

EXCERPTS FROM LWV STATE POSITIONS RELATED TO FISCAL POLICY

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Alabama

GOVERNMENT

Budget Process 1987 (Updated 1995)

The League of Women Voters believes that the state budgeting process should be an open process that includes public input in the setting of budgeting priorities, reflects programs needed and wanted by the people of Alabama, and finances state programs realistically.

The League, therefore, supports action to

A. Make information about the budgetary process as well as the enacted budget easily available to the public, using such means of communication as news releases, television coverage of hearings, distribution of budget materials to libraries and courthouses, and the Internet.

1. The public should be informed about budgetary proposals as they are being developed and amended. Public comments should be solicited.
2. The public should have easy access to the enacted budgets and explanations of their contents.

B. Require that the Interim Committee on Finance and Budget, or other legislative committees created to analyze state budgetary needs and proposals or make budgetary recommendations to the legislature, hold public hearings across the state to inform the public and receive citizen input.

C. Limit funding of non-state agencies to agencies determined to be of sufficient value to the state to deserve such support. Until such an assessment of non-state agencies is done, proration should begin with cuts in appropriations to all non-state agencies before any cuts are made in state agency budgets.

Alaska

League of Women Voters of Alaska – April 2010

Government

Position: CAPITAL BUDGET PROCESS

STATEMENT OF POSITION

The League of Women Voters of Alaska believes that prudent capital spending by the State of Alaska requires realistic budget preparation, clear project definition, use of standardized criteria for determination of need, and public involvement. In order to promote the judicious management of the capital budget process and capital projects, the League supports the following:

- Establishment and implementation of consistently applied statutory criteria for defining and prioritizing all proposed capital projects;
- Recognition and documentation of the effect of capital expenditures on the operating budgets and bonding capabilities of state and local governments;
- Public understanding of and involvement in the capital budget preparation process;
- Financial participation by local governments in the funding of requested capital projects;
- Utilization of a single procedure for the proposal and evaluation of potential capital improvement projects; and
- Accountability for the expenditures of capital funds in accordance with public and legislative intent.

Any spending limit should be in statutory, not constitutional, form and be based on the future availability of funding for the operation and maintenance of state-financed capital improvement projects.

AMPLIFICATION

Implicit in this position statement is the need for a clearly stated definition of the type of expenditure that qualifies for funding from the state's capital budget.

The definition of "capital improvement project" should not include a fixed dollar threshold.

All proposed capital improvement projects should:

- Be submitted through appropriate executive branch agencies;
- Be subjected to uniform criteria for evaluating the economics and program feasibility of that project;

- Be included in a single appropriation bill, logically formatted, to clearly show the total capital budget commitment for that legislative session; and
- Have publicly accessible and understandable documentation showing the total projected life-cycle costs, scope, need and local support for the project and how the project fits into the projected goals of the requesting agency or political subdivision.

The statutory criteria established for judging the merit of a proposed capital improvement project should apply at all levels of government and include:

- That the project be for public, not private, purposes;
- That the project have a high degree of public support as manifested through the public hearing process, and as verified by the commitment of the local governmental body to pay for a percentage (e.g. 10 percent) of the initial project costs (design, construction, and equipment) and to operate and maintain the project;
- That the project be economically feasible, and so documented;
- That the project be consistent with the stated goals over time (e.g. five years) of the requesting agency or entity;
- That the project be the best solution to a state need;
- That no (or inadequate) other money is available to fund the project;
- That life, health, safety, and educational needs take priority over other less basic needs; and
- That project funding not adversely affect the state or local government's future bonding capabilities.

Adopted 1985; Reaffirmed each year since at LWVAK Convention

Arkansas

STATE FINANCES AND TAXATION

2. Support of LWVAR positions on state finances and taxation.
3. Support updated positions on designated taxes concurred to by delegates to Convention '97.
4. Support of LWVAR position on financing the maintenance and operation of public schools.
5. Support of LWVAR position on financing higher education.
6. Support of LWVAR positions on property taxes as part of a sound, adequate and equitable tax system.

G. Finance and Taxation

4. The Arkansas Constitution should provide for a system of sound, adequate and equitable financing of state and local government.

2. The number of votes needed to levy taxes should be uniform for all tax measures.
3. The number of votes needed to appropriate funds should be uniform for all appropriation measures.
4. The tax on household property should be abolished.
5. Alternatives to the property tax should be developed to finance public education.
6. Millage rates and limits should not be included in the Constitution.
7. Interest rate provisions should not be included in the Constitution.
8. The General Assembly should be authorized to adopt federal tax statutes by reference and on a prospective basis.
9. The General Assembly should be allowed to levy a basic millage for the maintenance and operation of public schools.

California

<http://ca.lwv.org/lwvc/issues/gov/localfin.html>

POSITION IN BRIEF: *Support measures to ensure revenues both sufficient and flexible enough to meet changing needs for state and local government services; that contribute to a system of public finance which emphasizes equity and fair sharing of the tax burden as well as adequacy; which include long range finance methods that meet current and future needs while taking into account the cumulative impact of public debt.*

Support a process which maintains statutory authority over tax sources, rates and tax expenditures; that makes limited use of direct voting by the public on revenue measures; and that allows adoption of revenue and finance measures by a simple majority vote.

Support the distribution of revenue sources between state and local governments in a manner to ensure adequate, equitable and flexible funding of public programs based on the responsibilities and requirements of each and which encourages accountability.

Support an equitable, broad-based local property tax, easy and economical to administer, producing adequate revenue, with limitations on the types of services it funds.

Support assessment practices and policies that are equitable, accurate, easy to understand and well publicized, with like properties treated uniformly.

POSITIONS

State and Local Government Finance System

1. To ensure a system of taxation, which provides revenue sufficient to meet the changing needs of the people of the state through adoption of taxes, rates, rate schedules, revenue and finance measures which:

- a. meet tests of treating equal tax circumstances equally (horizontal equity) and promoting a progressive tax structure (vertical equity);
- b. provide adequate revenue at the time of adoption as well as contributing to a system with good cyclical adequacy and which grows with the economy (elasticity);
- c. a preference for measures which:
 - 1) contribute to the flexibility of the system;
 - 2) are accompanied by analyses of potential economic effects which are available to the governing body and general public prior to adoption;
 - 3) simplify the tax system and/or provide for efficient collection and distribution of revenue;
 - 4) facilitate accountability to the public by the unit of government which collects the revenue and that which delivers services;
 - 5) make provision for persons unable to pay fees or charges levied on essential community wide services.

Adequacy of Revenue

2. To ensure adequacy of revenue by:

- a. retention of existing sources of revenue with bases as broad as possible consistent with fairness;
- b. a variety of revenue sources available to local governments including a wide range of local taxes which meet tests of equity and adequacy and which take into account flexibility, economic effects, simplicity, efficiency and accountability;
- c. local revenue sources including fees, with provision for persons unable to pay fees or charges levied on essential community wide services; and benefit assessments, when benefits accrue primarily to those paying and which contain a protest and appeals process which is simple, clear, speedy, widely publicized, in which the appellant has access to assessment records necessary to prepare an appeal;
- d. use by local governments of tax base sharing; state and federal assistance; and cost saving management techniques;
- e. state reimbursement to local governments for revenue losses due to state imposed exemptions;
- f. a state imposed resource severance tax.

Equity

3. To ensure fair sharing of the tax burden by:

- a. acceptance of ability to pay as the primary but not exclusive criterion for distributing the tax burden, with emphasis on income based taxes;
- b. tax **expenditures** measures which include provision for mandatory, periodic review and justification by the legislature;
- c. a preference for tax **expenditures** which:
 - 1) contribute to tax equity;
 - 2) are in the interest of the general public and not just a specific group;
 - 3) provide social benefits which significantly outweigh the increased tax burden to others;

- 4) simplify tax administration;
- d. exemption from the sales tax of food, prescription drugs and other goods purchased by prescription, baseline utility costs, repair and services;
- e. consideration of expanding the sales tax base to include carefully defined non-essential food items, such as candy, and admissions to amusements;
- f. responsibility for funding health and welfare services by the program mandating level of government;
- g. collection by the state of any income or sales tax;
- h. distribution of the local portion of sales tax revenue by a formula which takes into account population, and local and regional needs, as well as point of sale;
- i. allocation of other funds from the state to local governments on the basis of population; environmental, economic, and/or social impact; need for service, and revenue raising ability.

Flexibility of Revenue

4. To ensure flexibility of revenue by:

- a. legislative control of state tax sources and rates;
- b. establishment of a general frame work for local revenues by the legislature;
- c. minimal use of direct voting by citizens on tax sources and rates;
- d. governing body adoption of user fees and fine schedules;
- e. a simple majority vote by the public or the governing body to adopt, repeal or change a revenue or finance measure;
- f. public program and funding priorities which give primary consideration to meeting the basic needs of the general population, attaining program objectives economically, and using procedures which promote flexibility and permit diversity of services;
- g. selective reductions within and among programs rather than across-the-board cutbacks when funding is reduced;
- h. each fund or tax "earmarked" for a specific purpose containing an automatic sunset date and provisions for mandatory government body review and reauthorization;
- i. adoption of designated "ear marked" funds and taxes only in those situations where social benefit significantly outweighs the loss of flexibility;
- j. "earmarking" in all cases statutory rather than in the state constitution;
- k. periodic review of the allocation formula for tidelands oil revenue to accommodate changing needs;
- l. a continuing search for better ways to finance government.

State and Local Government Processes

5. To ensure flexible government processes by:

- a. adoption of budgets, appropriations, taxes, other revenue sources, and changes in rates and schedules by a simple majority vote of the governing body;
- b. repeal or changes in statutory tax **expenditures** by a simple majority vote;
- c. mid-budget appropriations adjustments through joint action of the executive and legislature or governing body so that checks and balances are retained;
- d. consideration of options such as two-year budget cycles and budget formats which emphasize performance and outcomes.

Long Term Debt Financing

6. To ensure provision for long term debt financing of certain capital projects by:

- a. approval of bond issues which take into account:
 - 1) the current bond rating status of the state or local jurisdiction, including cumulative impacts and how the adoption of additional debt will impact ability to finance future projects;
 - 2) the viability and comparative cost of other means of finance such as "pay as you go," leasing and lease purchase;

- 3) how the bond issue fits within debt management and infrastructure plans, statutory caps on bonded indebtedness or recommended debt ratios (levels of debt service within a budget);
 - 4) current urgent needs, such as repairs following a disaster, which may not fall within adopted infrastructure plans;
- b. use of bond financing for:
- 1) construction of capital projects;
 - 2) purchase of facilities for public use;
 - 3) repair and retrofitting of existing public facilities and structures when other means of financing are not available;
- c. provision for voter approval of state and local bond measures by a simple majority vote.

Property Tax

Equity

7. To ensure property tax equity by:
- a. the requirement that all types of property subject to the property tax bear a fair share of the property tax burden;
 - b. separation of residential from commercial/industrial properties for taxing or assessment purposes in order to achieve fair sharing of the tax burden;
 - c. provision for property tax relief for those on low or fixed incomes, especially the elderly.

Broad Tax Base

8. To ensure a broad property tax base by requiring that:
- a. the property tax be levied on both land and improvements;
 - b. tax exempt properties pay for services directly rendered them.

Uses

9. To ensure use of the property tax primarily for those services directly related to property such as police, fire protection, streets, water, sewer-age, and street lighting; for such other local services as libraries, parks, recreation, the general administrative costs of local government and public schools.

Sound Assessments

10. To ensure sound assessment practices and policies which provide:
- a. an adequate budget for the assessor's office to permit accurate appraisals, a staff of qualified personnel required to take ongoing training, and use of modern appraisal tools whenever the cost can be justified;
 - b. regular, frequent reappraisals;
 - c. the use of market value as the standard for assessments with effective alternatives to preserve agricultural land and open space;
 - d. an appeals process which is simple, clear, speedy and widely publicized and in which the appellant has access to the assessment records necessary to prepare an appeal;
 - e. uniformity throughout the state.

Adopted 1969; Updated 1975; New Positions 1976, 1977, 1981, 1995; Readopted at the last convention.

Colorado

FISCAL POLICY (received via email)

POSITION IN BRIEF: *Support adequate and flexible funding of state government programs through an equitable tax system that is progressive and which incorporates social, environmental and economic goals. Oppose earmarking of funds and sales tax on food.*

POSITION:

Revenue:

- Support a system to raise revenue which incorporates social, environmental, and economic goals.
- Support the use of the following criteria for evaluating Colorado revenue structure: ability to pay, equitable, certain,

convenient, economical, and flexible. Also adequate, reliable, elastic, diverse, and simple.

- Support for a progressive state income tax, individual and corporate.
- Support for state revenue from the severance tax.
- Support of a raise in taxes and/or elimination, reduction or shift of funding from other programs when revenues are insufficient to finance a League-supported program.
- Oppose a sales tax on food.
- Earmarking funds is necessary in some cases but should be used on a limited basis and with discretion.

Budget and Expenditures:

The following concepts should be included in the state of Colorado's budget-building process:

- A three-year budget cycle.
- Consideration of fiscal consequences of alternative future policies and funding.
- Development of spending priorities .
- Long-range planning.

The budget-building process should be carried out within the constitutional framework of a dynamic balance between the executive and legislative branches of government. The budget process should incorporate significant participation by the executive branch, and cooperation between the executive and legislative branches.

Capital Development:

The following options for funding capital investments should be available to the state of Colorado:

- Debt financing-support for revenue bonds without the need for a vote because existing revenue is already in place for funding such bonds.
- Debt financing-support for general obligation debt funding--provided that these conditions are met:
 - a. a vote of the citizens on bond issues be required;
 - b. a statutory limit be placed on the amount that can be raised by such a method; and
 - c. the use of general obligation bond funding be limited to capital investments.
(Debt financing would require a constitutional change.)
- Changes in the tax structure at the state or local level.
- Creation of special funds.
- An annual state capital budget and appropriation bill.

Assessment:

Assessors should be appointed rather than elected. Professional qualifications for assessors should be established by the state. The state should control property tax assessment by requiring training for assessors and their staffs, enforcing equalized assessments throughout the state and by adopting measures to decrease the time between completion of building construction and liability for taxes.

From Diane's first research

The League's positions are in three areas: [Government](#), [Natural Resources](#), and [Social Policy](#). For complete positions and historical overview, including LWVCO action on LWVUS positions, contact the LWVCO office to purchase the League's publication, Program for Study and Action.

Government

Apportionment

Campaign Finance

(Action at the State Level on National Position)

Colorado Constitution

Fiscal Policy

Support adequate and flexible funding of state government programs through an equitable tax system that is progressive and which incorporates social, environmental and economic goals. Oppose earmarking of funds and sales tax on food.

Connecticut

Some references to expenditures in summary.

FISCAL POLICY (Adopted 1981; amended and affirmed 2003)

The League of Women Voters of Connecticut supports the following components of the state's fiscal policy:

1. The state budget should be an effective policy-making tool of the state government. The budget should be based on uniform accounting and reporting procedures and should identify all money available to the state. Such budget should contain:
 - clearly stated goals accompanied by enough detail to enable priority setting among programs; financial data on past performance in meeting goals;
 - economic impact data and program costs.
2. The Spending Cap authorized by the 1992 Constitutional Amendment should be made more responsive to the fiscal realities of the state by enacting the following changes:
 - require capped **expenditures** to grow only by the increase in personal income, inflation or Connecticut adjusted gross income, whichever of the three options is the greatest;
 - reduce income growth factor from five to three years;
 - re-base by adding that portion of surplus spending used for on-going expenses to the base going forward each year;
 - exempt federal funds for those programs growing at a rate exceeding the income growth rate and whose federal matching grants are large compared to the state portion of funding; particularly Medicaid;
 - exempt new federal funds the first year.
3. Bonds should be used only for long-term capital projects and never for current **expenditures**.
4. The state should fund at least 50% of the Educational Cost Share grant, increased state funding for special education costs, and fully fund the PILOT (Payment in Lieu of Taxes) for state-owned properties.
5. The "circuit breaker" program of property relief for the elderly should be extended to all low-income families regardless of age, and should apply to renters as well as owners of property. These complex programs should be well publicized and assistance with the application process should be available to all who are applying. Any relief granted under this program should be funded by the state government, to avoid further burden on other property taxpayers in the municipalities.
6. Should inadequate revenues be generated by the current state tax system to fund the budget, additional revenues should come from increasing the progressivity of the income tax.

Background and Action

In 2004, several property tax reform and education funding bills were proposed, including a bill that would have eliminated the ECS funding cap and raised the foundation element of the ECS formula. The bill eliminating the ECS cap passed. The LWVCT provided testimony in favor of a bill providing for the maximization of federal funds and supported changes in the state revenue reporting. The bills did not pass. The 2004 budget produced a very modest surplus; therefore no proposals for additional taxes were presented.

In 2005, the legislature was again facing a significant budget deficit and various tax increases were proposed. It appeared that the spending cap would be exceeded in this fiscal year, resulting in a call for a review of the legislation. The LWVCT submitted comments on various bills concerning the spending cap, maximization of federal funds and use of unappropriated surplus. The bills did not pass.

In 2008 and 2009, the state again faced significant budget deficits. Various spending cuts, tax increases and transfers from different funds were proposed, with several deficit mitigation bills passing to deal with the 2008 shortfall. As of this August 09 writing, the Governor and legislature remain at odds and the state does not have a budget for the 2009-'10 biennium. Negotiations are ongoing.

The LWVCT currently has no specialist in the areas of the Spending Cap or budgets. As a result, the LWVCT testified and advocated against budget cuts to specific programs under its various positions (e.g. cuts to the Citizens' Election Program which provides public financing for campaigns), but provided only limited comments on the overall budget process.

Email from President, LWVCT 5/5/11

Hello Diane -

We have a fiscal policy position but I suspect that it won't be helpful for your purpose. However, it is available on our website. Click on advocacy overview, then scroll down to Our Positions and click on LWVCT Impact on Issues. Once you download the document, go to the Fiscal Policy position on page 21. Unfortunately, we don't use the position actively because we don't have a specialist and the fact that point 2 is not easily understood by a "lay person" and the committee which developed the position is no longer available to help us.

Sorry to not be of more help... Regards, Cheryl Dunson LWVCT

District of Columbia

FINANCE AND REVENUE

Budgeting

(Adopted April 1971) Budgeting should allocate available financial resources among government programs so that the greatest progress toward community goals can be made in the most cost-effective manner. A fully and publicly justified budget should reflect a true picture of the District's current needs and longrange objectives supported by revenue sources and tax measures adequate to finance it. Congressional action on the budget should be completed before the beginning of the new fiscal year. Information about the costs and benefits of all programs, including federal programs, which affect the District, is essential to making wise decisions for allocation of resources. Documentation of such matters as expenditures, workload, achievements and failures should accompany budget requests and be available for consideration by the public and public officials. All expenditures should be reviewed and reappraised on a continuing basis. Attempts should always be made to maximize the proportion of expenditures, which provide for the services, protection and welfare of the community and to minimize the costs of administration and overhead consistent with effective service.

Revenue

(Adopted March 1970) The League believes that the tax structure and tax base should be improved and expanded. Proposed tax measures should be judged both individually and as a part of the tax package as a whole. Adequacy of yield and economic and social effects should be primary considerations in reaching decisions on revenue questions. Additional factors to be weighed are whether a tax is equitable, certain, convenient, economic to administer and whether the tax structure as a whole is progressive. The relationship of the District to the suburbs in both tax rates and total tax burden also should be considered.

FORMS OF TAXATION AS REVENUE SOURCES **Income Tax** The League supports substantial reliance on the income tax because income is a reflection of ability to pay. We support, in principle, the use of the federal income tax system as a basis for reporting and calculating District income taxes to facilitate administration. We also advocate removing the exemption for nonresidents from the income tax law so that nonresidents pay District income taxes at the full rate on their earnings in the District with a credit from their home state. **Sales Tax** The League believes the District's general sales tax rate should not exceed the sales tax rates in the surrounding areas. Proposed increases and expansions of the tax should also be judged by the criteria above. We are strongly opposed to a sales tax on food for off-premises consumption and on drugs, both of which fall heavily on low-income families. We support taxes on luxury items. **Property Taxes** The League believes that the District must consider its real and personal property taxes vis-à-vis the surrounding areas. The effects of proposed changes on population, business distribution and on property development and maintenance should be considered.

Unincorporated Business Income Tax The unincorporated business income tax should include the professions, with appropriate credit allowed on the personal income tax.

Use Tax The League favors a use tax on organizations exempt from the property tax as a form of payment toward the city services they receive.

Unrelated Profit-making Activities Tax-exempt non-profit organizations should be required to pay both income tax and real property taxes on their unrelated profit-making activities just as commercial enterprises must. **Other Taxes** A tax on parking, particularly all-day parking, should be considered. Bridge tolls might be other sources of revenue.

OTHER REVENUE SOURCES **Federal Payment** The federal payment should be regarded as an obligation of the federal government to the District due to the special relationship of the federal government to the nation's capital. This payment should be independent of any other federal funding of specific District projects. In setting the amount of the payment, consideration should be given to such factors as the potential tax value of property owned by the federal government and other tax-exempt organizations; services and facilities which must be provided to such governmental and other organizations, and to their clients and employees; the restrictions on industry and commercial building in the District which have limited the tax base; the constitutional limit on the area of the District which prevents expansion; congressional limitation on the District's powers to tax and borrow; and the services which the District must provide which are ordinarily performed elsewhere by counties and states. See LWV-NCA position.

Borrowing Authority The League supports flexible borrowing authority which will enable the District to finance its capital improvement needs within the limits imposed by its financial capabilities.

Grants-in-Aid The District should be entitled to participate in any federal programs for which there are grants-in-aid to states or municipalities and have the authority to seek those grants which would further its own priorities

Revenue-sharing Systems The District should be entitled to participate in revenue sharing on a basis which gives due recognition to its state, county, and city responsibilities.

Area-wide Financing Coordinated plans and programs of area and regional concern should be supported with area-wide financing.

Earmarking Revenue Earmarking revenue limits flexibility in the use of funds to meet the priority needs of the community. Any earmarking should be for a limited time only and should be subject to frequent review to determine if the circumstances which led to earmarking still pertain.

Delaware

Fiscal Policy

Tax Policy. Support adequate and flexible funding of federal government programs through an equitable tax system that is progressive overall and that relies primarily on a broad-based income tax.

Financing Public Education - Support for methods of financing public education that will promote equal opportunity for quality education and improve both the local districts' and state's budgeting while maintaining a high level of local control.

