we've had a pretty robust conversation here. So just to kind of bring us into the end of the year, really what most states are grappling with right now are these conformity [00:31:30] issues. We've got a few states still in session. They might address it. And then looking into 2026, I think that's when we're going to see a lot of the states grappling with this. Other than conformity issues, is it going to be quiet? Are we going to have a cool year? I'll give you another minute and a half to opine on what you think we're in for in 2026.

Jared Walczak: Well, if nothing happened other than [00:32:00] the conformity debate around OB3, I think we'd still have a really busy year. And that is going to clearly be a major focus, but we will have more than that. We're going to have more focus on high earner taxes. We're going to see wealth tax proposals, digital advertising taxes in other states, data taxes, digital services taxes. All of these things are part of the conversation in at least a few states. But going back to something I talked about earlier, it really does seem likely we are going to be focused intensely [00:32:30] on the property tax in many states in 2026. There is very much a movement afoot to repeal the property tax. In some states, repeal all or some of it, often focusing, of course, on residential property taxes. This is an issue in a lot of states right now, not all of them, but you see this sometimes as legislation, sometimes as ballot measures.

And I've talked about how in my mind we're really only often discussing half of the question. People [00:33:00] are being asked, "Wouldn't you like to eliminate the property tax?" And that sounds great. Who wouldn't like to not pay property tax? But they're not being asked, "What are you willing to pay to get rid of the property tax? What higher tax are you willing to accept? Are you willing to allow the state government to take over the funding mechanisms that fund your local government?" I've done a paper on this looking at the additional costs associated with offsetting the property tax. Frequently, this is more than the income tax. Sometimes [00:33:30] it's close to the income tax and the sales tax combined. Are you okay with the 16% sales tax? Are you okay with a 12% or 15% or 18% flat rate income tax? These are some of the trade-offs that are associated with this, but especially where there's the possibility of this happening by ballot measure, I'm not sure that those trade-offs will be fully appreciated.

If the measure simply says, eliminate the property tax, there may be people who are willing to vote for that, even though it [00:34:00] basically punts on the question of how to replace it. It leaves that up to the legislature in the future. And I think that's a real concern. This is not something you can easily replace and yet I think irresponsibly there are these measures that would repeal first, take away a tax that's 70% of local tax collections on average, sometimes way more, and then just after the fact, let someone figure out how you're going to pay for it. So that is going to be something [00:34:30] that keeps all of us really on our toes in the next legislative session.

Nikki Dobay: Yeah. I'm trying to bite my tongue, but I can't. Voters have never done anything crazy in the past, so why are you worried? But we'll just leave that there. So Jared, thank you so much. I think next year is going to be a really busy year on a lot of different fronts. Ballot initiatives [00:35:00] are an entirely different beast and we're starting to see what's going to be out there for next year. And then to your point, conformity is already a big enough issue, but then we've got a lot of states looking at a lot of other ideas to balance budgets and figure out what to do on all sides of the equation.

So we will be back next year to keep the conversation going, but before I let you go, a quick surprise non-tax question. So we just came out of a holiday weekend, [00:35:30] so it was Thanksgiving last week. I'm pretty sure you know that, but just in case. All right, good. So my question is, are you a traditionalist or a non-traditionalist? And so do you have traditional Thanksgiving holiday things and activities you like to adhere to, or do you go off the rails? We are not traditionalists. So we generally spend Thanksgiving in Cabo where we eat tacos and have Mezcalitas for [00:36:00] Thanksgiving, our Thanksgiving meal, which is amazing. We weren't able to do that this year, but we did not have a traditional meal and we went hiking and then had a great dinner and a lovely evening, but we are not traditionalists. So how about you?

Jared Walczak: Yeah, I'm pretty much a traditionalist. Ideally, I want turkey dinner and I want to watch football. We mixed it up a little, maybe add some lamb, which my wife and I did this year, but we stick [00:36:30] to a fairly traditional Thanksgiving observance. I think it's a great holiday. It's friends, family, turkey, football. What else could you ask for? I'm pretty happy with that.

Nikki Dobay: Awesome. Well, Jared, thank you again for joining me. We will be back in 2026. Congratulations again on all your updates and changes. And thank you to the listeners for joining us today. We'll be back in a couple weeks on the next GeTtin' SALTy.