Effective Budget Process

The General Assembly should continue to use the budgetary process to review and evaluate state programs. Budgeting should be based on performance and program priority.

Effective record keeping, reporting, and evaluation by the Joint Finance Committee is necessary.

Florida

Finance and Taxation

Support a state fiscal structure that is equitable in its distribution of the tax responsibility and responsive to public needs.

Issues for Action:

- Promote equitable tax policy reform that provides adequate funding for state services.
- Support repeal of tax exemptions that do not fulfill a public purpose.

Georgia

Taxation

The League supports a broad-based tax system equitable to taxpayers and sufficient to finance the needs of the state. We support progressive rather than regressive taxation but view sales tax as part of a broad-based tax structure.

Idaho

Idaho's Tax Structure

Support for a tax structure which is balanced, equitable, adequate, and which is administered in a thorough and cost effective manner; support for greater understanding and involvement in the budgeting processes; support for increased taxation on extraction of mineral resources; support for revision of the state income, property, and sales taxes.

Indiana [No positions posted on web site](#)

Iowa

<http://www.lwvia.org/Portals/39/Study%20and%20action%20LWVIA.pdf>

Taken from **STUDY & ACTION GUIDE TO STATE PROGRAM 2003 ~ 2004**

STATE BUDGET PROCESS

Position in Brief: Support for use of generally accepted accounting principles, strategic planning, and systematic review.

FISCAL POLICY

Promote a sound economy and an equitable and flexible system of taxation.

IOWA TAX SYSTEM:

Position in Brief: Support for an equitable and flexible system of taxation that is progressive overall and provides adequate yield of revenue.

LWVIA Position (1973, 1974, 1975, 1983, 1988, 1990)

The League of Women Voters of Iowa supports all equitable and flexible system of taxation. A tax should be evaluated primarily on equity, taxpayers' ability to pay and adequate yield. A tax should be evaluated secondarily on the size of the tax base, ease of payment and collection, ease of understanding for the taxpayer, flexibility, and a balance between stability and elasticity.

INCOME TAX: The League advocates a progressive income tax and believes that any increase in state tax revenue preferably should be through income tax, rather than sales or property tax.

SALES TAX: The League advocates moderating the regressiveness of the sales tax.

PROPERTY TAX: The League believes that local revenues should depend less on property tax and more on state funds. Property tax should be decreased also by reduction in the number of local governmental units. Property tax relief should be granted to low income elderly and other low-income owners and renters. Property tax exemptions should be removed from income-producing property of churches, profit-making nursing homes, veterans' organizations, fraternal organizations, and labor unions. Cities should be allowed to impose user fees or payments-in-lieu-of-taxes (PILOTS) on tax-exempt properties for services rendered to those properties. Cities should be allowed to charge county, state and federally-owned properties for the city services provided to those properties.

EARMARKING:

When consistent with other League criteria, earmarking of funds is an acceptable fiscal policy.

CORPORATE TAX: The League urges a tax treatment for business that would provide equity of imposition and enforcement between in-state and out-of-state corporations. Changes to achieve equity should reinforce the economic stability of the state and provide a favorable climate for business.

TAX INCENTIVES: The League supports fair incentives for efforts and programs to slow the growth in energy consumption, to encourage development of renewable energy resources, and to maximize energy conservation

MUNICIPAL FINANCE

Position in Brief: Support for a wide range of local ... option taxes as a means of broadening the sources of revenue available to Iowa cities.

SCHOOL FINANCE

Position in Brief: Support of a state school-funding program that will provide equal opportunity for each child in Iowa to receive a quality education.

The League supports:

« the funding of local school district budgets with a larger proportion of state aid and a smaller proportion of local property taxes;

« *the use of various factors to calculate the budgets of local school districts; for instance, enrollment, average per-pupil costs, and unique needs or other special circumstances;*

« *the allocation of additional funds on a per-pupil basis to meet the needs of special education, gifted, and at-risk students;*

« *the option for local school districts to supplement their budgets within state determined limits and to allocate funds in a locally determined manner; and* « *the use of fiscal incentives that encourage school-district sharing of services to increase flexibility, educational opportunity, and overall economy.*

The League opposes:

Ø *increased reliance on local property taxes to support the budgets of local school districts.*

Kansas

State Finance

BACKGROUND: State Finance has been of continuing interest and study since 1936 when attention was given to reform of tax systems to provide adequate revenue for essential governmental services through an equitable distribution of the tax burden. Additional studies have resulted in positions on school finance and on standards of a modern equitable tax system with specific positions on severance, sales and income taxes.

The statements of position on State Finance that have been adopted are: 1949, support of an Add-on severance tax; 1971, present wording for health services, highways, and welfare funds; 1972, school finance plan; December 1976, the present position on standards, additional revenue sources, income tax and sales tax. The 1979 State Convention adopted a program for further evaluation of the Kansas tax system with emphasis on appraisal, assessment and classification. The delegates to the 1981 State Convention approved this position. The 1993 State Convention adopted a program updating the position on State Finance with emphasis on the tax mix, i.e. the income tax, the sales tax, and the property tax.

STATEMENT OF POSITION: The LWVK supports a broad-based state tax system that has diverse sources of revenue and that is equitable, provides adequate revenue, and is effectively and economically administered.

STANDARDS: The state sales tax system, in the context of the total tax system, should meet the following standards. Individual taxes may fail to meet some of these standards, but it is essential for a state tax system to meet all the criteria to be acceptable.

1. **Equity** The ability to pay should be the primary basis for distributing the tax burden. Tax laws should be reexamined periodically to insure that equity is not lost.
2. **Adequacy** Adequate, stable revenues should be provided by a tax system in order to finance the quantity and quality of services required not only during stable economic times, but also in time of recession, inflation and unemployment. The revenue should rise as rapidly as average per capita income. Diverse sources of revenue are desirable to broaden the tax base, assure wide-spread sharing of the costs of government, and to help achieve a system that meets the other standards outlined here.
3. **Ease of administration** A good tax should be easy to compute and pay, difficult to evade, and not expensive to collect. The administration of a tax system should require the smallest possible part of the proceeds; adequate **expenditures** for enforcement are necessary to prevent evasion. Taxpayers should be able to understand clearly their responsibilities and to comply with requirements in a manner that is convenient and economical.
4. **Consistency with economic goals** In establishing or changing a tax system, the effects on goals for consumption, incentives for investment and governmental objectives should be carefully considered. Tax systems inevitably have indirect effects on consumption (gas, cigarette, and alcohol taxes), on incentives for investment (income, intangible tax), and on governmental objectives (economic development, environmental quality, social welfare). The effect of the tax laws on these goals and on equity should be considered in formulating our tax policy.

The LWVK recommends:

1. Kansas seek additional revenue when needs for expanded and improved services from state and local governments require it. Revenue decisions should be accompanied by an evaluation of present programs, giving attention to efficiency in the use of state money and the effectiveness of state programs.
2. The state rely more heavily upon a progressive income tax as a source of revenue. There should be a sufficient number of tax brackets to adequately reflect "the ability to pay." Tax brackets and personal exemptions should be adjusted as needed to reflect the changes in economic conditions.
3. The League accepts the necessity of the sales tax as a part of a broad-based tax system, but its regressive nature should be relieved by the exemption of food and drugs from the tax base or through a provision of income credits including rebates for those who have no income tax liability. With such reforms an increase in rate would be acceptable; however, an increase in income tax is preferable to an increase in sales tax. The service.
4. f. The appeal process for appraisals should be readily accessible and understandable to the property owners. The Board of County Commissioners should appoint a sufficient number of trained hearing officers to make the appeal process timely for both the property owner and local units of government.
5. g. Guidelines and policies for granting tax exemption and abatement for economic purposes should be established by state law and should allow exemptions for a limited period of time. Tax exemptions for specific parcels of property should be approved by local units of government and include service charges to cover the costs of services provided by local governments. However, state approval should be required for exemptions from state-wide mill levies. Tax exempt property should be listed, categorized, valued, and information published regularly.
6. An "add-on" severance tax be continued upon a wide range of natural resources.

7. The entire burden of financing education, health, welfare and highways should not fall on local units of government, but should be shifted partially to larger geographical areas and their units of government. Specifically, we believe that:
 1. a. Health services should receive larger appropriations from the general revenue fund.
 2. b. No change is needed in the method of financing highways.
 3. c. Welfare funds should come principally from the federal government.
 4. d. The State of Kansas should promote equity in educational opportunity for all through a school finance plan which makes equivalent resources available to each pupil regardless of the wealth of any particular school district.

The League supports the following as a means of implementing this position:

1. Equalized **expenditures** per pupil should consist of revenues from each school district, based on district wealth, with the balance funded from state sources.
2. The state should provide approximately two-thirds of the total operating costs of education in Kansas.
3. Revenue to provide this support should be derived from one or more of these sources: a) a severance tax, b) a state levied and collected property tax on state assessed properties (e.g. utilities, pipelines, oil properties, railroads, etc.) with equalized distribution, c) income taxes and d) sales taxes (with sales of food exempt from the base)
4. The revenue should be equalized in distribution.
5. Statewide equalization of the assessment of property should be a necessary condition for fair use of property tax.
6. Equalized **expenditures** per pupil should incorporate a weighting system which takes into account the education level of the pupil, the enrollment of the school system, and adjustments for special, compensatory and vocational education.
7. Special provision should be made for the rapid correction of deficiencies of those school districts whose per pupil **expenditures** do not provide an adequate basic education.
8. The following factors should be regulated by state guidelines. They should not be used as determinants in school funding: a) incentives for school district consolidation; b) pupil-teacher ratios (maximum and minimum); c) teacher training and experience
8. base of the sales tax should be extended to include services other than medical, as long as the tax on specific services conforms to LWVK standards of equity, adequacy, ease of administration, and consistency with economic goals.
9. The classified property tax system should incorporate the following concepts:
 1. a. Constitutional provisions should contain a limited number of classes and should not give unlimited discretion to the Legislature, nor place all the detail in the Constitution.
 2. b. Definitions of classes and assessment rates should meet the LWVK standards of equity, adequacy, ease of administration, and consistency with economic goals. Uniformity (fair market value) should be established within each class of property.
 3. c. The residential property class should include both owner-occupied and rental properties and should be made more progressive by exempting a fixed number of dollars of assessed valuation and/or by a continuation of circuit-breaker programs for home-owners and renters.
 4. d. Use-value appraisal should be used for agricultural property.
 5. e. In order to achieve a high quality of appraisals on real and personal property, the Property Valuation Department of the State of Kansas should be responsible for: strict enforcement of appraisal standards; training and certification of county staff appraisers; obtaining adequate and sufficient data, particularly in commercial and industrial valuations; and for communication with the County Appraisers. The position of Director of the Property Valuation Department should be a professional career position in state civil

Maryland

This is an object that is hard to read. Should be printed separately.

Michigan

<http://www.lwvmi.org/shared/taxandbudget.html>

League of Women Voters of Michigan: Taxation and Budgeting

Adopted 1963, Revised 1971 and 1980, Section VI added 1995

LWVMI supports the development of a state-local tax structure which is adequate, equitable, flexible and moderately progressive. I. All three broad-based taxes on income, sales and property should be relied upon, with more reliance on the income tax.

- A. Both local and state property taxes should be levied, based on statewide use of scientific and uniform assessment methods and administrative procedures. Property exemptions should be reappraised periodically.
- B. Food and drugs should be exempt from the state sales tax.
- C. The state income tax should be graduated as to rate.
- D. Other ways to obtain additional revenues should be used, such as nuisance taxes and user fees
- E. Endorse the concept of tax base sharing, a system for sharing the property tax base that is subject to taxation among units of government.

II. The Legislature should have broad and fundamental taxing powers, free of constitutional restrictions except for constitutional provisions requiring a balanced budget and property tax millage limits.

III. The Legislature should exercise its authority to delegate to local units of government a variety of alternatives to the property tax to enable the local units to meet responsibilities delegated to them. However, the present taxing power of local school districts should not be broadened.

IV. State-collected revenues which are returned to local units should be distributed on the basis of need, minimum level of local support, and cost of needed services.

V. Budgeting

- A. The budget process for Michigan should include a budget review committee in the Legislature and the establishment of a legislative budget staff similar to the federal Congressional Budget Staff
- .B. State, as well as local government budgeting should involve: 1. Periodic evaluation of the executive departments; 2. Use of zero-base budgeting and sunset concepts; 3. Greater public input.
- C. The State should establish uniform local government budgeting.

Massachusetts

LWVMA

WHERE WE STAND

Government: Fiscal policy

Goal:

A state and local tax structure that will have an equitable impact on taxpayers and adequately support state services with consideration of the effect on the state and local economies; distribution of state aid in a manner that will equalize municipal resources; a comprehensive state budget system that will provide a basis for the evaluation of the cost and effectiveness of current state programs and long-range capital **expenditures**; up-to-date, uniform and accurate property valuation; and efficient management of the revenue collection systems. (1969-1979, 1992-1993)

The Fiscal Relationship between the State and Local governments (2008) ...

The League of Women Voters of Massachusetts believes that the Fiscal Relationship between the state and local government should incorporate and balance the following principles:

- **Equitability:** The Massachusetts LWV currently has positions that support the distribution of state funds in a manner that helps to equalize the resources of different municipalities. The equitability principle reinforces this position and its importance was affirmed (2008).
- **Flexibility in local spending:** Many municipal spending decisions are controlled either by state mandates or through laws that restrict municipal spending choices. This principle would support allowing municipalities to have more control over local spending decisions, in light of the lack of equitability in state revenue distribution.
- **Flexibility in local revenue-raising:** Currently Massachusetts municipalities have very few options for raising revenue locally. This principle would support allowing municipalities more flexibility in raising revenue, in light of the lack of equitability in state revenue distribution.

- Dependability: A dependable budget relationship between the state and municipalities would ensure that state aid to municipalities is consistent and predictable year to year. On balance, dependability is of lesser importance than the other principles.

The League of Women Voters of Massachusetts supports changes in state laws to ease the financial burden on municipalities in the areas of:

- Municipal employee health insurance
- Municipal employee pensions

Tax structure

The Leagues' opposition to "new local non-property taxes by state wide mandate or local option (1993) was eliminated (2008).

Proposals for new local non property taxes by state wide mandate or local option will be evaluated based on principles" in Fiscal Relationship section.

The League supports:

- the use of certain commonly accepted criteria in judging taxes, particularly equitability, economic effect, flexibility, ease and cost of collection, and adequacy of yield (1967, 1979, 1993)
- a greater reliance on state-collected taxes to reduce the burden on the property tax (1970)
- enforcement of taxing income-producing properties of tax-exempt institutions (1970) an income tax with a graduated rate applied to income from all sources (1970)
- equal deductions and exemptions for earned and unearned income (enacted, 1967) a tax on rental income (enacted, 1971)
- preferential treatment for long-term capital gains for income tax purposes (1992) a capital gains tax that gives preferential treatment to the gain received from the sale of a primary residence (1992)
- an increase in revenue from the sales tax by broadening its base; continued provision for exemption of necessities such as food and medication, and clothing with a lower limit (1970, 1993)
- the application of "sunset" provisions to sales tax exemptions, for the purpose of providing periodic legislative review as to whether these exemptions reflect the criteria of equitability, economic effect, ease and cost of collections, and adequacy of yield (1993) the broadening of the sales tax to include certain non-essential services sold to individuals when taxing those services would meet LWVMA criteria and when the greater burden would fall on those most able to pay (1993)
- a modification in the estate tax to provide for a full exemption for the surviving spouse (enacted 1992)
- a modification in the estate tax to increase the level of no-tax status to correspond more closely to the federal exemption, and to make this level subject to periodic review (enacted 1992) increased taxes on liquor and cigarettes (1979) user fees (1979)

The League opposes:

- a general sales tax (1970)
- adoption of new, local non-property taxes by state-wide mandate or local option (1993)

League

action

When the League developed its fiscal policy positions in the late 1960s and early 1970s, the state relied heavily on property taxes to fund essential municipal services. The League's principal concerns were that property taxes be reduced by a greater reliance on state taxes, and that the reduction takes place in a way in which municipalities with the poorest local tax bases would receive the most aid.

During the late 1970s and 1980s many of the League's original goals were met. Property taxes have substantially declined as a share of total state and local taxes, while reliance on income and sales taxes has increased. This shift has occurred because of the ceiling imposed on property taxes in 1980 by Proposition 2 1/2 and the subsequent increase in state financial aid to cities and towns, and because of the economic prosperity of the state during the late 1970s and early 1980s, which caused substantial growth in state personal income and sales tax revenue.

Some aspects of the state's tax system do not meet the League's criteria of equitability:

- The classification of the income tax, and the flat rates imposed on each class, prevent graduated rates that would better reflect taxpayers' ability to pay.

- Some sales tax exemptions cause undesirable losses in state tax revenues while granting privileged exemptions to favored individuals and businesses.

Some cities and towns are not receiving the state aid that their circumstances warrant, principally because of the change to a needs-based formula with high save-harmless floors and minimum per capita increases. The League has taken action in support of new state taxes because members recognize their responsibilities to provide adequate revenues to pay for the service programs they urge the Legislature to provide.

Based on consensus reached in 1992 on modification to the estate tax, the League was able to take immediate action by supporting legislation that would modify the estate tax in two areas that correspond to the League's new position.

The League supported the new provision for a full marital exemption for the surviving spouse (enacted 1992, became effective July 1, 1994) because it was cost effective, allowed for the retention of the graduated rate structure, and enabled the Legislature to retain its authority over the terms of the tax.

Earmarking Revenues

The League opposes:

- earmarking specific revenues for specific purposes (1992)

If an earmarking measure were proposed, the League would support:

- that it be subject to periodic review (1992)
- that it be subject to "sunset" provisions that limit the duration of such designation and allow the reversion of the earmarked revenues to the general fund (1992)

The League opposes:

- constitutional amendments to impose tax and spending limits

The League will evaluate statutory tax and spending limits at the state and local levels by applying the following criteria:

Tax and spending limits should:

- allow a community to meet its own public service requirements
- recognize and provide for varying fiscal situations
- encourage good fiscal planning
- meet commonly accepted criteria used in judging taxes
- allow for proper budget procedures

Tax and spending limits should not:

- be borne unduly by the poor
- cause detrimental changes in the balance of power between state and local government
- encourage spending and taxing up to the limit

League Action

Although League members do not favor limits in general, it was agreed that determining criteria by which to judge them gave flexibility to the League. Such action could prevent the adoption, through referendum, of strict limits with potential crippling effects on state and local government. League members oppose setting tax and spending limits through constitutional amendment. The constitution should continue to be a broad framework for legislative action and is not a suitable vehicle through which to set tax or spending limits.

The statute known as Proposition 2 1/2 (1980 ballot) failed to meet League criteria and the League vigorously but unsuccessfully opposed it. Proposition 2 1/2 allows overrides at the local level when funding for local needs is insufficient. Local League boards are encouraged to study any override proposal and determine whether to take a position.

Proposition 2 1/2 limits the property tax levy in two ways: 1) The maximum levy allowed is 2 1/2 percent of the total market value of real and personal property; and 2) the levy cannot increase in any year more than 2 1/2 percent of the previous year's levy plus an allowance for new growth from new construction or new accounts.

Proposition 2 1/2 also cut the motor vehicle excise rate from \$66/1000 value to \$25/1000. This caused a significant drop in the second largest local tax revenue account.

In the early 1980s, the Massachusetts economy was healthy and expanding. Increased state tax collections allowed for increases in local aid to offset some of the loss of local tax revenue under Proposition 2 1/2. By the late 1980s state

revenue growth had slowed, school enrollment was climbing, the annual inflation rate was at 5 to 6 percent, and the fixed costs of operating municipal government had increased dramatically. State aid, which had been increasing annually, became an uncertain source of local revenue. More communities were faced with the choice of cutting services or trying to override Proposition 2 1/2.

Many local Leagues, concerned by substantial cuts in essential services such as education and fire and police protection, examined override proposals and took action in support of them. Others opted to undertake voter service projects to inform voters about the choices.

The League supported legislation designed to relieve the burden of Proposition 2 1/2 on local governments, such as the proposal to tie the tax limit to the Consumer Price Index rather than the arbitrary and unreasonable 2 1/2 percent.

State mandates (1979)

The League supports:

- realistic fiscal notes on any enacted legislation that would have an impact on local budgets
- a requirement for a greater-than-majority vote of the Legislature for passage of major unfunded state-mandated programs
- adequate levels of state funding for state-mandated programs

The League opposes:

absolute prohibition of state-mandated programs

League Action

During the League's 1977-79 Financing Government Study, members examined the issue of state mandates and agreed that, in most cases, the state should not require cities and towns to perform functions that require the use of local tax dollars. Members also agreed, however, that the state has a legitimate interest in setting standards for many areas (education, safety, fire and police, for example) within local administration, and that state mandates are the only way such essential services will be provided throughout the state. Agreement was reached that fiscal notes should be enacted with any legislation that would have an impact on a local budget, that passage of major unfunded state-mandated programs should require a greater-than-majority vote of the Legislature, and that adequate levels of state funding for state-mandated programs should be provided. Proposition 2 1/2 requires full funding of all new state-mandated programs, unless voted by unanimous vote.

Distribution of state aid (1971)

The League supports:

- distribution of state aid to cities and towns on an equalizing basis for public education and other municipal services
- a continuation of state categorical grants for special programs, with the distribution of such funds on an equalizing basis

League Action

As the League has supported increased state aid to cities and towns to decrease reliance on the property tax, it has, at the same time, supported the concept that all state aid should work towards equalizing the ability of cities and towns to finance schools and other municipal services. Only by such equalizing distributions will the large discrepancies in the ability of cities and towns to raise property tax revenue, and thus adequately support both education and municipal services, be mitigated.

Since the enactment of Proposition 2 1/2, increasing amounts of state aid have been distributed to cities and towns, but the League remains concerned about distribution methods. No single formula has been proposed that meets League criteria. The League believes that state aid should be allocated by two separate formulas that function independently and are funded separately—one for education and another for municipal services. These two formulas would be used to determine all aid for education and for municipal services, not just the new increment that is added each year. Only in this way will state aid serve an equalizing purpose.

For aid to education, the League supported the use of the revised (1978) Ch. 70 formula. Increased state funding up to 50 percent on a statewide average is a goal yet to be reached. The League has filed a bill to make a change in the Ch. 70 formula to invert the fraction local equalized valuation per capita over state equalized valuation per capita. Because this change would give every community some increased aid when funding is increased, the League believes it would help eliminate the need for any save-harmless provision. The change would also make the formula simpler and easier to understand.

In 1971, the League developed the Equalizing Municipal Grant formula, for the distribution of municipal aid. This formula is used by the state to distribute lottery funds. The League would support the use of this formula for the distribution of local aid in conjunction with a revised Ch. 70 formula.

Property tax administration

The League supports:

- a method of levying the property tax to allow different tax burdens on different types of property (classification) with local flexibility within a range established by legislation (1980)
- the use of up-to-date and uniformly accurate property valuations to ensure that state aid distribution formulas and assessments, using local valuations as their base, are fair (1970)
- strengthened and improved assessment procedures at both the state and local levels of government (1970)
- state publication of an up-to-date manual of assessment guidelines (1970)
- state-established qualification standards for those performing the assessment of property on both the state and local levels (1970)

League Action

Classification: The expected shift in the tax burden as a result of the implementation of the 1974 Sudbury decision, which required all communities to assess all classes of property at 100 percent valuation, led to the passage, in 1978, of the classification amendment. The League could not take a position on the initiative but did hold information meetings.

In 1980, as part of its study on tax limits, League members agreed that different tax burdens could be imposed on different classes of property as long as there was local flexibility. Local Leagues are encouraged to monitor classification hearings and keep the public informed.

Assessment: Because property taxes are based on assessment, local assessment procedures must be fair and equitable. The requirement that cities and towns revalue every three years, in addition to the training and certification of assessors and the efforts of the state Department of Revenue and the State Assessors Association, has advanced the quality of property tax administration. The League supports these programs and cooperative efforts to enable small towns to hire professional assessors, as well as improvements to the equalized valuation procedure by the Department of Revenue and a computer-assisted mass appraisal system at the state level.

State budgetary procedures

The League supports (2008) ...

- Transparency* in the state budget and the budget process (2008).
- Timeliness** in the fiscal relationship between the state and municipalities.

**A transparent state budget would be clearly written, unambiguous and understandable for the general public. In addition, a transparent budget process would allow the general public to see how the budget is created. ** For example, timeliness would encourage the state to provide firm information on state aid to municipalities earlier in the budget cycle."*

The League supports (1969):

- a comprehensive budget system

identification of expenditures in terms of the services to be performed

- evaluation of governmental programs in relation to needs
- informed action by the Legislature and interested citizen groups
- long-range planning
- adequate accounting and auditing systems

League Action

The budget process affects all areas of League concern. The League supports a comprehensive budget system that will provide a continuous evaluation of the costs and effectiveness of state spending programs, and improved methods for judging priorities for operating programs and capital needs. The League worked for passage of legislation requiring an annual tax **expenditure** budget. This was accomplished by the provisions of Ch. 611 of the Acts of 1983.

Tax **expenditures** are special provisions in the tax code, such as deductions, credits, incentives or loopholes, or any provision that varies from the normal structure of the tax. They result in a loss of revenue to the state. A tax **expenditure**

budget lists these special provisions for each tax and estimates the amount of revenue lost. It is an extremely useful tool to evaluate tax decisions and policies.

Background

- 1962: Ballot initiative for a constitutional amendment allowing a graduated income tax, strongly supported by LWVMA, was defeated by the voters.
- 1962: Opposition to the general sales tax and support of a graduated income tax, LWVMA's two major fiscal policy positions prior to this time, were dropped at convention.
- 1965-67: Public Education study touched on financing of education and aroused member interest in the total financial picture of the Commonwealth.
- 1967: Fiscal Policy study was adopted at Convention.
- 1967-69: Members endorsed criteria for judging taxes, equitability being of prime importance and adopted support for comprehensive budgeting.
- 1969: In the third year of the study, LWVMA evaluated the effect of the property tax on individual taxpayers, older cities and the quality of municipal services. Consensus was reached in support of greater reliance on state-collected taxes in order to decrease the burden of the property tax. Consensus was also reached, again, on support of a graduated income tax and opposition to the general sales tax (on food and medicine). Other positions included support for a tax on rental income (enacted in 1971) and support for better enforcement of the property tax on income-producing real estate of tax-exempt institutions.
- 1970: Study of state aid to cities and towns, to learn how the increased revenue resulting from greater use of state taxes should be distributed, resulted in support for equalized funding.
- 1971: Members agreed that reliance on state taxes should increase to reduce reliance on property taxes. LWVMA developed a formula, the Equalizing Municipal Grant (EMG) for the distribution of state aid. Although not used for its original purpose, the formula was added to the lottery bill and is used as the distribution formula for that portion of the lottery revenue given to municipalities.
- 1977-79: Financing Government Study reevaluated the Commonwealth's fiscal policies and their effects on the state economy. Members continued to support more revenue from a graduated income tax, a sales tax with a broader base, and increased liquor, cigarette and gasoline taxes. Members agreed that state-mandated programs neither could nor should be prohibited. Consensus was reached that realistic fiscal notes be required on any bill passed by the Legislature that would have an impact on local budgets.
- 1980: Consensus on tax and spending limits was reached. Members were opposed to amending the constitution to impose tax and spending limits. To maintain some flexibility in regard to statutory limits, however, agreement was reached on criteria by which to evaluate them. Members agreed to support classified property taxes.
- 1991-93: Leagues reporting consensus positions on the estate tax were unanimous in their support of a full exemption for the surviving spouse. It was felt that the current Massachusetts estate tax falls inequitably on middle income surviving spouses whose major asset is often the family residence. The economic and behavioral impacts of the discrepancy between Massachusetts and other states were also seen as undesirable.

There was a strong consensus in support of an increase of no-tax status. Most Leagues specifically recommended an increase to \$600,000; a few mentioned a lower level (\$350,000-\$400,000), "periodic review" or use of an "adjustment factor."

Study of the taxes on capital gains reaffirmed our position supporting the graduated income tax. Most Leagues agreed that if all income were lumped together and taxed at graduated rates, higher income people would pay a higher rate of capital gains than lower income people who also report capital gains. However, the Leagues reporting agreed that preferential treatment should be given to long term capital gains for income tax purposes and to the gain received from the sale of a primary residence.

LWVMA supports maintaining the flexibility of revenues by limiting the dedication of specific taxes and fees for specific purposes. The League believes that the Legislature should set program priorities through the budgetary process and that any program worthy of funding should be able to withstand the annual appropriation process.

Members expressed concern about the degree to which the concept of earmarking undermines a thoughtful, deliberative public policy decision process, particularly if it is constitutional rather than statutory. Rather than making the Legislature and executive branch more responsible to public concerns, earmarking may remove them from true accountability for budgetary decisions. The proliferation of dedicated revenues ties legislators to past decisions, jeopardizing funding of emerging needs.

The strongest argument for earmarking is the political one that it may appear to be the only way to raise needed new revenue. However, League members recognized that there is no assurance that new revenues will actually lead to the increased spending desired in the earmarked category, since even earmarked revenues are subject to approbation by the Legislature.

In year two of the study, the Leagues reporting expressed concern that new, local non-property taxes would increase the existing fiscal disparities among the cities and towns. In addition, Leagues were concerned about the difficulties and costs of administering additional local taxes and about the border problems that these taxes could cause.

Local Leagues reaffirmed their support for existing LWVMA positions calling for a greater reliance on state-collected taxes to reduce the burdens of the property tax, and for a distribution of state aid to cities and towns in a manner that will equalize municipal resources. Leagues also expressed support for changes in Proposition 2 1/2 that would make this measure more flexible, such as indexing the allowable annual increase to an inflation factor.

In supporting the extension of the sales tax to selected services, League stated that those services that must be consumed by people of modest means should not be taxed, while those principally consumed by the wealthy (e.g., entertainment events, landscaping, and decorating) might be acceptable for taxation.

Leagues also expressed concern about the impact of sales taxes on services sold to businesses. They feared that businesses would simply pass the costs of such a tax on to consumers and that the competitiveness of Massachusetts suppliers of services would be lessened. On the other hand, some Leagues expressed interest in a regional (e.g., new England states) approach to sales tax on services sold to businesses as this would keep Massachusetts competitive in New England.

Minnesota

<http://www.lwvmn.org/Page.aspx?pid=569>

PROGRAM POSITIONS BELOW ARE TAKEN FROM "PROGRAM FOR ACTION 2009-2011 A Summary of the Positions of the League of Women Voters Minnesota" Updated: January 2009 Beginning P. 5

FINANCING STATE GOVERNMENT

LWVUS Position (Tax Policy): The federal system, taken as a whole, should be progressive, not proportional. LWVUS supports income as the major tax base for federal revenues. (1984)

LWVMN Position: Support a balanced and diversified revenue system that is equitable, competitive with other states, progressive and reliable. Support long-term financial management, projections and a budget reserve. (1995)

Details

Support:

A balanced and diversified revenue system which relies on a combination of broad-based taxes and user fees

The following criteria for evaluating individual revenue sources and the overall revenue system:

Ø **Competitiveness:** Allows Minnesota to compete with other states and nations as a location of economic activity, recognizing that the revenue system is only one of many factors involved in location choice and that the level and effectiveness of public services affects competitiveness

Ø **Efficiency:** Maintains a reasonable relationship between administration and compliance costs and the amount of revenue generated

Ø **Equity:** Imposes a similar revenue burden on taxpayers in like circumstances

Ø **Progressivity:** Requires that those with a greater ability pay a larger percentage of their income in taxes

Ø **Reliability:** Provides a stable source of revenue

Ø **Responsiveness:** Adjusts to changes in economic conditions and reflects long term growth

Ø **Simplicity:** Is understandable to the taxpayer

A progressive **individual income tax** with a graduated rate schedule

A broad-based **retail sales tax** with exemptions for essential items to reduce the impact on low-income persons

The use of an equitable **property tax** as the primary source of financing for services provided by local governments and a partial source of financing education (see the Financing Education position.)

A **corporation franchise tax** which is competitive with other states providing a comparable level of public services. LWVMN supports a corporation franchise tax which equitably taxes all corporations earning profits from their business activities within the state

The use of other sources of revenue, such as user fees and special assessments, for funding specific activities and projects. These charges should be assessed with a sensitivity to the criteria established to judge the overall revenue system

Achieving social policy goals through open and visible **expenditures** rather than by granting deductions, exclusions and credits. If deductions, exclusions and credits are granted, they should be:

- Ø Evaluated on the basis of their compliance with the criteria established to judge the overall revenue system
- Ø Determined to be the most cost-effective means of achieving intended purpose
- Ø Reviewed periodically to justify continuance

The distribution of state-collected revenues to local governments based upon the following principles:

- Ø It is appropriate for state and local governments to share in the cost of services provided by local governments that benefit all Minnesotans.
- Ø If necessary, state funding may be used to assure that local community services are available on an equitable basis.
- Ø The state should not impose statutory limits on local governments' ability to raise and spend revenue for local community services.
- Ø Programs which distribute state-collected revenues to local governments should enhance the equity, progressivity and efficiency of the overall revenue system.
- Ø Once enacted, promised distributions of state-collected revenues to local governments should be a reliable source of revenue to local governmental units.

The principle that state legislation mandating local governments to provide specific services should identify adequate and appropriate revenue sources

Long-term financial management of all state government funds

Consideration of long-term projections of revenue and **expenditures** when making budget decisions

An adequate budget reserve, established during good economic times, to be used in recession years to sustain **expenditures** for necessary services

GOVERNMENT SPENDING

State Government Spending

LWVMN Position has four parts:

I. Broad Goals: The League of Women Voters of Minnesota (LWVMN) believes long-term vision as well as immediate concerns should guide state spending decisions.

A. LWVMN strongly supports the following broad goals (by priority):

1. Provide high-quality K-12 educational opportunities for Minnesotans.
2. Provide for a basic level of health and human services for all Minnesotans.
3. Protect the state's natural environment.
4. Encourage economic self-sufficiency.
5. Provide for the public safety.
6. Provide high-quality post-secondary. educational opportunities for Minnesotans.
7. Preserve the state's open spaces (i.e., parks, state buildings).
8. Maintain a viable state-wide transportation system, including public transit.

B. LWVMN also supports the following goals:

1. Ensure that all Minnesotans receive a basic level of local public services without regard to individual or community wealth.
2. Maintain a viable state-wide transportation system, including public transit.
3. Create a business climate that will allow MN business to compete nationally and internationally.
4. Ensure timely resolution of court cases.

C. LWVMN does not support the goal of limiting state and local **expenditures** to a legislated percent of personal incomes.

II. Spending Priorities

A. LWVMN believes that the highest priority areas for state spending are the following:

1. K-12 (regular) education
2. Health Care
3. Environmental protection

Relative Priority: When considering specific proposals requiring choices, LWVMN believes that some components of state spending should be given higher priority than others.

1. Regular education over vocational education
2. Vocational education over special education
3. Special education over community education and recreation
4. Health care and family support over nursing home care
5. Environmental protection over parks and recreation
6. Roads and transit over highway patrol
7. Job-related economic security over business incentives
8. Property tax relief related to income over Homestead and Agricultural Credit Aid (HACA)
9. HACA over Local Government Aid
10. The court system and law enforcement over correctional institutions.

III. Criteria for Limiting Spending

A. When the state finds it necessary to limit spending, LWVMN supports use of the following criteria (by priority):

1. State subsidies for sports teams, convention centers, and similar projects should be among the first items to be curtailed.
2. Maintenance of existing infrastructure should take precedence over **expenditures** to increase the infrastructure.
3. Property tax relief programs should be directed to those with lower household incomes.
4. Services should be provided first to the most needy citizens.
5. Eligibility guidelines for public services should be adjusted to increase individual responsibility.

B. LWVMN opposes:

1. Making across-the-board cuts first, as a way to allocate funds
2. Placing more reliance on non-government organizations (such as churches and not-for-profit organizations) to deliver services
3. Reducing state funding for higher education and increasing reliance on tuition
4. Allowing services for the elderly to take precedence over those for children

IV. Efficiency

A. LWVMN supports enhancing efficiency and cost effectiveness in the provision of quality government services. To this end, LWVMN supports:

- Emphasizing prevention over treatment of problems
- Encouraging inter-governmental cooperation

B. LWVMN also supports:

- Providing funds/grants to individuals to allow them to select providers of child-care services and housing assistance
- Giving government employees more flexibility and incentives to manage the way they do their jobs
- Using performance-based budgeting to emphasize outcomes over inputs and to hold government officials responsible for results

- Encouraging competition (private-private, public-private and public-public) to enhance efficiency

LWVMN does not support providing funds/grants to individuals to allow them to select providers for K-12 education.

Missouri

http://lwvmissouri.org/files/2010-2011_lwvmo_positions_in_brief.pdf

Fiscal Policy Adopted 1940, Updated 1973, 2003

Support of a balanced and progressive tax system to finance necessary governmental services

Opposition to revenue and expenditure limits to control the growth of state government.

Fiscal policy should be in state statutes, rather than the Constitution.

Montana

STATE GOVERNMENT FINANCE

To provide a broad-based tax system that is equitable, provides adequate revenue for all state-funded services, and is effectively administered and enforced.

HISTORY

The League supported the balanced budget provision in the 1972 Constitution. In addition, based on a 1979 study, reaffirmed in 1988, the League has strong positions on three basic issues: taxation, the budget process, and severance taxes.

The League has called for efficient and equitable financing of public education, with the state fully funding a high quality basic education and state-mandated education-related services. Primary goals are equity of funding and equity of taxpayer effort.

The League supports a balanced and progressive tax system which yields sufficient revenue to fund government services. Diversity yields stable revenue and prevents reliance on a single tax source, particularly one with a narrow base. An equitable tax system considers ability to pay and the relative burden of taxpayers. Taxes need to be easy to compute and pay, difficult to evade, and not expensive to collect.

Budgeting should identify state goals and priorities, and relate funding levels to program goals. In 1982 the League recommended program review and evaluation, identification of agency and program priorities, accurate revenue estimates in the executive budget and the appropriation bills, and clear relationships between programs and revenue sources.

The League opposes the proliferation of earmarked funds because of their detrimental effects on responsive, accountable budgets and on program management. The League supports vigilant public involvement in the biennial review by the Legislative Finance Committee of all existing revenue dedication provisions.

POSITION

The League of Women Voters of Montana supports:

- The balanced budget provisions in the Montana Constitution as an adequate spending limitation.
- The executive budget amendment authority in the Montana Constitution.
- An accountable, responsive state budget process based on program planning principles, with meaningful participation by the public, legislature, and executive agencies from the earliest planning stages through adoption and oversight.
- Promotion of efficient and equitable funding of all state-funded services, including education.
- Diverse sources of revenue, with emphasis on progressive tax structures, user fees, and severance taxes.
- Control of the number and establishment of dedicated revenue accounts and public involvement in their biennial review by the Legislative Finance Committee.
- Consideration of both state and local tax structure and burdens in evaluating Montana's tax system.
- Severance taxes, including a coal severance tax, that address the current and future impacts of resource development and provide an appropriate level of revenue to the state.
- The partial allocation of severance tax proceeds to trust funds to meet future needs, including dedication of 50% of the coal severance tax revenue to the permanent Coal Tax Trust Fund.
- Maintenance of the permanent Coal Trust Fund without a cap.

- Appropriation of interest and income from the Permanent Coal Tax Trust Fund by the Legislature.
- Super-majority vote of three-fourths (3/4) if each house to approve withdrawing principal from the permanent Coal Tax Trust Fund, and then only under catastrophic circumstances.
- Investment policies for the permanent Coal Tax Trust Fund which include consideration of the state's economic development goals.

Nebraska

FINANCING STATE AND LOCAL GOVERNMENT: The League of Women Voters of Nebraska supports a state fiscal policy that reflects the goal of adequate revenues in order to meet the budgeted **expenditures** of all levels of government to meet state and local services. In order to allow the aforementioned levels of government to fulfill their governmental responsibilities, a tax structure which is progressive, efficient and flexible is necessary.—Adopted 1987, amended 2011.

Specifically, the League supports the following:

- 1) The state's primary sources of revenue should continue to be derived from a combination of sales and personal income taxes. Additional revenues can be achieved through an increase in tax rates, by extending the sales tax to services with exemptions for medical, legal, child-care and educational services, and increases in tobacco products and liquor taxes.
- 2) The League is opposed to the state operating, or sanctioning the operation of any state or regional lottery.
- 3) The state should utilize the federal income tax form as a progressive, economic and efficient vehicle for taxpayers to determine their tax obligations.
- 4) The state's primary responsibility is in providing adequate funding, in priority order, for: all levels of education, human services programs, aid to local governments, government services and economic development.
- 5) The state legislature when considering budget reductions should carefully evaluate each program and use line item reductions, not across-the-board reductions. The League does not support the imposition of fixed percentage "lids" on state **expenditures** as a proper method of budget reduction or the use of deficit spending in times of inadequate revenue.
- 6) We believe there should not be any sales tax on food.

Nevada

<http://lwvnm.org/about-lwv/state-league-positions/>

B. NEVADA FISCAL POLICY The League of Women Voters of Nevada supports action to obtain a balanced tax structure that is fair, adequate, flexible and has a sound economic effect. The tax structure should be graduated, promoting equity. It should adequately cover existing needs and future expansion of general public needs. Tax revenues should be sufficient to effectively further League of Women Voters program goals. Clarity and consistency in tax policy should be enhanced. Flexibility and recognition of changing times, growth and need is important to Nevada's tax policy. The tax collection system should be restructured as necessary to be the most efficient means of achieving these goals. The League supports: A balanced and diversified revenue system, which relies on broad based taxes and user fees. Adequate revenues to address the LWVNV identified goals: environmental protection and pollution control; a basic level of health and human services; quality education for all children, K-12; quality post-secondary education; economic self-sufficiency and safety for all citizens. Long-term financial management including budget projections and budget reserves to stabilize state revenues. Maximizing the use of available federal funds. Allocation of appropriate funds for any State legislation mandating local government action. Procedural changes within the revenue collection agencies including allocation of adequate resources that would result in more efficient revenue collection. Regular review of special tax exemptions as to their relevance. Ongoing internal/external audits within all state agencies to ensure accountability. Additional legislative proposals that reflect the above position on tax policy. (This Position was developed through consensus interaction of the State Tax Committee and members of the LWVNV State Board, November 2002 through January 8, 2003. It was presented to all members of the League of Women Voters for concurrence, January 16 and 18, 2003.)

New Hampshire

<http://www.lwvnh.org/files/lwvfinancebook.pdf>

They produced a booklet, Financing New Hampshire, 16 pages in 2006. To help citizens understand the state's system of taxation. They do not have an income tax or general sales taxes. They have various taxes, fees, licenses, and local services, including most of education are funded from local property taxes.

FINANCING GOVERNMENT

Action in support of reforms to achieve equity in the New Hampshire tax system. Support of increased state funding for elementary and secondary education to provide equal access to basic educational opportunities for every student.

The League of Women Voters of New Hampshire has established the following criteria for evaluating state taxes:

The optimum tax is one that provides a reliable source of revenue, raises adequate revenue to justify its imposition, is based on ability to pay, and is levied on a broad segment of the population.

The League also supports, where appropriate, a tax that is a direct payment for a service or benefit ("user's tax").

The League finds the following characteristics desirable in judging taxes: -

- Progressiveness
- Low cost of administration
- Directness
- Ease of collection
- Flexibility (to meet changing economic conditions)

The League would support a tax that regulates or sets policy only if adequate safeguards are incorporated, such as a periodic review process.

In examining New Hampshire's present tax structure, the League finds that most state taxes only partially satisfy the above criteria. The League supports tax reforms that would make the present system more equitable and provide a broader base.

1. The League recommends the development of long-range fiscal goals to guide the state's budgetary process. The League recognizes that New Hampshire's governmental structure (two-year term for governor and biennial budgets), as well as the present tax system, tend to inhibit rather than promote long-range fiscal planning. Opportunity should be provided for effective participation in this process by a broad spectrum of public and private interest groups, as well as individual citizens.

2. The League believes that when the legislature promulgates laws requiring **expenditures**, these laws should be funded to the greatest extent possible from state revenues.

Responsibility for funding such laws lies with the legislature and should not be passed on to other governmental units without a good-faith effort to provide state funding.

3. The League believes that, if additional revenue is needed to support state government, any new taxes should meet the criteria established above. The League would support, in order of priority:

- a tax based on ability to pay,
- a user's tax and
- an increase in existing taxes.

The League finds that flat-rate and earmarked taxes are the least desirable means of raising revenue.

4. The League supports increased state funding for elementary and secondary education and the maintenance of local control over school budgets.

- The state should continue assistance to school districts to meet state minimum standards.
- State-mandated programs should be funded by the state.
- Foundation Aid should be fully funded.

5. The League believes that every student in New Hampshire should have access to equal basic educational opportunities.

The state should continue to set minimum standards and guidelines. State funds should be used to reduce the basic educational inequalities among school districts. The League supports full funding of Foundation Aid as the first step in achieving this goal.

6. The League believes that state support for elementary and secondary education should be a high priority in the state budget.

LWVNH, December 9, 1980

New Jersey

http://www.lwvnj.org/action/2009-2011_Study&Action.pdf

Fiscal Policy

Statements of Positions and History

Dedication of Taxes 1971, 1984, 1996

The League of Women Voters of New Jersey opposes constitutional dedication of taxes for specific purposes.

Explanatory Statement

In 1997, 38 percent of NJ state tax revenues (\$6 billion of a \$16 billion annual state budget) were constitutionally dedicated to specific programs by six amendments to the NJ Constitution approved between 1969 and 1996. Unless other amendments to the Constitution are approved by the voters to reverse the present dedication, revenues from the dedicated taxes can never be used for any other purpose. This results in a rigid and inflexible tax structure that is incapable of responding to changing conditions and needs. It undermines the accountability of elected legislators to the voters because it deprives them of the power and responsibility to determine how a major portion of state revenues will be spent. A dedicated tax almost never raises a level of funding equal to the specific need. If funds are insufficient, citizens become frustrated and angry when additional funds are required from the state budget. If funds are too great, they can result in a proliferation of programs as happened with the casino gambling funds. Over time, the cost of the added programs increased so greatly they created a heavy demand on the General Fund of non-dedicated revenues. Constitutional dedication provides permanent funding advantage that unfairly favors the most popular programs or those with the support of the most powerful organizations. Dedication reduces the resources available to meet the needs of least powerful citizens and groups regardless of how serious their needs may be.

Constitutional dedication of taxes increases when there are insufficient revenues to fund legitimate state needs because of adverse economic conditions or reductions in state taxes by the administration and legislature. The League is concerned that constitutional dedication is being resorted to more frequently because of reductions in major state tax sources, and that the latest constitutional amendments dedicate revenues to narrower and more specifically defined purposes, making them more rigid and inflexible than the earlier dedication of lottery revenues (to education and state institutions), casino gambling revenue (to programs for senior citizens and disabled residents), and personal income tax revenues (to reduction of the property tax).

Position History

Over the years it has often been necessary for the League to resolve conflicts between this position and positions in other areas. In 1982 when the state faced fiscal crisis due to a revenue shortfall, the Governor proposed a sales tax on the wholesale price of gasoline, with part of the revenues dedicated to transportation needs. The League, under its national energy position, approved of the tax and its intended use, but not its constitutional dedication, as future needs might change. Again in 1995 the League opposed the adjusted dedication of motor fuel taxes.

The League rarely took a position on dedication of taxes by statute. In 1991 we took no position on the marriage license fee instituted to create revenues for domestic violence programs the League supported.

The 1996 update changed the position to limit League opposition to constitutional dedication. During 1996 the League opposed two proposals for constitutional dedication of taxes: increase in the cigarette tax to fund school facilities and a dedication of a portion of the Corporation Business Tax for environmental purposes. The Corporation Business Tax dedication question was placed on the ballot and approved. The cigarette tax dedication did not appear on the ballot, but was defeated at the legislative level because the tax created less than half the revenue required to fund school facilities. The League did support the 1998 thirty year constitutional dedication of \$98 million of sales tax revenue for acquisition of one million acres of open space, reasoning that crucial lands needed to be saved while available and a permanent source of funding was necessary to do so.

In 2000 the League opposed the five-year reauthorization of the Transportation Trust Fund Act, which was financed with no new revenue sources but by constitutionally dedicating \$400 million from two existing taxes—the petroleum products gross receipts tax and the sales tax. This question passed. In 2006 and then again in 2007 the League opposed a half cent on a one cent sales tax increase which was to be constitutionally dedicated to the broadly defined Property Tax Relief Fund. The 2006 question passed, the 2007 question failed.

In many cases the League supports the need, but not the financial measures used. This practice destabilizes the state budget leaving less revenue for general state programs. .

Public Education Funding - 1973, 1984, 1997, 2001

The League of Women Voters of New Jersey supports state financial measures to improve and equalize opportunities for public elementary and secondary education, including increased state aid for school facilities required to provide quality

education, with special emphasis on meeting the needs where they are the greatest. Funding for the public school system of New Jersey should:

- *Guarantee a “through and efficient” level of education to all public school children in the state:*
- *Be distributed so as more nearly to equalize educational opportunities;*
- *Provide adequate support for children with special needs.*

Public school districts should be protected from arbitrary funding changes and should receive timely notification of and a firm commitment to the amount of state aid available to them.

New state requirements of local districts should:

- *Help the districts meet acceptable educational standards;*
- *Include significant state funding for implementation;*
- *Allow adequate time for compliance.*

Explanatory Statement

The League believes that the state must play a major role in school funding in order to provide New Jersey’s constitutionally required “thorough and efficient” education in every school district. New Jersey’s fragmented public education structure produces great disparities in wealth among school districts that result in vast differences in their ability to provide educational programs, services and facilities. Significant state financial support is essential not only to provide equal educational opportunity, but also to insure a quality of education which prepares all public school students to participate fully in economic, political and social life and enables them to compete with their peers statewide in higher education and the world of work.

State education aid should be provided with such funds equalized. However, equalization need not mean leveling down, and those districts that choose to and have the ability to do so should be permitted to provide additional educational opportunities.

The League is concerned with the high cost of special needs programs. The costs of these programs must be accurately determined and then adequately funded.

The League understands the need for state mandates to provide adequate educational standards but believes such mandates should be used only when necessary to meet desired educational standards. Only those items necessary to ensure an equal opportunity for education in a safe and healthy environment should be mandated. To prevent undue financial burden on school districts, the state should provide an appropriate portion of the funding needed for implementation of a mandate.

State aid for construction, replacement and renovation of facilities needs to be increased to enable local school districts to provide constitutionally required facilities necessary for a safe, healthful, and educationally effective school environment. State facilities aid to individual districts should reflect the age and condition of their schools, enrollment growth or decline, and local ability to pay.

Position History

Convention 2001 voted to merge the 1984 Public School Funding position under Education with the Education Funding (1973, 1997) position under Fiscal Policy. The roots of the League of Women Voters of New Jersey position on education funding extend back to 1946. A 1962 League history states, “Since its inception in 1946, the League has supported a system of state distribution of aid among school districts according to their ability to pay for a ‘foundation program’ of education, thus increasing the equalization of opportunities for education between richer and poorer districts.” The history states that the League will “support state financial measures to improve and equalize opportunities for public elementary and secondary education”.

League work on tax policy between 1962 and 1973 educated our members on the disparities in educational opportunity in curriculum, services, and facilities as a result of wide variations in the fiscal capacity of local governments. These disparities in educational opportunity led the League to work for passage of a graduated income tax, to oppose increases in minimum aid and to support the Bateman Incentive-Equalization Law in the late 60s. League supported Governor Cahill’s Tax Policy Committee’s recommendations for taxes and education; these collapsed when the income tax bill failed. In 1973 the League joined the first suit to challenge the constitutionality of school funding in New Jersey. In 1973, the NJ Supreme Court found the Incentive-Equalization Law unconstitutional in *Robinson v. Cahill* and ordered the enactment of a new financing system to meet the constitutional requirement of a “thorough and efficient” education for all children.

In 1973, with a LWVUS Education Fund grant, the League formed a broad-based coalition to inform citizens of the issues involved in school funding. By 1974, our primary effort shifted to intensive lobbying, both for a new school funding law and

a progressive income tax to provide an adequate funding base for education. The League played a major role in the Citizens Coalition for Tax Reform, which had 40 participating organizations.

Despite continuing action by the Supreme Court, it was not until 1975 that a new school aid law was passed. Funds to pay for the law were not provided until 1976 after the Supreme Court ordered the closing of all public schools. A virtually flat income tax was approved for school funding and was accompanied by other reforms to reduce local property taxes.

Another legal challenge, *Abbott v. Burke*, was filed in 1981 in response to growing disparities in per pupil **expenditures** and tax rates. The LWVNJ joined an advisory panel in support of this action, and in 1984 joined the suit as *amicus curiae*. In that same year, members completed another study that confirmed, clarified and expanded the school funding position.

In 1990, nine years after the filing of *Abbott*, the Supreme Court found the 1975 law unconstitutional as it applied to the poorer urban districts and minimum aid to wealthy districts. It mandated a number of state actions including parity in regular education spending between poor urban districts and wealthy suburban districts, elimination of minimum aid, and provision of additional state aid to meet the needs of disadvantaged students in poor urban districts. The Quality Education Act (QEA), which was under consideration by the legislature, was amended to respond to the decision and passed. LWVNJ supported the bill, despite some shortcomings, because it would better equalize fiscal resources among school districts. In 1991, the League opposed an amended QEA that reduced aid to poorer districts and diverted \$600 million to property tax relief. LWVNJ joined as *amicus curiae* in a challenge to the constitutionality of the amended QEA

In 1994 the New Jersey Supreme Court found the Quality Education Act unconstitutional and established deadlines for state action to meet its earlier mandates in *Abbott II*. The state then developed the Comprehensive Educational Improvement and Financing Act (CEIFA), which made major changes to remove features important to the League. It passed mid – December 1996. LWVNJ filed an *amicus curie* brief January 31, 1997 challenging the constitutionality of the law. The brief focused on the role of school facilities in providing programs necessary for students to achieve the core curriculum content standards. May 14, 1997 the Court found CEIFA unconstitutional as applied to the now 30 special needs districts and ordered specific actions in these districts including implementation of whole-school reform, full-day kindergarten and halfway preschool programs for three and four year olds, and the complete cost of correcting infrastructure deficiencies and construction of new facilities. The final decision on May 21, 1998 included a Spring 2000 deadline for beginning facility construction.

During 1999 the League opposed consideration of split sessions to relieve classroom crowding and reduce construction needs; called for additional funding in FY 2000 budget for school construction and offered amendments to the draft Facilities Construction and Financing Act. League testimony focused on the failure to provide new revenue sources to pay for the cost of the act. The final bill authorized bonding of \$8.6 billion (\$6 billion in the special needs districts and \$2.6 billion for other districts).

By September 2003 health and safety repairs in the special needs districts were completed, but no new school construction begun. By 2006 the \$8.6 billion was committed with less than half the approved new construction in special needs districts completed and a large portion of the funds available for non-Abbott districts going to New Jersey's wealthiest school districts.

In September of 2005 the League held a press conference expressing the disappointment in the lack of progress and mismanagement of the school construction program. A position was adopted by the board calling for additional funding, through borrowing, an expansion of funding for other districts and a surcharge on income tax to repay the debt incurred. In 2007 the League testified before the Joint Education Committee regarding the restructuring of the School Construction Corporation. The new agency is the Schools Development Authority. In 2008 the League testified and supported a bill authorizing \$3.9 billion in additional school construction funding which passed.

In 2005 the League board approved the following position, "The League supports providing additional state aid to poor rural districts similar to that provided to the poor urban Abbott districts in educational funding, preschool and other "Abbott" remedies required by NJ Supreme Court rulings." This was in response to hearings of an administrative law judge regarding the educational conditions in 17 rural schools. The State Board of Education instructed the Department of Education Commissioner to propose a remedy. That instruction was delayed until early 2008 when a new funding formula, School Funding Reform Act (SFRA), was rushed through the legislature in the lame duck session. The League was active in opposition of the SFRA due to the speed with which the formula was passed and the lack of public information concerning its development and implementation. Concerns remain that the Abbott remedies will not be available due to resource constraints and that educational inequities will persist. Already, due to the economic crises of 2008-2009, the formula will not be fully funded by the state in its second year.

Tax and Spending Limits—1981

*The League of Women Voters of New Jersey supports limits on taxation and **expenditures** for municipal, county, school and state governments. Such limits should meet the criteria of the League's fiscal policy positions. These limits should have sufficient revenues for state and local services to meet the needs of New Jersey citizens, reduce our dependence on the property tax, provide government accountability and encourage good fiscal management.*

The League also supports limits that encourage a progressive tax system, allow for new or unforeseen services, help reduce disparities in tax rates and services among communities and help equalize the opportunity for public elementary and secondary education in the state. Such limits should promote equitability in services and in taxes, allow for increased services due to population change and not encourage spending or taxing up to the limits. The effect of such tax or spending limits should not be borne unduly by the poor.

Position History

Tax and spending restraints (caps) on municipal, county, school and state budgets were adopted as part of the 1976 tax reform package. The League studied these restraints, reviewed the effect of New Jersey's caps, and examined the experience of other states with budget and tax levy limitations. The consensus was to support caps provided they meet the League's fiscal policy criteria.

In 1981 the LWVNJ fiscal policy director served on the Governor's committee to study the effects of caps. Legislation to extend the caps beyond their scheduled expiration at the end of 1982 incorporated much of the League position and was an attempt to make the caps more equitable and flexible.

In 1985 the legislature created the State and Local **Expenditure** and Revenue Policy Commission (SLERP), to review New Jersey's fiscal policies and make recommendations for change in all areas of state and local government finance. Some of the recommendations have been implemented piecemeal over the past 15 years.

In 2005 legislation lowered the spending cap on schools and reduced allowable surplus. In 2007 a 4% property tax levy cap on schools, municipalities and counties was imposed. At the 2009 convention a study was approved to review the effect of the cap laws on spending and taxes.

Tax and Spending Policy 1971, 1996

The League supports sound fiscal policy which:

- *Creates a balanced, progressive and equitable tax structure;*
- *Reduces dependence on the property tax;*
- *Reduces disparities in tax rates and essential services among communities;*
- *Produces adequate revenue to provide legitimate state services;*
- *Encourages state development that meets the social, economic and environmental needs of New Jersey citizens.*

Explanatory Statement

The League believes that sound fiscal policy for New Jersey should address the issues of adequacy, equity and stability of the tax structure. LWVNJ has long supported changes in the tax structure which would reduce dependence on the property tax and increase the use of the progressive personal income tax because the overall tax structure in New Jersey is significantly regressive, placing a much greater tax burden on its poorer rather than its richer residents. The League believes that business should pay a fair share of the costs of government, and that different types of business should be taxed equitably. State fiscal policy should be designed to respond to the wide disparities in municipal wealth resulting from a fragmented local government structure. Such disparities result in disproportionate tax rates for similar services and wide variations in the services municipalities are capable of providing.

The League believes that state government has an important role to play in providing state services that meet the needs of New Jersey citizens and businesses that cannot be provided effectively or efficiently by local government or the private sector. State fiscal policy should assure adequate revenues are raised to provide appropriate and justified state services. State tax and spending policies should be designed to:

- *Protect New Jersey's natural resources and habitat for future generations;*
- *Encourage responsible economic development which meets the need for good jobs and a stable tax base; and*
- *Provide a supportive environment for individuals and families.*

Position History

Recognizing the need for adequate revenue to meet the needs of New Jersey citizens, the League has been active in the field of taxation for well over 30 years. Since the early sixties we have supported a state graduated personal income tax as the most equitable way to raise needed revenue. As early as 1964, our efforts were recognized when the Governor used the League's income tax proposal as a model for legislation.

Our 1971 consensus recognized that New Jersey's heavy reliance on property taxes created a regressive tax structure that led to great disparities among communities both in tax rates and services provided. That same year the Governor created a Tax Policy Committee to evaluate the fiscal needs of the state and appointed the state League president as a member.

League efforts were finally rewarded in 1976 with the passage of the state's first personal income tax. Since that time the League has worked to increase its progressiveness. In 1985 the legislature created the State and Local **Expenditure** and Revenue Policy Commission (SLERP), to review New Jersey's fiscal policies and make recommendations for change in all areas of state and local government finance. The LWVNJ president served on the commission's steering committee, chaired the Local Government Task Force, and co-chaired the subcommittee on education finance. The League was supportive of the Commission's report when issued in 1988. None of the recommendations were implemented at that time.

During the 1990s the LWVNJ opposed state policies that have reduced state revenues from the income tax and sales tax without reducing programs and costs to keep the state budget in balance. The result of losing these battles is increased state borrowing and increased reliance on property taxes. Since 1992, 40 tax cuts have resulted in an annual loss of about \$3.8 billion in state revenue. The League opposed a number of expensive projects designed with minimal payments in the early years and escalating payments 4-10 years out. Testimony on the budget in 1996 focused on diversion of revenues from dedicated funds and under-funding of the pension plan to balance the budget as unsound fiscal policy. In 1997 the League opposed the pension bond plan to borrow \$2.9 billion to allow the state to avoid annual contributions to the pension fund, thus balancing the current and future state budgets. We opposed a bridge rehabilitation bond act in 1999 and the 2000 reauthorization of the Transportation Trust fund Act because both actions included no new money for increased capital spending for transportation needs.

Borrowing has been the major means of filling budget gaps. The League has consistently opposed borrowing for annual expenses. Our current debt is \$31.9 billion, double what it was in 1999, and annual repayment costs have grown to \$2.5 billion. The consequence of continued limitations on increases in state school and municipal aid has led to annual increases in property taxes and continuing growth of this regressive source of revenue. Our testimony before the 1997 Property Tax Commission called for restructuring of taxes with greater reliance on the income tax, use of a circuit breaker system of property tax relief, and rescinding a number of existing property tax relief programs because of their inherent inequities. The final report released September 1998 did no restructuring, instead offering shared service and regionalization incentives. The following March the League was unsuccessful in defeating a homestead rebate plan with no circuit breaker provisions. The current percentage of state revenues raised by property taxes is 45%, \$18.5 billion dollars compared to \$9.8 billion in 1990. In the spring of 2002, with our elected representatives unwilling to reform our tax structure to reduce the reliance on the local property tax, the LWVNJ board voted to support a constitutional convention to reform the system of property taxation.

The League presented recommendations for the structure of the convention to the Property Tax Convention Task Force and testified before the Assembly State Government Committee.

Working in support of a constitutional convention to reform property taxation was our major focus for 2003-mid 2006. We worked as part of a Citizens Convention Coalition.

A member of the LWVNJ served on the Governor's Property Tax Transition Team in 2005/2006. A special session on property taxation began in August of 2006. The legislature did no restructuring of taxes.

The League passed an Action Motion at the 2007 57th State Convention to increase state revenues, increase the progressivity of NJ's tax structure and reduce the overuse of borrowing and the raiding of dedicated funds.

New Mexico

State Finance (*Adopted 1971; revised 1975, 1983, 1989*)

The League of Women Voters of New Mexico believes that a fair tax must be:

1. equitable, taking into consideration relevant differences between persons, such as their annual income
2. certain, not arbitrary
3. convenient with respect to timing and manner of payment
4. economical to collect
5. adequate to finance the essentials of government.

The tax system in New Mexico should be progressive.

In evaluating the average burden of taxation within the state, taxes should be compared with income of New Mexico residents; in comparing the burden of taxation in New Mexico with the burden imposed by other states, state and local taxes should be combined.

Tax credits and/or deductions should be evaluated based on promotion of equity and the efficiency with which they achieve their purpose.

Tax credits may be a means of providing relief from the regressive nature of the sales and property tax.

Public School Finance (Adopted 1973; revised 1983, 1993, 2002, 2007)

The League of Women Voters of New Mexico supports the continued use of a broadly based distribution formula to take into consideration differences in student need, teacher experience and qualification, the number of schools and students in a district, level of education, capital outlay and transportation.

The League of Women Voters of New Mexico supports the goals of the New Mexico Funding Formula as an effort to achieve equality and as an attempt to provide fair funding for every child, based on need, regardless of location. There should be periodic review and modifications to assure that the formula is faithful to its original intention.

The League of Women Voters of New Mexico believes that local school districts should control the distribution of funds from the state.

New York

http://lwwny.org/advocacy/impact/SF_Full.pdf

New York's positions are based on LWVUS positions

STATE FINANCES STATE FINANCE POSITION OF THE LWVUS

This section contains action taken by LWVNYS under this LWVUS position.

Promote an open governmental system that is representative, accountable, and responsive. (LWVUS *Impact On Issues, 2005-2006, p. 2*)

STATE FINANCE POSITIONS IN BRIEF NYS

Support:

Reforms for greater equity in education financing for both pupils and taxpayers.

Raising funds to provide New York's children with a sound basic education through increases in the New York State personal income tax, implemented in a progressive fashion.

Replacement of existing residential property tax relief programs, in which relief goes to all regardless of need, with programs based on need, with annual cost of living adjustments.

A uniform equitable assessment and property tax system.

Measures to provide for openness and accountability in the operation of the public authority system.

A timely and responsive state budget.

Funding of public higher education and the existing formula for financing the community college system, 1/3 tuition, 1/3 state aid, and 1/3 county support

Oppose:

In principle, the use of public funds to support non-public schools, K-12.

Any increase in the maximum number of charter schools without amendment of the Charter School Act to incorporate changes outlined above.

State Finances shall include the following subtopics:

1. State Income Taxes
2. State Share of Education Funding and Types of Taxes to be Used
3. History of Current Position; Previous Statewide Studies
4. Tuition Tax Credits, Vouchers and Charter Schools
5. The Current Positions (see "boxed" text below)
 - Financing Education K-12 (see 2)
 - Financing Public Higher Education
 - Property Tax

The State Finances section is based on the LWVUS position on Representative Government to "Promote an open government system that is representative, accountable and responsive." (LWVUS *Impact On Issues, 2006-2008, page 6*).

North Carolina

<http://www.rtpnet.org/~lwwnc/issuesaction/index.htm>

Issues for Emphasis This is one of several issues for emphasis

On tax reform, the NC League supports an equitable and efficient system of taxes, structuring individual income tax to better reflect one's ability to pay, and promoting the adoption of other equitable measures that would ensure sufficient revenue to provide needed services. Currently the LWWNC is working with other groups from across the state on issues related to modernization of the NC tax code. LWW members observe legislative commissions, meet with policymakers, educate our members on current tax issues and work with coalition members to influence fair tax policy. To work on this issue, contact Carol Rist at lwwnctaxreform@bellsouth.net.

http://www.rtpnet.org/~lwwnc/issuesaction/positions/LWVNC_Positions_1997_Government.pdf

TAXES

Adopted 1993-94

Promote an equitable and efficient system of taxation.

Support: the removal of the sales tax on food for home consumption; the restructuring of the individual income tax to reflect better the ability to pay; the removal of the three hundred dollar ceiling on the sales tax on motor vehicles, boats, and airplanes; and the adoption of other equitable measures that would ensure sufficient revenue to provide needed services.

Support measures allowing greater autonomy to county and municipal governments in raising needed revenue at the local level.

TAXES

Adopted at Convention May 1989

The League of Women Voters of North Carolina supports an equitable and efficient system of taxation in North Carolina that will adequately fund needed services at both the state and local level.

- The burden of taxes should be in proportion to the citizens' ability to pay.
- All citizens have the duty/right to contribute to the common good
- For government to tax in excess of the requirements of the common good or to waste tax revenues is unjust since this unfairly deprives the citizen of his property and the product of his labor without a corresponding common benefit.
- The taxation and appropriation process should allow government the necessary flexibility for responsible fiscal management.
- The use of tax laws as incentives or disincentives to action should be viewed in the light of the common good.
- The granting of tax preferences (e.g., exemptions, deductions, etc.) should be genuinely premised on the promotion of the common interest and not upon special interest or favoritism.
- Taxes once established should be collected with even-handed enforcement.
- The norm for choosing a form of taxation should first be the equitable distribution of civic burden and not the ease of collection or lack of popular opposition. However, where there are equivalent, equitable options the simpler methods should be used.
- The tax system should be diversified to provide a broad revenue base and to minimize the effect of imperfections in any one tax. Each form of taxation should not be examined in isolation but evaluated as part of the total tax system. Further, the impact of tax laws should be consistent with other public policies, e.g., the conservation of energy, the preservation of neighborhoods, etc.

Legislative Background

During the early 1970s, the General Assembly conducted extensive studies of tax issues. League members attended committee meetings and observed as legislative proposals were developed. Legislation of interest to the League included the Homestead Act, uniform appraisal at market value, a tax classification for farmland, forest and horticultural land, and historical property. The positions that resulted from these tax studies were later incorporated into the Land Use positions as they dealt primarily with property tax. (See Land Use section for further information.)

The League has strongly supported the legislative recommendations for extensive tax revisions including: the repeal of the sales tax on food; the elimination of the ceiling on sales tax on automobiles; and an increase in the tax rate for upper income taxpayers. However, tax reform measures have been frustrated. Efforts to achieve tax reform, particularly a repeal of the tax on food, have continued. Specific tax positions are listed below with the corresponding legislative action. The

League lobbied actively on tax policies during the 1989 session. The League successfully opposed an increase in the sales tax, which did not include a food tax exemption, and pushed the tax fairness bill that made the income tax structure more equitable. League's lobbying also significantly impacted the highway bill, which included several taxes. There was a movement toward abolishing the intangibles tax entirely during the 1994 short session as well as some interest by legislators in phasing out the sales tax on food. In the end, however, neither change was enacted.

CORPORATE INCOME TAXES

A corporate income tax schedule with graduated rates increasing as income rises should be adopted. General business franchise rates, taxes and other franchise rates should be reviewed and adjusted. Exemptions for business should be reconsidered.

HIGHWAY FUND TAXES

If more revenue is needed for the highway fund, the highway use tax and overweight permits should be increased. Remove the \$300 ceiling on the motor vehicle tax.

Legislative Background

The Highway bill sped through the House in 1989 without opposition, except that of the League to portions of the funding package. League opposed the ceiling on the motor vehicle sales tax and lobbied to increase the trucking fees. The bill was stalled in the Senate until some of League's objections were addressed. The bill raised the tax on automobiles to a level closer to the rest of sales tax (from 2% to 3%) and increased the sales tax ceiling from \$300 to \$1,000 and, in 1993, to \$1,500. The trucking industry successfully fought the overweight fees.

The ratified bill designated the revenue from the sales tax on motor vehicles for the general budget for a period of two years. The revenue from the sales tax on motor vehicles has historically gone to the general fund but is now part of the highway fund. However, the money was to be made available for education and state employee and teacher salary increases for two years. If the Highway bill had passed without that change, funds would not have been available for education. The League was the only organization actively lobbying on the side of equity and revenue for education. A sunset clause however provided that, when sufficient revenue has been accumulated, the tax provisions, such as the three hundred dollar cap on sales tax on motor vehicles, would be reinstated. In 1992, several changes were made to the Highway Fund: funds were transferred from the Highway Fund to the General Fund to offset the General Fund's loss due to the Department of Transportation's sales tax exemption; several types of vehicle transfers were exempted from the highway use tax; increases were made in the highway use tax for out-of-state vehicles; and fees collected by the Division of Motor Vehicles were raised.

INDIVIDUAL INCOME TAXES

The current state individual income tax system should be simplified and better reflect ability to pay. Methods of determining individual taxable income should be aligned more closely with the federal income tax system. The state can apply its own policies through adjustments to income and levels of deductions. Joint return filing should be permitted. The standard deduction should be increased, and provisions made for future adjustments through periodic review and revision. Tax progressivism should be established with a broader range of tax rates, and the threshold for paying any income tax needs to be raised. Any exemptions should be applied to all types of pensions.

Legislative Background

The ratified tax fairness bill of 1989 enacted every position of the League except the broader range of tax rates suggested at 6% and 7%. However, it was structured to accomplish the intent since it substantially decreased income taxes for lower and middle income families. Several lobbyists and legislators credited the League with making a profound impact on the tax structure by lobbying for the tax fairness bill. It was a difficult and complicated bill to advocate. Several reporters and lobbyists expressed surprise that the bill passed. In 1991, a third income tax bracket of 7.75% was added to the individual income tax rate schedule. The higher rate was expected to increase revenue by \$51 million for the 1991-92 fiscal year. In 1993, an additional credit was allowed for individuals with an elderly parent or handicapped relative living with them, who required outside care. In 1995, a \$60 tax credit per child was approved in addition to the childcare credit. In 1994, the intangible tax, long opposed by LWVNC, was repealed. Taxpayers who had filed an objection to the tax in previous years are now due a rebate of the amount paid.

PROPERTY TAXES Low-income property owners should be protected by some form of "circuit breaker" when they cannot afford the property tax.

SALES TAX

The sales tax on food for home consumption and that on utilities are regressive taxes and should be removed. Current exemptions and preferential sales tax rates should be reviewed to determine if they are justified, consistent, and equitable. There should be an equitable extension of the sales tax to all services.

NEW REVENUE SOURCES

All local governments should be given the option to utilize new revenue sources such as impact fees, land transfer fees, and room occupancy fees. There should be a severance tax for the removal of natural products from the ground.

Legislative Background

During the 1989 General Assembly, the League successfully opposed an increase in sales tax that did not include a food tax exemption. The League provided a list of potential revenue sources that could be obtained, if tax preferences were eliminated, to the leadership of both houses. For the first time, closing various tax loopholes was given serious consideration. With the exception of a couple of proposals, business interests were able to head off the proposed changes. In 1996, Leagues across the state lobbied long and hard for the repeal of the state sales tax on food. The result was a 1% reduction in 1997. The League continues to actively support the total elimination of the state sales tax on food. To generate additional state revenue, the general state sales tax was increased from 3% to 4% and the preferential sales tax rate on boats and other big ticket items was increased from 2% to 3%. The increase was expected to raise \$516 million for the General Fund by the 1992-93 fiscal year while the increased tax on big ticket items was expected to generate \$2 million by 1992-93.

Ohio

State Government Finance

Positions: State Finance

Updated LWVO Positions on State Finance and Taxation (Approved Dec. 2010)

Criteria (Adopted July 1989)

LWVO supports the following tax principles as criteria to be used in evaluating individual taxes and the tax mix in Ohio. Taxes should:

1. be fair and equitable;
2. provide adequate funds for government programs while allowing flexibility for financing future program changes;
3. be understandable to the taxpayer and encourage compliance; and be easy to administer.

Taxes on Business (Adopted July 1989; revised December 2010)

LWVO supports taxes on business as a source of state revenue especially because businesses should help pay for services received.

Income Tax (Adopted July 1989)

LWVO supports a personal income tax as a source of state revenue because it meets the fair and equitable principles. The state income tax rates should be graduated.

Property Tax (Adopted March 1983):

1. LWVO supports real property tax relief, financed by the state in the form of the Homestead Exemption, based on age, income and disability income.
2. LWVO supports the elimination of the real property tax rollbacks, both across-the-board and for owner-occupied homes.

Sales Tax (Adopted March 1983; revised June 1989):

1. LWVO supports a change in the base rather than a change in the rate of the sales tax. We favor broadening the base by reducing the number of exemptions.
2. LWVO supports application of the sales tax to nonessential services, tickets for professional athletic and entertainment events, and prepared food purchased for on- or off- premise consumption.
3. LWVO supports exemptions for food, other than prepared food, sold for off-premise consumption, prescription drugs, prosthetic and surgical devices, and items for direct use (components in manufacturing and agricultural use).

Tax Mix (Adopted July 1989; revised December 2010)

If an increase in state taxes is needed, LWVO prefers the income tax as a source of revenue because it tends to be progressive rather than regressive. Applying means testing to state property tax-relief programs would increase the revenue generated by the tax and make the system more equitable by not unduly burdening low-income individuals and families. Taxes on alcohol and tobacco are another revenue source if needed. An increase in sales tax, although less desirable, is another possible revenue source

If a decrease in state taxes is called for, LWVO supports reducing the sales tax because it is regressive and less equitable. Tax relief for those at the lower end of the income scale should be considered if there is an increase in state taxes.

Background: State Finance

The state government finance study was recommended by the state board in 1981 on the basis of local League recommendations. The previous LWVO study of state finance, which focused on major services (education, welfare, mental health), was completed in 1969.

During 1981-83, we reached consensus on aspects of the sales tax and property tax. The 1985 Convention readopted the study for the 1985-87 biennium but modified the scope to focus only on two remaining major taxes: corporate franchise and income. In May 1988 *It's Your Money: Ohio Government Finances* was published.

In 1994, a constitutional amendment to repeal the wholesale tax on soft drinks was opposed by LWVO, but was passed by the voters.

The biennial budget for the years 2002-03 was balanced with one-time monies. Governor Taft introduced a budget for 2004-05 proposing some changes in taxes, and the General Assembly appointed a Committee to Study State and Local Taxes. While the final 2004-05 budget did include some tax changes, it neither addressed the structural deficit nor reduced the tax equity gap.

The momentum for tax reform continued into 2005 with the development of the 2006-07 biennial budget. The goals were to stimulate jobs and capital investment in Ohio, and to slow down the rate of growth in government spending. The major components of tax reform were to be phased in over five years and included repeal of the corporate franchise tax and the tangible personal property tax on business machinery and equipment, to be replaced by a new tiered Commercial Activity Tax (CAT) levied on gross receipts. This shifted much of the tax burden away from manufacturers and onto retail businesses. The reforms also set the permanent sales and use tax at 5.5% (a decrease of half a penny from the previous permanent rate). The legislature cut individual income taxes, increased excise taxes on cigarettes and other tobacco products, and authorized school districts to increase levies by 4% annually to offset inflation.

The League had serious reservations about the tax reform package as a whole and opposed its enactment. The primary reasons for opposing the reforms were:

- (1) There was insufficient evidence that the new CAT tax would be an effective or even appropriate vehicle for generating economic growth and job creation in Ohio.
- (2) Tax revenues would fail to meet state financing requirements in both the long and the short term, and would result in severe cuts to vital state programs and services and local governments.
- (3) Implementation of the package as a whole would result in a further shift of the larger share of tax responsibility from the business sector onto individual taxpayers, and away from wealthier to low- and middle-income individuals.

On the spending side, low-income parent eligibility for health care services under Medicaid was reduced, and the state's Disability Medical Assistance program for very low income adults was cut by at least 40%. The League opposed the cuts to these vital health care programs.

In 2005, Governor Taft backed a constitutional amendment authorizing the state to issue bonds for funding the Third Frontier as well as improvements to Ohio's bridges and roads. The Third Frontier bonds are to nurture high-technology business in Ohio.

Another important development during 2005 was the introduction of two proposed state constitutional amendments, each proposing to limit state spending to a formula based on the rate of population growth and inflation. After analyzing the potential impact of a spending cap on the state's ability to collect adequate revenue and examining the impact of a similar measure in Colorado, the League adopted a position opposing spending limits. The League joined in efforts organized by the Coalition for Ohio's Future intended to defeat the proposals. Efforts to pass a constitutional amendment were abandoned in favor of a statutory limitation.

The 2008-09 Executive Budget proposed no major new spending initiatives and continued the policy directions of the prior administration. It contained a \$25,000 local property tax exemption for all property owners aged 65 and over to be paid for by selling the state's rights to monies due from the tobacco lawsuit settlement. Initiatives in the Executive Budget funding more early childhood development programs and easing restrictions on the Passport Program were adopted. The legislature expanded on the administration's proposal to freeze undergraduate in-state tuition and added \$100,000,000 in grants to higher education to recruit students and scholars in the science, technology, engineering, math, and medicine (STEM2) disciplines.

The 2010-11 budget reflected the economic problems faced by the entire country and the ever lessening tax revenues. After several continuation budgets in July the legislature approved a budget providing for no increase in any of the major taxes, and increased revenues by expanding gambling at race tracks, and increasing some fees. Social programs

absorbed large decreases in funding. Education funding absorbed less of the shortfall, and the Governor's "evidence based" model of school funding was enacted.

Outlook: State Finance

Economic problems continued throughout the country and in Ohio: a slump in the housing market, record high foreclosures on homes, a downward trend in wage and salary growth, and little, if any, growth in employment. Revenues for all major taxes continued to fall short of projections. The future will hold challenges for Ohio.

In 2007, LWVO appointed a study group to review and make recommendations to update the positions in light of the creation of the CAT tax and the phasing out of the corporate franchise and personal property taxes.

Oklahoma

<http://www.lwvok.org/Program%20Positions%20May%202009%20Draft.pdf>

GUIDELINES FOR FISCAL POLICY

The League reaffirms the urgent need for state wide equalization of property tax assessments.

The League believes earmarking of funds should be eliminated from the constitution; that the executive department boards should be responsible to the governor for their annual budgets. The governor, in turn, should be required by the constitution to present a budget message to the legislature.

GUIDELINES FOR REVENUE AND TAXATION

The League of Women Voters of Oklahoma believes Article X of the Constitution of the State of Oklahoma should be shortened and simplified to make it more flexible. All specific details should be removed, including debt ceilings and millage caps. All obsolete sections should be removed.

GUIDELINES FOR COUNTY AND MUNICIPAL GOVERNMENT

The constitution should provide general grants of power with specific provisions left to the legislative body and/or home rule charters. The constitution should provide for maximum local self-government at the county and municipal level. Provisions should be made for local government units to reorganize, restructure, or consolidate according to needs. In the constitution, there should be a general grant of power to tax given to local governmental units, but the determination of methods and limitations should be delegated to the legislature. The number of elected local governmental officials should be reduced by appointment of qualified persons to administrative positions

Consensus approved 1969

Revised Fiscal Policy approved 1989

Consensus, Revenue and Taxation approved 1989

FISCAL POLICY

"Support of a sound fiscal policy in Oklahoma."

The League of Women Voters of Oklahoma believes a tax system should provide adequate funds for essential government services without creating inequities in assessing taxes according to ability to pay. Oklahoma's tax system would be improved by:

- a reduction of earmarking of state revenues;
- having all property taxes of public service properties in the state collected on a statewide basis, then allocated to the various school districts on a formula basis;
- repealing the sales tax on food and prescription drugs;
- raising the corporate income tax;
- providing the statewide distribution of the gross production tax revenue dedicated for common schools.

The League believes trusts and authorities should be more accountable.

The League also believes there should be a comprehensive study of the collection, allocation and administration of state revenues by a qualified, impartial committee, financed by the state.

PROPERTY TAX ASSESSMENT PROCEDURES

The League of Women Voters of Oklahoma believes in the need for reforms in assessment procedures including support of appointment of county assessors and of measures that would bring about equalization of tax assessments among and within counties. County assessors should:

- have professional qualifications;

- be appointed by a board composed of a combination of local and county officials from a list certified by a state agency;
- be required to take training provided. by the state;
- follow prescribed uniform statewide assessment procedures.

The League believes the Oklahoma Tax Commission should have the authority to enforce the above assessment procedures and should conduct sales/ratio studies and make the information public.

The League recommends periodic re-evaluation either on a statewide or county basis, with provisions to keep appraisals at current market value.

PROPERTY TAX EXEMPTION REFORM

The League of Women Voters of Oklahoma believes that all tax exempt property should be evaluated regularly and the results should be made public record. The League favors exemptions on real property that afford relief to the low-income family, believes that all tax exemptions on Industrial Trusts should be for a shorter period of time than the present provisions which allow 30 years and should not be renewable, and believes tax exemptions for charitable, religious and educational institutions should apply only to property used for such purposes. Any other property owned by such institutions should not be tax exempt. The League favors the abolishment of the personal property tax on household goods; however, as long as the tax in effect, all household property, including that of renters, should be taxed.

MUNICIPAL FINANCE

The League of Women Voters of Oklahoma supports additional means of providing adequate revenues for municipalities. The League favors granting cities additional optional taxing powers and reallocation of existing revenues. The League also favors a municipal representative on county excise boards.

Consensus approved 1975, 1980, 1981, 1989

1 Sales tax on prescription drugs repealed, effective July 1, 1982.

2 Legislature, in 1977, reduced exemption to 10 years. The Attorney General ruled, in 1979, that property held by public trust is not exempt from ad valorem taxes unless it involved a government entity or an operation that is otherwise exempt from taxation. A constitutional amendment was passed in November 1985 granting exemptions for five years to new or expanding manufacturing plants.

BACKGROUND INFORMATION FOR FISCAL POLICY POSITION

League members began a study of Oklahoma fiscal policy in 1959 when "Know Your State: A Study of Fiscal Management" was adopted by League Convention delegates. In 1960, the study centered around the principles of taxation and an analysis of Oklahoma's tax structure as related to a good, basic .tax structure. The practice of earmarking funds received particular attention. During 1961 and 1962, emphasis was placed on study of assessment procedures and equalization of ad valorem taxes among counties. In 1963 and 1965, the League successfully supported legislation giving cities additional taxing powers. In 1968 the booklet, Understanding State Finance, was published to update members.

A study of funding for common schools in Oklahoma reemphasized the effect of inequities in the administration of ad valorem taxes. In 1972, the League hired an attorney to test the Oklahoma procedure which causes variation in assessment percentages within and among counties. The suit was never filed because of the impact of the March 1973 U.S. Supreme Court decision in the Rodriques vs. San Antonio Independent School District case. The court ruled that, although property tax systems need reform, education is not among the rights guaranteed by the U.S. Constitution and reform is up to the state lawmakers. In 1973 Convention delegates adopted "A Comparative Study of Ad Valorem Tax Systems" as the study item, so that the League would be able to evaluate proposed changes. In March 1974, the League co-sponsored a statewide workshop, "The Property Tax—Success or Failure in Paying for Education?" The booklet, Ad Valorem Tax: Real or Unreal, was published. The study examines practices and procedures for correcting inequities in the administration of property tax.

In April 1975, the State Supreme Court ruled that the State Board of Equalization must fulfill its

constitutional duties and equalize ad valorem taxes across the state. A special assessment ratio study was made which established three categories for each county—agricultural, residential, and commercial/industrial property. Also, a 1981 Attorney General's opinion prohibited the Tax Commission from measuring equalization through use of a composite ratio. In June 1981, 62 counties were in violation of property tax standards mandated by the State Supreme Court. Another area of League concern has been the erosion of the property tax base due to the exemption of many properties from the tax rolls. The Attorney General ruled on July 31, 1979, that a tax exemption .cannot be granted a public trust unless permission for such exemption (charitable, religious, etc.) can be found within the framework of the Oklahoma Constitution.

Tax exemptions other than for governmental entities are to be decided on a case by case basis. The opinion also held that the option to make payments of "sum in lieu ad valorem taxes" is void. The opinion was upheld by the Oklahoma Supreme Court.

Although the League has many positions relating to ad valorem taxes, it had been unable to act on various other "tax reform" measures considered by the Legislature. Delegates to the 1979 and 1981 Conventions adopted a study of the state tax structure which examined sources and allocation of revenue.

Through 1987, 1988, and 1989 ad valorem legislation continued to be closely monitored by the League of Women Voters. In order to be more effective, the League joined the F.A.I.R. (Fair Ad Valorem Is Reform) Coalition, as a means of having additional impact and influence. In 1988, major legislation was passed, through a bipartisan effort, for comprehensive changes in how the state assesses and taxes property. A part of that effort included a proposed constitutional amendment (S.Q. 614) to assess all property at 100% of its fair market value. A special election date was set but later rescinded by the legislature. The legislature again addressed ad valorem reform during the 1989 session and made a major commitment to the reform measures passed in 1988 by appropriating funds to begin implementing the new legislation.

In 1990 a LWVOK supported amendment passed which allows municipalities to borrow money to purchase, construct, or improve public utilities without levying an additional tax. Also approved was an amendment allowing the legislature to permit cities and counties to grant tax exemptions and other tax relief for certain areas that are in economic decline.

State Question 634 was supported by the League but defeated at the polls on June 26, 1990. It would have established a Common School Fund which would receive monies from gross production taxes, a portion of the vehicle license fees, and ad valorem taxes on public service, commercial/industrial and real property valued above \$500,000.

Oregon

<http://www.lwvor.org/documents/IssuesforAction.pdf>

Fiscal Policy - Tax System

Adopted 1965-66, 1973; Revised 1971, 1973, 1979, 1984, 1992, 1993, 1999; Educational Update 1999*

A. Evaluating Taxes. The League of Women Voters of Oregon believes any tax proposal should be evaluated with regard to its effect on the entire tax structure. The League supports the following criteria for evaluating taxes and tax systems.

1. A tax system that is based on ability to pay, but that applies a benefits-received principle wherever reasonable and that recognizes the role of social expediency;
2. A tax system that is equitable, adequate, stable, easy to administer and as simple as possible;
3. A tax system that takes into account the taxes levied by all levels of government covering the same tax base;
4. A tax system that is flexible enough to adjust to social and economic changes (e.g., population shifts, development of new industry, demands for more services and changes in business cycles);
5. A tax system that recognizes the individual's responsibility for government services by providing for broad sharing of the tax burden.

B. Fiscal Responsibility

1. The League of Women Voters believes local government should have primary responsibility for financing non-school local government. Local services mandated by the state should have state funding.
2. A tax limitation is justified if it provides safeguards in the regulation of state and local services and economy. A limitation is not desirable if it prevents provision of services, disrupts government functioning, inhibits progress or results in loss of local control.
3. We believe economy should be achieved by efficiency and responsible administration. If cuts are necessary, preference should be given to cuts based on an established priority of services so that least essential services are reduced or eliminated first.

C. Income Tax. The League of Women Voters of Oregon supports the income tax as the most equitable means of providing state revenue. The income tax should be progressive, compatible with federal law and should apply to the broadest possible segment of Oregonians.

D. Sales Tax. The League of Women Voters of Oregon supports the adoption of a sales tax provided:

1. The rate cannot be increased without approval of the voters;
2. Regressivity is reduced through:
 - a. a tax credit or rebate and
 - b. exemptions for items such as food, rent and utilities.

E. Property Tax. The League of Women Voters of Oregon supports the use of the local property tax for partially financing local government and local services.

Exemptions to the General Property Tax. The League of Women Voters of Oregon believes:

1. Social values justify:
 - a. exemptions to charitable, educational and benevolent organizations;
 - b. exemptions to fraternal organizations only to the extent of actual charity performed;
 - c. partial exemption of church property with fees to be paid for local government services directly benefiting the property, such as police and fire protection.
2. Exemptions designed to create a favorable climate for attracting new industry should be competitive with those of other states.
3. Economic values justify tax deferral and special assessment at less than real market value on farmlands and forest lands.
4. Eligibility for an exemption should require:
 - a. a verified statement of the taxpayer;
 - b. proof of income from all individuals seeking an exemption on their homestead- if eligibility for the exemption is based on income.
5. Exemption laws should be periodically reexamined to determine whether they are justified.
6. Exemption of some classes of personal property is justified if a tax on them would be too difficult or costly to administer.

F. School District Financing. The League of Women Voters of Oregon believes:

1. The major portion of the cost of public schools should be borne by the state.
 - a. The state should provide sufficient funds to give each child an equal, adequate education.
 - b. All specifically state mandated programs should be financed by the state.
2. Local districts should be allowed funding alternatives to provide educational programs.
3. Apart from state mandates, local control of the educational programs should be maintained.
4. A stable state system for financing public schools is crucial for long range planning.

G. Emergency Clause. The League of Women Voters of Oregon supports removing the emergency clause restriction on revenue measures. The importance of such measures warrants:

1. Either more support than a simple majority; or
2. More signatures than currently required on a petition to refer.

*Updated for background information only – no position change.

Position History - Fiscal Policy

The League of Women Voters of Oregon has been studying taxes since 1963; during that time our studies included the fiscal policies of the state, the history of the tax system and its present form, the philosophy and criteria of taxation, Oregon's budgetary procedures, property tax exemptions and tax limitations, the state income tax, the sales tax, corporation income and excise taxes, school district financing, the emergency clause restriction, and the property tax system.

Our studies led to the positions listed above on criteria for evaluating taxes and tax systems, on tax limitations, on the kinds of exemptions we believe are justified, on the income tax as the most equitable means of providing state revenue, and in favor of an equitable system of school finance.

2000. After hours of discussion among the members of the K-12 School Finance Update Committee, the Action Committee, and the LWVOR Board, two schools of thought remain on whether the LWVOR position on school district finance can be used by local Leagues to support local option levies.

One group believes that achieving equality of educational opportunity should be League's paramount goal. No League actions should conflict with this goal. They feel the local option levies will move us back to the situation prior to Measure 5 where property-rich school districts provide better educational programs than property-poor districts. They feel that local option levies will reduce the incentives for the Legislature to provide adequate statewide funding. Although supporting

local League involvement in their school district(s) policy setting and implementation, this group does not support actions that might lead us away from achieving equitable educational opportunities.

This group is supported by the LWVUS position on equality of opportunity in education. The national position "supports equal access to education." This group is also supported by the first section of the LWVOR school district financing position. The second group agrees that action at the state level should push for "sufficient funds to give each child an equal, adequate education." They feel, however, that the state is not currently providing enough funds for schools to adequately educate their children or even to pay for all state mandated programs. Some also think the equalization formula does not address all the factors that cause costs to be higher in one area than another. With current state funding, local school districts must use other funding alternatives to provide adequate programs. Some communities rely on a combination of volunteers, business contributions, education foundations, or funds from other local governments. Other communities will decide to use the local option property tax as one of their sources of local income. This school of thought feels that there is no one-size-fits-all solution and local Leagues should decide whether a local option property tax is appropriate for their communities. This group is supported by sections 2 and 3 of the school district financing position, which address the local district's role. Given that there are two valid and strongly-held points-of-view, both of which can be supported by particular course of action by local Leagues. The State Board requests that local Leagues considering whether to support a local option levy discuss both these points-of-view. They should decide what to do based on what they decide is best for their school district(s), communities and state.

Position Implementation - Fiscal Policy

1968. We opposed a 1-1/2 percent property tax limitation on the basis of our positions on equitable and adequate financing and against limitations that prevent the provision of services.

1968 & 1969. We opposed a sales tax. During several legislative sessions we testified in opposition to earmarking of funds.

1971-73. A study added a position in opposition to the emergency clause restriction in the Oregon Constitution in its present form and one in favor of using the local property tax as a means of financing local government services, but relying on the state to provide the major part of funding for schools. Until 1973 we had a position opposing a sales tax. At that time it became apparent that members no longer agreed with this position and it was dropped. However, it was not replaced with a position in support of the sales tax until our 1983-4 reexamination of Oregon's tax system which led members to support a sales tax with the restrictions as stated in the position above. A special provision of the constitution is especially significant in establishing the tax structure in the state. It provides that if a bill does not bear an emergency clause, it cannot take effect until 90 days after the end of the legislative session at which it passed. This is important for taxes because the constitution also provides that no tax bill passed by the Legislature can bear the emergency clause. The 90-day waiting period on tax legislation allows Oregon citizens, under their initiative and referendum system, to initiate proceedings to secure voter approval at a general election for any major tax bill. This sometimes means a delay of as much as 18 months. Though insuring citizen approval, this provision makes it difficult for the Legislature to react promptly to fluctuating conditions.

1972. In the fall the League joined with other groups in opposing a ballot measure which would have removed the property tax from being used to support public schools but did not provide any alternative source of revenue. The measure failed. On the basis of our new position on school finance, we actively supported the proposal of Governor McCall to remove the property tax from residential property and shift the operating costs to the state. The voters rejected the proposal in a referendum.

1975 & 1977. The Legislature made only minor adjustments in the tax structure of the state but made a major revision in the Basic School Support formula in order to more nearly equalize the amount of revenue available per pupil in various school districts.

1978. Prior to the November election the League joined a coalition opposed to Ballot Measure 6 which would have limited residential property taxes to 1-1/2 percent of the true cash value and severely limited the ability of local governments to finance themselves. The measure failed, but strong opposition to the property tax continued to grow in the state.

1979. The Legislature responded with a major tax relief proposal. The League expressed its support for some elements of the plan but urged the Legislature to retain adequate funds to finance state programs. We urged expanding the Homeowners and Renters' Relief Program (HARRP) as a means of tax relief for those who need it most and raising the Basic School Support Fund (BSSF) as a means of general tax relief. The package the Legislature finally approved increased HARRP payments and funds for BSSF, provided for the state to pay 30 percent of the property tax on each homestead up to a maximum of \$800, and provided for a sizable refund of personal income tax money, which left the state with very little reserve. The League had some reservations about the plan, but felt it much superior to the possible tax limitation proposals. Therefore, we joined a coalition to seek approval of the tax relief package. Voters approved the plan in May 1980.

1980. In the fall another 1-1/2 percent property tax limitation measure was put on the ballot by initiative. Again the League joined with state leaders and other organizations to oppose the measure. It too failed.

1981. The Legislature was faced with declining state revenues and growing demands for property tax relief as the result of the severe recession. Plans for balancing the state budget and providing property tax relief included drastic cuts in funding higher education, human resources, and other state programs. The League urged the Legislature to reexamine all sources of revenue, including the 30 percent Property Tax program, in its effort to solve the problem, which led a Statesman Journal reporter to write, "The Oregon League of Women Voters yesterday decided to speak the unspeakable. The League is the first independent group to take aim at the sacred cow." There was not enough money to fully fund the 30 percent program. To make up for shrinking revenues the Legislature enacted a number of temporary measures, including the 8 percent surcharge on income tax rates, increases in the cigarette tax, and speeding up withholding of income tax collections. Another property tax limitation measure appeared on the ballot in the fall of 1982. Again the League joined with other groups to oppose it. It too failed, but by a very narrow margin.

1983. The Legislature again grappled with the twin problems of property tax relief and declining

state revenue. Many proposals were debated. The one that finally emerged was a proposal for a state sales tax which would be dedicated to property tax relief. An elaborate provision requiring a majority of the state's local governments to approve sending the measure to the voters before it could be voted on was declared unconstitutional and the proposal died. Although the League at that time had no position on the sales tax, we did urge the Legislature to face the problem squarely by providing major tax reform of a lasting nature and suggested that if a sales tax were approved it should contain provisions that would eliminate as much regressivity as possible.

1984 & 1986. More property tax limitation measures appeared on the ballots. League joined with other groups to oppose these measures, and they all failed at the polls

1985. The sales tax package (HB 2010), proposed by the Legislature for a vote of the people, met League criteria and thus enabled League to work vigorously toward passage of the sales tax: (1) because the sales tax included exemptions that prevented regressivity; (2) because the 5 percent rate would have been specified in the constitution; (3) because the sales tax would help stabilize school financing while maintaining local control; (4) because the sales tax would have been economical to administer and yet difficult to evade; and (5) because a sales tax provided the "third leg which would balance the tax structure and provide property tax relief." As with every other sales tax ever proposed in Oregon, this one was defeated.

1987. The Legislature considered several proposals to prevent school closures in Oregon by providing some kind of automatic funding for schools if levies failed. What finally emerged from the Legislature was a "safety net" bill that allowed school districts to fall back on the previous year's levy. This legislation was sent to the voters in May and passed. The League supported the measure as a first step in school finance reform even though we had reservations about the inadequate funds it provided some districts. A Blue Ribbon Commission was appointed to study a variety of options to reform our system of financing public schools and report to the

1989 Legislature. In addition to our action in the area of property tax relief, the League has frequently testified in support of legislation requiring periodic reexamination of property tax exemptions and requiring charitable, fraternal and religious organizations to provide funds in lieu of taxes for police and fire protection.

1989. The short-term recommendations of the Governor's Commission on School Funding Reform did not support any specific form of alternative school funding but rather sought to stabilize the existing system by requiring all Oregon school districts to have current tax bases. The Legislature passed a tax base referendum and included in the package other commission recommendations: targeted property tax relief for those in high property tax districts with low per pupil spending, increased state funding for special education (up to 50 percent), and a change in the way basic school support is apportioned to the school districts. The League supported the commission's recommendations and lobbied for passage of the ballot measure. The ballot measure was voted on statewide in the spring and failed. The Legislature also considered repeal or modification of the state spending limitation. The League supported modification of the limit but no legislative action was taken.

1991. In November of 1990 Oregonians passed Measure 5, a property tax rate limitation initiative. The limitation imposed a \$10/1,000 maximum tax rate on all property taxes levied to cities and counties. Educational property tax rates were limited in 1991 to \$15/\$1,000 of assessed value and will decrease by \$2.50 every year for the next five years until the maximum rate of \$5/\$1,000 is achieved. The state General Fund will make up the amount lost to schools yearly as a result of this limitation. This obligation sunsets in 1996. The 1991 Legislature felt that any discussion during the session of revenue replacement packages or tax restructuring plans was premature. Governmental agencies, schools, and city and county services had to "get the fat" out of their budgets. The League felt that some legislative acknowledgment of the forthcoming fiscal crisis was desirable but the legislators held fast, no discussion. Despite dire predictions of governmental insolvency over the need to replace \$633 million of local educational property taxes from the General Fund, the Legislature was able to fund schools and maintain most of the governmental services at acceptable levels. During the 1991 session, the League supported a modification in the spending limitation and repeal of the 2 percent kicker. The League has felt for some time that the spending limit should be updated, and with additional General Fund dollars in short supply, the money from the kicker was needed to fund state programs. The Legislature would not consider modification of the limit, and instead of repealing the kicker, the funds were "folded in" as part of the total budget.

The League also created the "Where do we go from here?" committee. The purpose was to build together a consensus of some alternative tax reform packages. The committee was di- stability of the state. They wanted to determine what Oregonians thought about the tax rate limitation and if there were revenue sources which Oregonians would consider for revising the tax structure. The committee commissioned a survey of voter attitudes toward tax reform. The conclusions showed no consensus for a type of tax reform but that voters were aware a problem existed.

Members of the League are participating in the Governor's Conversation with Oregon, both as small group members and as interviewers, facilitators and forum organizers. The result of the dialogue about state service levels and funding may be proposals for a revised tax structure. The League is updating its tax positions so as to be ready to consider any such proposals.

1993, 1995, 1997, 1999, 2001, 2003. The League continued its opposition to return of the two percent kicker when education at all levels and social programs continued to be under-funded. 1993. Education. The financial drain on the State General Fund because of the Constitutional requirement of Measure 5 to replace revenue lost to schools as a result of the property tax limitation, created a \$1.2 billion budget gap in 1993. The Legislature reduced school funding, K- 12, by \$550 million. Total public school funding, from all sources, was reduced by 8.4 percent in 1993-94 and by 11.8 percent in 1994-95. Use of lottery funds, as "backfills" for community colleges and universities, reduced estimated funding losses. Higher education received \$55 million less than in 1991-93. A raise in tuition costs, use of lottery funds and a \$20 million increase in General Fund appropriations stemmed deeper cuts in our college and university system. The estimate for the 1995-97 biennium, based on the budget of 1993-95, reveals a \$1.2 to a \$1.5 billion budget gap. The amount of replacement revenue required is expected to be \$2.8 billion. While lottery revenues are expected to rise in the next biennium, \$160 million was used to close the budget gap in 1993! It took 207 days for the Legislature to do what it could have done in 100 days. This Legislature had to come up with a public school funding proposal. Legislators always prefer spending money to creating new taxes. To fund schools in Oregon a new source of revenue is needed. The League gave testimony to both the Senate and the House Revenue and School Funding Committees urging the committees to stay focused on the goal, school funding reform. The result of the Legislature's financial deliberations was SJR 10, a constitutional amendment that limits a sales tax to a no more than a 5 percent rate, limits the imposition of the tax to the state only, limits the exemptions to the "necessities", limits state spending based on the 1995-97 budget, and limits the amount of time the sales tax can be imposed without having another statewide re-vote on the tax. This measure failed at the polls.

HB 2500 and HB 2343, effective only when Measure 1 passes, would add more detail to the tax package. The sales tax is estimated to raise about \$2 billion in 1995-97. Schools will still have to seek General Fund dollars in order to be fully funded. A statewide election on Measure 1 has been set for November 9, 1993.

1997. The League opposed Ballot Measure 47 (1996), which both cut local property taxes and capped the rate of increases at 3 percent annually. The measure as passed was so difficult to implement (both structurally and literally) that the Legislature rewrote it and submitted the revision for a vote in May 1997. The League took no position on Measure 50 although it pointed out that the 50 percent turnout required for any revenue measures, along with the majority vote required to pass was unworkable and detrimental to governance. The League supports the measure referred by the Legislature for a May 1998 vote to repeal the 50/50 provisions of Measure 50.

There are several very serious initiative petitions relating to the Oregon tax systems, which have been certified for signature gathering. None should be signed. In the meantime, Governor John Kitzhaber, Bill Sizemore, and several independent groups are planning meetings and task forces to examine the important question of reform of Oregon's tax system. The League is monitoring all of these efforts and will keep members informed. 1999. Many measures dealing with taxation and tax credit policies were debated during the session. The League supported retaining the 2 percent kicker surplus to fund education. Instead, a constitutional amendment to "freeze" the kicker in the constitution has been referred to the November 2000 general election for voter decision. This measure passed. A second referral, which would also take potential General Fund resources out of future consideration for supporting education, health, and public safety, has also been referred to November 2000. That measure would establish a Health Security Fund and use all of the future tobacco settlement dollars for health-related matters. This measure failed. A third referral to November 2000 also reduces the state's general resources. The constitutional amendment would allow taxpayers to deduct up to \$5000 (currently \$3000) of their federal income tax from their state tax liability. This measure passed. Pollution and timber tax credits were increased despite the need to better fund schools and human services. Proposals for any type of "stability" or "rainy day" fund received little legislative support. With primary reliance on the state personal and corporate income tax to fund state government services and the prospect of a weakening economy, the refusal to consider strengthening the state's potential resources should be of major concern.

2001. Revenue-neutral or tax credits were the order of the day for the Legislature as no revenue- producing measures were considered while many tax credit bills were heard. While the Oregon tax system will be studied during the interim, any options for new taxes are to be reviewed in the light of replacement, not increases in revenue. The legislative referral placing the Kicker in the Constitution was approved by the voters in Nov. 2000 and went into effect on July 1. In response to this, efforts were made to have some of the funds diverted to pay down the \$110 million owed federal pensioners prior to the deadline. Education funding, while meeting the Governor's proposed \$5.2 billion, is inadequate for K-12 current

service levels. It will be exacerbated by the revenue shortfall now predicted for 2002. The tobacco settlement funds have been placed in a health care trust with fairly stringent rules on allocation. That leaves the lottery and the personal income tax as the primary sources for the General Fund. With declining tax payments because of a weakening state economy, the ability of the state to fund its education, public safety and social services is becoming questionable. The Legislature was not inclined to face fiscal reality during the regular session and will be confronted with serious funding shortages during the special sessions. In the meantime several petitions are being circulated, which would further reduce revenue to the state.

2002. The League supported the two November General Election ballot measures to provide general obligation bond funding for seismic retrofits for educational and state government buildings. Both passed. The League also supported the increase in the cigarette tax for the Oregon Health Plan and transfer of funds from the Education Stability Fund to the School Fund which passed at a Special Election in September.

2002-03. The 2001 Oregon Legislature met for an unprecedented five Special Sessions in 2002 and a final "sixth" in February 2003 (during the 2003 regular session) to deal with the continuing loss of General Fund revenue during the 2001-03 biennium. The League monitored all the sessions.

2003. The League supported Measure 28 (January special election), which was referred by the 4th Special Session of the 2001 Legislature. The measure would have provided additional funding to help balance the state budget. The measure failed.

The 2003-05 Budget was the major responsibility facing the Legislature. Until 11 Republicans broke ranks with the House Leadership in late August to provide the necessary 3/5 majority for a budget revenue measure that would provide enough support for education, social services and public safety to prevent a gubernatorial veto, it appeared the session would extend beyond the 8 1/2 months already spent. The Governor's Budget was several hundred million dollars over what the Republican legislative leadership wanted. All session, there were hundreds of representatives from the disabled, senior, family, children, mentally ill, educational, public safety, business, and civic communities pleading their cases for adequate funds. Budgets from the Ways and Means Co-chairs, various sets of legislators, and the Governor were aired, some openly and some behind closed doors or even outside the Capitol. The Democrats wanted to determine the state services to be provided and then identify the money, while the Republicans wanted to look at the revenue, without enhancement, and then allocate for services. Finally, a package of some non-permanent taxes, a couple of permanent tax changes, and increases in corporate minimums was crafted for a General Fund budget of \$11.6 billion, which received the necessary majorities in each house to adopt a budget. The League supported throughout the session a budget which would keep the Oregon quality of life from slipping further and would move instead towards adequacy for schools, human resources and public safety. We support what was passed and continue to work for keeping it by opposing the initiative drive for the referendum which could, if defeated, create an \$800 million hole in the budget. The referendum has qualified for the ballot and the election will be held Feb. 3, 2004. The Legislature made major changes in the existing Public Employees Retirement System (PERS). Changes caused many employees to seek retirement earlier than they had planned (approximately 5,000 people). Litigation relating to changes in the PERS system is presently being pursued in court.

Legislation also changed the composition of the Public Employees Retirement Board and created a successor retirement system for new employees of the PERS system. Note: Because of the potential impact on the budget, LWVOR monitored the PERS proposals, even though the League has no specific position. Tax **expenditures** (breaks, credits, etc.) came under scrutiny by the Oregon Revenue Coalition to determine how this potential revenue source could be generated by reducing or repealing some of the 350 tax breaks given by the state. The estimate is that the state will not receive revenue amounting to \$27 billion this biennium because of such breaks - only collecting \$.55 on the dollar that could be collected. The League was a supporting member of the coalition, assisting in the efforts to inform legislators and the public about the problem. Legislators chose not to eliminate or lessen the flow of revenue, except to put some medical credit reduction for seniors with high incomes and revising the corporate tax minimums in the budget revenue package. See position on Air Quality.

2003-04. Tax reform, an issue long supported by the League, was the subject of a two week discussion by the House Revenue Committee. More than 200 individuals testified, including the League, providing 750 pages of recommendations and proposals. These are forming much of the background materials for the 20-member Tax Reform Task Force called for in HJR 42 (supported by the League), passed by the Legislature late in the session. The group is charged with bringing an option or options for revising the current tax system to a Special Session of the Legislature by May 31 or within five days thereof. It is expected that small subgroups of the Task Force will hold forums around the state to receive citizen input, and the League will be active in promoting these hearings. While there is opposition to tax reform from some legislators and others, the expectation is that the Task Force will have some option or options referred to the voters by the Special Session. Rep. Lane Shetterly and Sen. Ryan Deckert are co-chairs of the Task Force.

The 2003 Legislature adopted the 2003-05 General Fund Budget with bi-partisan support, but was opposed by the Republican leadership. Through the referendum process, the budget was referred for a February 2004 vote. The League, along with many other groups and individuals, worked vigorously in support of the budget, but voters turned it down.

Consequently, education, social programs and public safety activities were curtailed although the Oregon economy was slowly recovering from the disasters of 2001-03.

2005. From its start, it was evident that the partisan nature of the 2005 Legislature – Republican majority in the House and Democrat majority in the Senate – would provide difficulties in budget development. The March budget forecast showed a modest revenue improvement that allowed the governor to slightly upgrade his proposed budget. The House Speaker and the Senate President announced an agreement on a budget goal for 2005-07 - \$12.5 billion, but “not any more or any less”. The joint Ways and Means committee, hearing state agency budget requests and having budget goals from both parties, was bogged down. The Speaker pulled the House members off and set up House budget subcommittees; likewise the Senate. One of the major roadblocks was the K-12 budget, which is 60 percent of the General Fund budget. Advocates remained adamant that \$5.5 billion was needed, and the two budget committees were about \$150 million apart. The end figure is \$5.24 billion, not enough to keep pace. Throughout the process, the League participated as a member of the Oregon Revenue Coalition, urging the repeal or reduction of selected tax **expenditures** to increase revenue without new taxes and opposing a laundry list of proposed new tax credits. In the end, the final 2005-07 General Fund budget of \$12.5 billion further compromises the planning and delivery of state services to Oregonians. A change in the double majority requirement for property taxes was proposed in both houses – HJR 14 in the House and SJR 14 in the Senate. In her session-long pattern of assigning “no, no” bills to the House State and Federal Affairs committee, the Speaker prevented any House discussion. SJR 14 was heard in Senate Revenue where it received broad support, including from the League, and it passed the Senate in a bi-partisan vote of 20-8. Upon reaching the Speaker, SJR 14 was sent to House Revenue with a subsequent referral to State and Federal Affairs. The measure was a compromise produced by a coalition of legislators and interested organizations and would have broadened the number of elections when the double majority would not apply rather than repealing it altogether. Several proposals for a rainy day or sustainability fund to augment the General Fund in times of economic stress were considered by the Senate Revenue committee. They differed in how large the fund should be (5 or 10 percent of the General Fund); how it should grow (end of session balance percent, percent of General Fund, surplus); when it could be used; and what majority percent of the Legislature was needed to implement its use. The Legislative Revenue Office produced various scenarios. However, nothing moved forward, and Oregon is still without any contingency plan for the next recession. At least this session the Legislature realized that it could no longer raid any more trust funds or borrow money at exorbitant rates. The \$450 million borrowed at the end of 2002 is costing \$128 million in interest.

“Left on the cutting room floor” were major issues such as tax reform, long term adequacy and stability funding for public education at all levels, solutions to provide services for population growth in the areas of mental health and the elderly and in infrastructure rehabilitation.

2007. New ground was broken during the session on fiscal issues such as tax credits, new ways of planning state revenue and **expenditures**, serious discussion of new taxes to fund health care and public safety. However, left on the cutting room floor at the end of the session were the increase in a minimum corporate income tax (currently \$10 paid by 2/3 of Oregon corporations), a tobacco tax increase to fund health care for additional children/ adults (but was referred to voters and failed—see **Physical Health Care**), and an increase in the beer tax (not done in 27 years) to fund additional state troopers. The 3/5-majority vote required to pass new or increased tax revenue impeded the will of the legislative majority to move forward state programs.

The biggest success in state fiscal policy was the passage of a Rainy Day Fund, which is funded for the coming biennium by the suspension of the corporate kicker - about \$315 million. Each biennium, a percentage of the ending balance will be put into the fund until it reaches 10% of the biennial General Fund budget. Besides the importance of a sustainability fund for Oregon, the enactment has raised the bonding rate for Oregon, enabling the savings of millions of dollars in interest starting immediately. A 30-member Task Force on Comprehensive Revenue Restructuring was created to advise the Governor and the Legislature on fiscal restructuring for both state and local governments and will report to the 2009 Legislature. An Oregon Revenue Advisory Council will provide technical assistance and make recommendations. There are four public members and eight legislators on the Task Force. The League will monitor their meetings. For three sessions we have been part of the Oregon Revenue Coalition attempting to persuade the Legislature to repeal, reduce, or revise the more than 350 tax **expenditures** that cause the state to not receive \$27 billion in revenue in a biennium. The 2007 session spent months in discussions about tax credits and deductions, finally passing a complex and comprehensive bill dealing with credits, keeping some credits and providing revenues to cover those that were kept. To raise revenue, Oregon personal income tax credits will be removed from taxpayers having threshold incomes of over \$156,400 (individuals), \$234,600 (couples), or \$195,500 (heads of households). There are certain one-time credits for healthcare in TRICARE systems, and annual caps on energy credits. Among others, tax credits are allowed to individuals who own and occupy manufactured dwellings, and exemptions are given for natural resource property and property used in commercial fishing. Some credits are expanded, such as for energy for business facilities using renewable sources, for homebuilder installed renewable systems and alternative electric systems, and for certified film production contributions to the Oregon Production Investment Fund. The amount taxpayers subtract from federal taxable income for contributions to the college savings network is also increased.

2008-9. The early effects of the current recession were made evident in the 2008 December revenue forecast when the projection was for a \$900 million deficit in the 2007-09 General Fund, with seven months left in the biennium. Ironically

this was about the time that the kicker surplus checks for \$900 million were going to Oregon taxpayers. It was also evident that the \$17 billion needed to continue current state services for education, social programs and public safety in the 2009-11 biennium would not be available. Balancing the budget was the major work for the Legislature. First, the state used some reserves, federal and state stimulus funds, and program cuts to fill the \$900 million hole. There were extensive hearings in the Senate and House Revenue committees as to measures to increase revenue while the Ways and Means Committee looked at all agency programs, seeking ways to both save and cut programs. In order to design a two year budget which would protect education and services to children, families, seniors and the disabled, three things were done:(1) \$2 billion in cuts were made; reserves were used;(2) the Education Stability Fund was completely drawn down and the Rainy Fund left with \$300 million; and (3) \$733 million in marginal tax increases for those individuals with incomes above \$125,000 and \$250,000, and households with incomes above \$250,000 and \$500,000 were enacted. Also raised was the corporate minimum tax of \$10 to \$150 and marginal tax rates (five tiers) for corporations making profits. In both cases the tax rates are lowered in 2012. Marginal tax rates apply only to the amounts above the limits levels. The League supported these tax and fee increases based on our fair and adequate tax positions and the need to support essential public services. The current 9% personal income level is paid by the majority of tax payers and has become non-progressive. Two-thirds of Oregon corporations pay only \$10 a year, an amount which has not been raised since 1931. The increases make the tax system fairer.

The budget cuts to state programs and services are being felt across the state. Although K-12 public education received less in cuts, the community two-year schools and the state universities were hard hit, just as enrollments are increasing substantially across the state. There are now two further problems related to the 2009-11 budget. The September revenue forecast projects an additional loss of \$182 million for the General Fund. It is expected that the Special Legislative session in February 2010 will use most of the remaining Rainy Day Fund, leaving a zero End of the Biennia total. The second issue is the Special Election in January caused by the referenda by petition of the personal and corporate tax statutes. Failure to support the tax proposals will cause an estimated \$500 million shortfall for the budget, with no reserves to cover the hole. Since the state cannot have a deficit budget, the alternative will be to further cut programs.

The review of tax credits due to be sunsetted in 2012 (HB 2067), probably will be discussed during the February Special session. Already being challenged is the Business Energy Tax Credit and others. Also a strong possibility to be considered in February is funding for the Rainy Day Fund and the Kicker refund distribution along with some inheritance tax issues. One of the casualties of the recession was the proposed increase to the Earned Income Tax Credit which benefits more than 200,000 families. Oregon has a very low (6%) tax credit (around \$100 per family), ranking among the lowest in the country. The only good news to come from the session is found in the reports from the policy committees where much excellent legislation was discussed and passed – none of it costing much money. (see Governance, Natural Resources and Social Policy Issues updates).

K-12 Funding

1993. See previous page.

1999. Because the state is now responsible for the major portion of K-12 funding, the Legislature seems to feel that it should exert more control over local school districts and decisions that affect K-12 schools. During the 1999 session a total of 404 school-related bills were introduced. By far the most contentious were those establishing the K-12 funding level, and a proposal to allow charter schools. Others ran the gamut from gun safety instruction in the elementary grades to delaying the language requirement of the Education Act for the 21st Century. The Charter Schools bill (SB 100) was hotly debated for an extended period of time. The League opposed the bill in its original form. We testified in favor of requiring state certification for charter school teachers, and limiting the amount of money local districts must pass along to charter schools. In its final form, the Charter Schools Bill requires at least 50% of teachers to be state certified. Local school districts will be responsible for chartering these schools. A special certificate can be issued for the charter school teachers, and they must pass a background check.

2000. See Position History—Fiscal Policy for information about local option levies.

2001. Education fared reasonably well during the 2001 session, receiving nearly half of the State's General Fund. The final appropriation for K-12 fell nearly \$870 million short of the target set by the Quality Education Model. The League will continue to work for adequate funding for education at all levels.

2003. Although not considered adequate by many education supporters, the \$5.2 billion allocated to Oregon public schools was considerably better than the \$4.9 billion proposed by the legislative leadership and Ways and Means. If the referendum on the budget should fail, schools could lose \$400 million, so local school districts have been cautious in spending levels this fall even though the dollars are needed.

The 2003 Legislature adopted the 2003-05 General Fund Budget with bi-partisan support, but was opposed by the Republican leadership. Through the referendum process, the budget was referred for a February 2004 vote. The League, along with many other groups and individuals, tion, social programs and public safety activities were curtailed although the Oregon economy was slowly recovering from the disasters of 2001-03.

2007. Funding for K-12 schools was a priority of the 2007 Legislature. A record \$6.3 billion was allocated, up to 80% of the Quality Education Model. The funding for public schools will enable smaller classes, add-backs of the arts and libraries and better classroom equipment. College tuition may not change after 10 years of increases, and maintenance and rehab of older buildings will take place for all levels of public education. Community colleges did not fare as well, and many of the state's 17 institutions still must cut programs and staff.

Added this session was a provision that allows school districts to assess a construction excise tax on new residential, commercial and industrial construction to help pay for the impacts of new growth. Schools are also required to develop a Facilities Plan that can then be considered by local governments when land use decisions are made.

Pennsylvania

<http://www.palwv.org/lwv/pubs/WhereWeStand.pdf>

Interestingly, their fiscal policy is in the social policy section of their Where We Stand document.

FISCAL POLICY

POSITION IN BRIEF

Support an equitable and flexible tax system for state and local government in Pennsylvania.

BACKGROUND

The position was reviewed and updated in 1988-89 and used at that time and again in 1998 to support passage of a constitutional amendment to permit different property tax rates for residential and commercial real estate. The measure failed to pass in 1989, but was revived in 1997 in the form of a so-called homestead exemption allowing a certain percentage of the assessed value of a family's primary residence to be exempted from taxation. LWVPA was very active in support of the homestead amendment, which passed by a large margin.

The first legislation to follow passage of the amendment, passed in 1998, was limited to school districts, giving them taxing options to lessen reliance on residential real estate taxes. Options include an increase in the earned income tax, but no provision for a tax on total income, which the League believes should be the primary source of revenue for state and local government. So far, no legislation has passed that would provide new taxing options for counties or municipalities. However, in 2007, legislation was enacted to provide new taxing options for school districts (see Education position).

Regarding the budget process, the League has asked that negotiations be open to the public and has urged timely passage to allow school boards to complete their budgets in time for tax bills which must go out in early July.

In 2008, the General Assembly passed and the Governor signed legislation to consolidate the collection of the Earned Income Tax by municipalities and school districts across the Commonwealth.

On August 5, 2009, after the General Assembly failed to enact a state budget by the June 30 deadline set forth in the PA Constitution, the League endorsed a proposal setting forth a set of mandatory budget planning deadlines for the executive and legislative branches. Fines would be levied on legislators for failure to meet their deadlines and on the governor, cabinet secretaries and legislators if the June 30 deadline mandated in the PA Constitution for signing a budget into law is not met. Budget allocations for the prior fiscal year would remain in effect until a new budget is passed.

See the Education position for information on Act 72 to reduce reliance on school property tax.

POSITION IN DETAIL

The League of Women Voters of Pennsylvania supports adequate, flexible funding of state and local governmental programs through an equitable tax system that is progressive overall and that incorporates a broad-based income tax, responsible fiscal policies, and an open budget process with adequate citizen participation.

STANDARDS

The following standards should be used to ensure an equitable and flexible system for Pennsylvania: **Equity**

- Revenue sources should be related to the ability to pay.
- Consideration should be given to those who bear the final burden of the tax.

Adequacy

- Adequate, reliable revenues should be provided to finance mandated public services without harmful effects on individuals and businesses.

Flexibility

- Control of state tax sources and rates should be in the legislature; the general framework for local revenues should be established by statute and not constitutionally mandated.

- A variety of revenue sources should be used so as to assure adequate revenues when economic conditions change.
- Tax incentives, exemptions and other concessions to encourage or discourage economic, environmental, and social activities should be used with restraint and should be subject to mandatory periodic review.
- Dedication of specific taxes for specific purposes should be limited.
- Dedication of specific taxes should not be constitutionally mandated.

Ease of Administration

- Taxes should be understandable, certain, visible to the payers, and easy and economical to assess and collect.
- Compliance by the taxpayer should be simple and convenient.

SPECIFIC RECOMMENDATIONS:

Income Tax

- The primary source of revenue for state and local governments should be a broad-based, progressive income tax shared by and levied on business and individual taxpayers. An exemption should be provided for low-income individuals.

Sales Tax

- The sales tax should not be extended either in scope or rate.

Property Tax

Property tax exemptions for religious, charitable or other public property (as defined in Article VIII Section 2a of the PA Constitution) should apply only to those portions actually used for public purposes. Tax exempt properties should pay for services rendered directly to them.

Property taxes should be levied on both land and improvements; taxing jurisdictions should have the option of levying a higher tax on land than on buildings, primarily in high-density urban areas. A graded tax should be used in other areas only when there is adequate protection of farmland and open space.

Taxing jurisdictions should have the option of using an income tax in conjunction with a classified property tax (different classes of property taxed at different rates) to lessen reliance on the unclassified property tax.

Property Tax Relief Programs:

Tax abatement for the elderly, the disabled or infirm and the poor should be based upon strictly enforced standards of real financial need; benefit levels should be adjusted periodically to reflect changes in the cost of living.

Tax abatement for improvement of deteriorating property or industrial development should be based upon stringent standards of qualification and performance.

The League supports a preferential property tax program to preserve actively farmed lands and open space. Such a program should include income and acreage requirements and be flexible enough to include critical environmental areas and preservation of small pieces of open space in densely populated areas.

Real Estate Assessment

Continued use of the property tax must be predicated on uniform, accurate assessment.

Assessment should be performed at the county level by trained, qualified assessors.

Factors, and their definitions, to be considered in the valuation of real estate should be included in statutes.

Ratios of assessed to market value should be uniform statewide, preferably at a level of at least 50 percent.

Property should be reassessed at regular intervals.

Other Local Taxes

Taxes should not be levied on occupation or per capita.

A selection of local taxes should be available to local governmental units.

A progressive, broad-based income tax should be substituted for the local earned income tax.

Regional tax base sharing should be encouraged.

Local Tax Collection

Local taxes should be collected by a single centralized agency, preferably the county, by qualified, salaried, appointed personnel.

Local income tax can be collected with the state income tax and rebated to local taxing jurisdictions on a timely basis.

Budget Process and Fiscal Policies

The budget process at state and local governmental levels should be open to the public and should include adequate citizen participation. Officials should make a special effort to develop readily understandable procedures for public involvement and to ensure that the public has adequate information to participate effectively. Public records should be readily accessible. Adequate funding is needed to ensure opportunities for public education and effective public participation in all aspects of the decision making process.

The LWVPA supports performance budgeting. Moneys should be appropriated with specific goals in view.

Voter referenda to incur debt (as permitted by Article VIII, Section 7, PA Constitution) should occur only after legislation setting forth the standards for distributing the authorized moneys has been passed.

Rhode Island

They seem to only have the LWVUS positions excerpted. Could not find that for RI

South Carolina

<http://www.lwvsc.org/files/leaguepositions20092011two.pdf>

State and Local Taxation: Support for a system of state and local taxation in SC that is equitable and provides adequate revenue for public purposes.

Summary (could not copy the text.)

Comprehensive tax reform rather than piecemeal changes...

Shared responsible for financing education between state and local resources...

Provision of additional options for financing local government bodies.

Continued state oversight of local property tax assessment...

Reducing the regressivity of the sales tax...

Retaining existing property tax relief for households...

Revising the present regulations and practices governing use-value (rather than market value) classification for far and forest property...

Monitoring the use of property tax incentives for industry to balance the benefits, the costs, and the risks associate with these business location packages....

Texas

http://www.lwvtexas.org/pdf_files/Program%20Perspectives%202010-12.pdf

Program Perspectives, A Guide to League Issues, 2010-2012 League of Women Voters of Texas. P. 21

D. FINANCING STATE GOVERNMENT – 1975, 2003

The League of Women Voters of Texas supports constitutional and statutory provisions for flexibility within a coordinated finance structure; equitable taxation system that assures adequate revenue; and increased accountability including the following:

- removal of provisions relating to dedicated funds, ad valorem tax exemptions, dollar amounts of debt limitations, and other such specific wording from the constitution and making them statutory
- budget execution to be a joint responsibility of the executive and legislative branches of state government
- application of appropriate fiscal management and business practices to conduct state business
- an equitable system of taxation which assures an adequate revenue; is easily administered; and is consistent with economic, social, and environmental goals
- appraisal of taxable property at full market value; state supervision to ensure equitable and uniform appraisal and taxing procedures

Explanation: Financing State Government

The League studied state financing as part of its multi-year study of Texas Constitutional Revision, adopting in 1973 a two-year study titled Financing State Government. The League study first focused on constitutional provisions relating to state finances. League members found that the state's elaborate restrictions on taxing, spending, and borrowing, intended to ensure fiscal prudence, often had quite the opposite effect. Instead they created obstacles to sound fiscal planning, management, and organization and failed to limit the financial practices they were intended to restrict. An example is the flat prohibition of state debt. Texas' outstanding debt not only exists but has been on the rise, just as total state

spending has risen in recent years. The prohibition has served at times to increase the debt load by forcing the state to resort to more expensive methods of borrowing, such as the issuance of revenue bonds, rather than lower-interest-rate general obligation bonds.

The League agreed that the Constitution should permit the Legislature and Governor the freedom to develop fiscal policies for the state to meet current needs. Next, League study centered on the taxes imposed by the state government. The ability-to-pay approach for new or expanded taxes is preferred, although, in some cases, a tax levied according to the benefit theory would be acceptable as long as it was equitable and certain to be collected. A graduated personal or corporate income tax meets League criteria for a new tax, but a general sales tax does not. An equitable system of taxation also requires that tax laws be rewritten and enforced so there is certainty of collection at a relatively low cost.

G. PUBLIC SCHOOL FINANCE - 1973, 1981, 1993, 2003

The League of Women Voters of Texas supports a school finance system that would provide taxpayer equity and an equitable distribution of funds to ensure that all Texas school children receive a high quality education. Specific measures that we support include

- a sufficient level of state support to Texas public schools to ensure that all Texas school children receive a high quality education
- a guaranteed tax base yield approach for part of the local enrichment, to mitigate spending disparities resulting from differences in wealth among school districts in Texas; however, the League believes some unequalized local enrichment should be allowed within a substantially equalized system
- equalized state assistance to districts for essential capital outlays
- taxpayer equity in the form of state equalization aid to local districts allotted in direct proportion to local tax effort
- state established minimum local **expenditure** levels with joint state-local financing (known as the foundation school approach) that includes:
 - o adequate salaries to attract and retain qualified teachers and/or teaching personnel
 - o adequate funding of the basic allotment, which provides for operations and programs for special categories of students, specifically vocational education, compensatory education, special education, kindergarten, and gifted and talented
 - o maintenance of a weighted approach to distribution of state school finance money to meet individual student needs

The League of Women Voters of Texas opposes:

- the voucher system as well as choice options that do not promote racial integration and/or equal access to quality education
- any state requirement that local districts use state school finance monies to provide local tax relief

Tennessee

<http://lwv-tn.org/about.aspx>

2011-2013 positions

FINANCING STATE AND LOCAL GOVERNMENT

POSITION: The League supports a balanced system of taxation that considers the ability of the taxpayer to pay and which produces sufficient revenues to fund essential services. Constitutional taxation provisions should be broad and sufficiently flexible to meet future revenue needs. Therefore the state position includes the following:

State Income Tax: The League supports a broad-based personal income tax and repeal of the Hall income tax in order to enhance the equity and balance of the tax structure and to produce adequate state and local government revenue. An occupational privilege tax (payroll tax) and retention of the Hall income tax is a less desirable second choice. The League opposes the levy of local option income or payroll taxes. The corporate excise (income) tax should be retained. The statewide income tax should be adopted by Legislative action rather than Constitutional amendment. For this reason, a flat-rate tax with a standard deduction and personal exemptions sufficient to reduce regressivity would be acceptable.

Sales Tax: The League opposes continued and increased reliance on sales tax for revenue. The local option sales tax rate should be no higher than currently authorized at 50 percent of the state levy. The sales tax on food for home consumption should be eliminated; broadening of the sales tax base and any raise in rate should be contingent upon the exemption of tax on food.

Property Tax: The League supports classification of property for tax purposes into real, personal tangible, and personal intangible; the League opposes subclassification of real property and erosion of the property tax base. Income

producing property, including that owned by religious and nonprofit charitable organizations but not used for religious and/or charitable nonprofit purposes (investment property), should be subject to the property tax. The League supports a mandatory periodic reappraisal program, accomplished by professional assessors, that is equitable statewide, and supports increased involvement of the state in the local reappraisal process. Property tax relief for low-income persons and families should be provided by state legislation coupled with a state income tax.

User Fees: The League supports expanded local government levies of user fees providing they meet accepted League taxation criteria.

Intergovernmental Revenue: A percentage of statewide personal income tax proceeds should be transferred to local government(s) earmarked principally for public education. State services mandated and performed by local government should be fully state funded. State/local transfer formulas should be equitable and consider the recipient local government's tax capacity and effort.

The League used the following criteria to evaluate a system of taxation:

1. Ability of the taxpayer to pay
2. Diversity of revenue sources
3. Economy of administration
4. Simplicity and convenience
5. Certainty
6. Sufficiency
7. Elasticity

Each tax should be considered and evaluated in relationship to all other state and local taxes. No single tax will meet all of the above criteria.

Adopted 1971, Amended 1977, 1983

Utah

<http://www.lwvutah.org/League%20position%20papers/LWVU%20Impact%20on%20Issues%202007t.pdf>

UTAH STATE TAXATION

LWV Position in Brief

Taxes should be both adequate and fair for all those paying them.

The League supports a state tax system that is fair and equitable; that provides adequate resources for government while allowing flexibility for financing future program changes; is understandable to the taxpayer and encourages compliance; and accomplishes its objectives without creating undue administrative problems. (Convention '84, LWVUS)

History

The 1977 state convention approved League studies Making Sense of Your Tax Dollars (1978) and Making Sense of your Property Taxes (1978). An update, Making Sense of Taxation Changes in Utah, was published in 1979. Understanding Utah's Tax System - 1992 Tax Study an update, was published in 1992. Consensus was used in support of elimination of the state sales tax on food, expansion of the circuit breaker, and a severance tax on coal. In 1980, the League opposed a property tax exemption amendment. In 1993 and 1994, the League used consensus to support bracket changes to make the income tax more progressive and legislative review of sales tax exemptions. The League continues to believe the Tax Limitation Act should be repealed and to oppose a constitutional amendment limiting taxes and spending.

*LWV Position on Utah State Taxation

The most important criteria for evaluating taxes are adequacy and equity. A major consideration from the standpoint of government is adequacy, or whether the tax produces the necessary amount of revenue. From the point of view of the taxpayer, it is important that taxes should be fair and equitable, both for those in similar economic circumstances and those at different economic levels. Other important criteria are benefits received, stability, responsiveness and simplicity. Taxpayers should receive adequate benefits, either direct or indirect, from taxes they pay. There should be a mix of stable taxes, which produces a predictable amount of revenue regardless of economic fluctuations, and responsive taxes, which increase or decrease according to the ups and downs of the economy. A tax that is easy to understand and comply with is more acceptable than one that is not.

The main strength of the Utah tax structure is that it is broadly based and well balanced. The main weakness is the regressiveness of the sales tax on food, which places an undue burden on low income and elderly people.

Recommendations

The League believes that drastic and arbitrary tax limitation is not necessary to Utah, but it favors a reduction in government spending through careful budgeting and efficiency. The League continues to oppose constitutional and statutory limitations on taxation and spending because they result in lack of flexibility to cope with current problems. Prudent control of taxes and spending is the responsibility of elected officials.

The League believes that the property tax provides essential local revenue and is an important component of Utah's broad based tax structure. We support an expansion of the circuit breaker to give property tax relief to all low income households regardless of age of the owner.

The sales tax on food should be either eliminated or reduced gradually until it is eliminated. Replacement for the loss in revenue could come from increases in the individual and corporate income taxes, an increased sales tax on non-food items, an increase in the cigarette tax, a tax on luxury items and soft drinks, or a severance tax on non-metalliferous mining.

If small increases should be needed for purposes other than replacement revenue for the food tax, an increases in the cigarette tax or a tax on luxury items and soft drinks could be used, depending on the need. There should be a severance, or mine occupation, tax on non-metalliferous mining (mainly coal). It would be advisable to use a portion of the proceeds of the severance tax for energy related purposes. (See position on Energy Development in Utah.) A portion could be used the replace revenue lost by the elimination of the sales tax on food.

Earmarking of taxes for a specific purpose is appropriate in some cases, but should be used with restraint so that flexibility is not limited. If a tax is earmarked, there should be a logical relationship between the tax and its use. It may be advisable to reevaluate earmarking periodically.

PROPERTY TAXES AND SCHOOL FINANCING

LWV Position in Brief

Property taxes should be assessed equitably, with annual reappraisal if it is financially feasible. Public understanding of property taxes is vitally important.

History

(See History under Utah State Taxation.)

*LWV Position on Property Taxes

The most significant advantages of the local property tax are that it is a stable and predictable tax and that it has a direct relationship to local benefits and maintains local control. The main disadvantage is that it is a regressive tax which is difficult for taxpayers with limited or fixed incomes to pay. The state reappraisal program is necessary so that property will be assessed equitably. The goal should be annual reappraisal if it is financially feasible.

Recommendations

Taxpayers should get full information on their valuation notices and tax notices so that they can gain a clearer understanding of their taxes. Notices should be available both to the mortgage holders and to the property owners.

The numerous overlapping taxing areas should be simplified.

Tax exempt property should be listed and appraised, and the information should be published.

"UNDERSTANDING UTAH'S TAX SYSTEM - 1992 TAX STUDY"

*LWV Position on Tax Policy

Utah income taxes should be more progressive. Tax brackets should be spread so that the top rate is reached at a higher income level and the tax rate on higher incomes should be increased. All current sales tax exemptions should undergo periodic review, and there should be a formal procedure for review of proposed sales tax exemptions.

The cost and benefit criteria used to evaluate proposed sales tax exemptions should include:

- the number of new jobs created if the exemption is granted;
- the median wage level for newly created jobs;
- other additional tax revenue if exemption is granted;
- lost sales tax revenue;
- perceived fairness to other taxpayers; and
- environmental impact

Property tax exemptions should be removed from the Constitution and enacted by statute.

Based on cost-benefit analysis, reductions in the number of exemptions should be made.

Exemptions for charitable organizations should be narrowed.

RECOMMENDATIONS OF THE TAX RECODIFICATION COMMITTEE

The League supports the following recommendations of the Tax Recodification Commission, which were adopted by the 1990 Legislature:

INCOME TAX

1. The state income tax system should be broadly based.
2. The state income tax system should shield subsistence income from taxation.
3. The state income tax system should be structured so as to be moderately progressive.
4. The overall state income tax system should be indexed for inflation.
5. The state income tax system should be linked to the federal income tax system.

SALES AND USE TAX

1. The sales tax should be broadly based.
 - a) The sales tax based should reflect the overall economy.
 - b) Sales tax exemptions and exclusions should be carefully scrutinized.
2. The sales tax base should seek to mitigate regressive impacts.
3. The sales and use tax should be administratively simple.
4. The sales and use tax laws should promote compliance.
5. The sales and use tax should not be earmarked.

PROPERTY TAX

1. Taxable property should be uniformly appraised at its fair market value.
2. The property tax appraisal system should be professionally administered and adequately funded.
3. Property tax administration should be simple and understandable.
4. The property tax administration should provide the public adequate information on and full access to valuation, tax changes, and the appeals process.
5. Property tax exemptions should be carefully scrutinized.
6. The property tax should recognize the unique status of residential property.
7. The property tax laws should promote uniformity in the taxation of mobile personal property.

Vermont

http://lwvofvt.org/files/position_on_fiscal_policy.pdf

FISCAL POLICY

LWV – VT CONSENSUS POSITION ON STATE FINANCE

The League of Women Voters of Vermont holds the following positions regarding state finance in Vermont. The League:

1. Recognizes the rapidly growing costs of state government, and does not wish to impose a ceiling on programs.
2. Is reluctant to reduce services because of inflationary pressures.
3. Is not in favor of deficit financing as a means of meeting the increased costs of government, but does not rule out the possibility of short-term exceptions to this in case of overwhelming human needs or severe environmental problems.
4. Favors the continuation of categorical grants to states from the federal government.
5. Strongly favors the redistribution of the tax burden in Vermont, particularly the property tax.
6. Supports land use assessment rather than fair market value as a further means of redistributing the tax burden.
7. Believes the taxing of any income-producing property of schools and churches is desirable and justified.
8. Strongly approves of the present tax on the Vermont-derived income of non-residents.

Virginia

<http://www.lwv-va.org/fiscal.html>

FISCAL POLICY

Support for a responsible state fiscal policy that includes: a flexible and diverse tax structure that is based on a progressive income tax; continuous evaluation of all programs for need, effectiveness, efficiency, and economy; flexibility in developing local sources of revenue; state commitment to funding of state mandated programs; and opposition to constitutional or statutory limits on state/local government spending or revenue sources.

The League of Women Voters of Virginia advocates tax increases when necessary. We believe any changes in the tax structure should be progressive. We support continuing evaluation of all programs for need and effectiveness as well as for efficient and economical government operation.

Tax Structure

The League supports:

- A more progressive state income tax, with an increase in the number of income brackets and a raise in the rates in higher brackets;
- The use of progressive income taxes to meet additional needed revenue, with smaller amounts derived from a tax on soft drinks (crown tax), and an increase in the present taxes on alcoholic beverages and tobacco;
- A systematic review of earmarked funds with less reliance on long-term earmarking of funds such as revolving funds, trust funds, bonds, or any sources of revenues designated for specific purposes;
- The designation of highway funds to include all means of transportation and loosely related activities; and
- The use of General Obligation Bonds to finance capital outlays.

We favor keeping the corporation income tax structure competitive with neighboring states, and oppose any increase in the sales tax unless food is excluded from the increase.

Accountability and Responsibility

The League believes that the growth of state/local government spending can be contained through positive rather than restrictive procedures. Therefore we are opposed to statutory or constitutional limitations on state/local government spending or revenue sources.

We believe that elected officials should be accountable for laws enacted and taxes levied. Representatives have a responsibility to evaluate all government programs to determine public needs as well as real and long-range costs.

State/Local Fiscal Relationship

Localities in Virginia have only the limited fiscal powers delegated to them by the state and must rely heavily on the property tax. The League advocates the following changes in the state/local fiscal relationship:

- Increased commitment by the state to fund its mandated programs; The state should set basic standards for providing services to all citizens. The need for mandated programs should be continuously evaluated and their true and eventual costs should be considered. There is a great variation in the economic strength of different sections of the state so the state itself must assume a larger share of the financial burden.
- Increased flexibility for local governments to choose the ways in which they raise revenues. Setting of minimum standards by the state should not preclude the setting of higher standards by localities willing to meet additional costs. Localities should have more freedom to decide how to raise the money for these costs.
- Increased standardization of assessment procedures by the state as well as regulation of local tax administration with allowances for local control to respond to local conditions.
- Increased protection of local tax base. Exemptions from the property tax should be kept to a minimum, with service charges being imposed whenever practical. Relief given to special classes of taxpayers should be confined to those truly in need; the decision to offer such relief should be at local discretion. (1964, 1977 & 1979)

Washington

They did a project: **Where Does the Money Come From? Where Does it Go? Get Your Tax Facts Here** (A LWVWA Civic Engagement Project)

Introduction to Taxes

Funding State Government

The Budget Process

The 3 Budgets of the Washington State Government

The 3 Major General Fund Taxes

Bonds 101: The Basics

How the Washington State Budget Impacts You

http://www.lwwwa.org/pdfs/Program_In_Action100809.pdf

– STATE TAX POLICY –

POSITION IN BRIEF: *Action to obtain a balanced tax structure that is fair, adequate, flexible and has a sound economic effect.*

BACKGROUND: League records indicate that state taxes have been on the agenda since 1953.

During the '50s the legislature increased the sales tax, business and occupation tax and cigarette tax creating a renewed interest in the tax structure. A study based on the League's publication, *The Tax Primer* (1957), produced a position favoring an income tax and repeal of the sales tax on food (1959). We have continued to update and expand our positions with studies of property taxes, assessments, state **expenditures**, state and local fiscal relations, exemptions and in 1980-1981 a review of state tax policies. The delegates to the 1981 convention voted to delete the 1959 position statement relating to the state's fiscal management processes since LWV's recommendations have been implemented. Study of and action on the state tax positions has been continuous.

In 1981-1983 state revenue collections were below projections. This led to the re-imposition of a tax on food and an increase in most tax rates and fees. League joined with other concerned citizens in pointing out that the crisis emphasized flaws in the tax system. Per capita income rose but business and personal spending, which are the basis for excise taxes, declined. The League believed that the state's unduly heavy reliance on excise taxes is not appropriate and would be improved by the addition of a tax on personal and corporate income. Recommendations made by the Governor's Tax Advisory Council were not acted upon and a proposal for a constitutionally limited income tax was not reported out of committee.

Nearly every year since then, proposals for some kind of tax based on ability to pay have been introduced into the legislature. Many of its members and the Governor campaigned on tax-reform platforms. Yet, by 1987, the tax structure had received only minor modifications, primarily additional tax exemptions. League's exemption positions are limited to those on the property tax.

The 1985 League convention called for an update of positions that was accomplished through articles in the *VOTER*.

In 1989 the League cooperated with Governor Gardner's task force to push for tax reform. This effort never got out of the Senate. It was clear that the 1989 political climate made any tax increase unpopular.

In 1991 delegates to the state LWV convention again called for an update. In 1992 *The Basic Tax System in Washington* was published in the Spring *VOTER*.

In 1993, LWV convention delegates resolved to oppose Initiatives 601 and 602, which would severely limit the legislature's ability to impose taxes to support programs.

The League has continued to work for its goal of a balanced, adequate, fair, flexible and economically sound tax system by self-education and discussion of tax issues, by monitoring legislation and taking appropriate action, and by participation in People for Fair Taxes.

A one-year study, "A Comparison and Contrast of Tax and Revenue Systems in Washington Counties", was adopted at the 1999 State Convention. This educational report provided detail on the funding of local county governments and was published in partnership with the Institute for Washington's Future.

The 2001 LWVWA Convention authorized a study as an update of the 1992 tax structure study. That was postponed because of the work of the Washington State Tax Structure Study Committee (the Gates Committee), commissioned by the legislature. The Gates study was presented to the legislature in 2002, but received no action.

In 2003 the LWVWA Convention authorized a two year program – an updated study and materials for a public education program. The updated study was published in 2004 in full length format and in executive summary, and is available on the LWVWA website. The education program, developed in 2005, has included a Speakers Bureau, a speakers kit containing a Power Point CD, transparencies, and commentary; and, materials for mass distribution including a Tax Facts tri-fold, Tax Bucks, and a brochure advertising the Speakers Bureau.

THE LEAGUE'S POSITIONS ON STATE TAX POLICY:

Property Tax Administration (1965)

The League of Women Voters of Washington believes that:

PA-1: Specific figures and details such as assessment levels, mileage limit and classification should be left to legislative determination according to the needs of the time.

PA-2: Constitutional provisions should be enforced with effective penalties or regulation from the state level.

PA-3: Equity and uniformity both within and among counties in the administration of the property tax are of major importance. The state should have a primary role in regulation and enforcement to ensure uniform assessment levels and adherence to laws and standards of performance.

PA-4: Training and quality of personnel, adequate budgets and staff should be a concern at both state and local levels.

PA-5: The assessor should be a technical administrative officer and should not have tax policy-making powers. Qualifications should be set for the position of assessor. The decision as to whether or not the assessor's position is elected or appointed should be determined by the legislature and not specified in the constitution.

PA-6: The taxpayer should have a greater role in the taxing process. Information should be understandable and readily available.

PA-7: More information should be included on or along with the tax statement. True and fair value (100% value) should be listed on the tax rolls and tax statement. Each property owner should receive tax statements.

PA-8: The appeals procedure should be simple, convenient and responsive to the taxpayer. The taxpayer should be notified of revaluation in ample time to appeal should s/he desire to do so. Appeals boards, courts or boards of equalization should be separate, qualified bodies at county and state levels.

Property Tax Exemptions (1969, 2005)

The League of Women Voters of Washington believes that:

PE-1: Exemptions from property tax should be limited but may be valid when used to further public policy such as encouraging education, cultural or humanitarian causes.

PE-2: Property tax exemptions should not be used to encourage location of industry or as a reward for public service. Property of private or nonprofit groups used for business activities should not be exempt.

PE-3: The state should assume the responsibility for revenue lost to local governments because of property tax exemptions granted by the state. Property otherwise exempt should pay for direct public services such as fire and police protection.

PE-4: When exemptions are used, the state must assure uniform application. Exemption provisions should be carefully and periodically examined. There should be a periodic inspection of exempt property to assure compliance with the law. Exempt property and its valuations should be listed. The list should be made available to the public.

PE-5: Property on which the tax is unduly difficult or expensive to administer should be taxed in some other way, for example: income tax on intangibles, excise tax on boats and cars.

Tax Structures (1959, 1965, 2005)

The League of Women Voters of Washington believes that:

TS-1: Inequities in the distribution of the tax burden should be removed. Ability to pay is an important criterion. Flexibility and recognition of changing times and needs is important in tax policy. Only broad general principles of taxation should be included in the constitution. Income should be part of the tax base preferably through a graduated net income tax. The sales tax should not be levied on food. Business should be taxed on net income rather than gross receipts.

General Tax Exemptions (2005)

The League of Women Voters of Washington believes that:

TE-1: Any tax exemption proposal should be carefully evaluated for purpose, benefit and cost; and, all tax exemptions should be periodically reviewed.

2009-

Wisconsin

<http://www.lwvwi.org/cms/content/view/25/55/>

Government Financing

Promote financing essential state government services by a well-administered tax system, shared revenues and improved assessment practices.

The general aim of League positions in the area of government financing through the years has been toward support of tax revenues based on need and the total tax burden. Action efforts have been directed toward strengthening the income tax, reducing the property tax, minimizing the regressive features of the sales tax and promoting an educational aids formula that eliminates the ability to pay as an influence on education.

As long ago as 1949, the League recognized the inequities in the shared tax system. During this period, the League supported income tax increases by means of surtax, and opposed use of a sales tax. League recognized that increasing population and a complex economy would lead to demands for increased state services.

As a result of a 1965-67 study of state responsibility to local government, League members agreed that three criteria should be used to help evaluate any legislative proposals for local government.

1. Will inequality of local services and inequity in tax burden among the various communities be reduced?
2. Will governmental units of sufficient size for an adequate local tax base be promoted?
3. Will citizens be given a reasonable opportunity for effectiveness in influencing policies appropriate to the governmental unit?

As a result of the 1979 study, members reaffirmed the existing position on the general philosophy of taxation: tax sources based on the ability to pay and distribution based on need and the total tax burden. Members analyzed the advantages and disadvantages of various taxes and considered the role of user fees. They examined measures intended to enhance the tax base of local governments, particularly borrowing, tax incremental financing and industrial revenue bonds. The new positions were adopted in 1981.

Specific positions are as follows:

Support of financing of essential state government services by a well-administered tax system through:

1. strengthening the income tax based on ability to pay; and
2. use of a general sales tax with exemptions to make it less regressive.

Support of the state's role in financing and organizing effective local government through equitable distribution of state monies including:

1. Equitable sharing of tax proceeds by state and local units through improvements in distribution of taxes raised by the state;
2. A property tax relief formula that would tend to reduce local property taxes where they are above the state average;
3. Use of the property tax as part of the revenue mix, but decrease the percentage of reliance as part of that mix;
4. A highway aids formula that reflects cost, such as vehicle mileage or use; and
5. Use of increased users' fees at both state and local levels.

Support for local government's use of:

Support for periodic legislative review of tax exemptions and credits.

Support on the state's role in financing and organizing effective local government through improved assessment policies including equity in local property taxation through improvement in standards and procedures of the assessment process.

Support of an education formula that takes into account a local community's total tax burden and total available financial resources.

Support of a system of financing that ensures that a child's opportunity for a good education is not limited by the fiscal ability of the local school district; an education aids formula that provides that the state will assume a significant amount of educational financing, include the costs of building and debt service in the formula and provide increased state payments for children with special needs.

(See [Education](#) for an explanation of these last two positions).

The League favors the use of the income tax on the grounds that it is a fair and progressive tax based on ability to pay. Support for the sales tax to help generate needed revenue is coupled with emphasis on sales tax exemptions on necessary items, such as food and prescription drugs, to keep this tax from falling hardest on those least able to pay.

State Income and Sales Tax

The League's first position in 1947 opposed use of a general sales tax to finance a veteran's bonus; this was soon enlarged to oppose both the veteran's bonus and a general sales tax. When a general sales tax was proposed to meet booming state revenue needs in 1957, the state League opposed the legislation. Member agreement emphatically

supported the income tax and the "pay-as-you-go" (income tax withholding and one-half pre-payment, adopted in 1961) as a method of strengthening the income tax. Because of the pressing need for additional state revenue and the desirability of influencing the selective sales tax, already adopted by the legislature, the League restudied the issue in 1963 and reversed its long-standing opposition to a general sales tax.

ne of Leagues long-term goals - the financing of essential state services through a strengthened income tax based on ability to pay - was achieved in part in 1971 when a tax bill raising the individual tax rate passed. In 1969 the League had supported proposals for a small income tax increase, along with expansion and/or increases in the sales tax, but the bill passed without the income tax increases. The increase was enacted in 1971 however, with the top rate raised to 11.4%.

Local Government Financing

Property tax relief is a sum local governments receive which must be applied directly against the local tax levy. Shared revenues are returned to each local government to spend as it chooses.

League opposition to the traditional formula for shared revenues resulted began as studies showed the inequities of the formula. Initially League supported a distribution formula that would take into account where the money was earned as well as the taxpayer's residence. The present position supports a distribution method for state-collected funds that not only takes these factors into consideration, but also considers tax effort and population, since it is people who require services.

Improved equity in the shared tax system came 22 years after League first began to call attention to its shortcomings. In 1971 the legislature enacted a significant change in the shared tax formula, replacing it with a plan that distributes them according to population and need for property tax relief.

Tax Incremental Financing

Legislation passed in 1975 authorized cities and villages to utilize Tax Incremental Financing (TIF), a funding mechanism to encourage development in urban areas. It was intended to be a sophisticated financing tool to be used by communities to stimulate industry, rehabilitate declining areas, and reverse blight.

Abuses and misuses of the TIF program were reported and in 1981 the legislature tightened the regulations. The League supported the tightened rules.

Periodic Review of Tax Credits and Exemptions

During the 1979-81 study of taxation, local Leagues agreed that the legislature should review tax credits and exemptions periodically, using the following criteria:

Is the credit or exemption easy to administer?

Is it equitable?

Are the expected goals being met? Have conditions changed so that the exemptions or credit are no longer needed?

What are the impacts on:

State and local finances?

Environment and energy conservation?

Economic climate?

Social climate (i.e., health, welfare, housing, and safety)?

Highway Aids

Leagues who participated in the 1984 Update generally felt that the current highway aids formula appeared to be equitable, except for its "hold harmless" provisions, but that it is so complicated that it is very difficult to analyze. Therefore it may not be as equitable as it appears.

Assessment

Strong League support for equity in local property taxation has been responsible for League action to seek improved standards and procedures for the assessment of taxable property to make the assessment process professional, equitable, and efficient. The Wisconsin Constitution (Art.VIII, Sect. 1) requires, with limited exceptions that all property be taxed uniformly. The local assessor has the responsibility for discovering assessable property and for fair and equal treatment by applying the same standards to each property. Full market value (equalized valuation) is set by the Wisconsin Department of Revenue. It also assesses all manufacturing property.

League recognition that equity in assessment is basic to fair taxation has been translated into support for state standards for assessor certification, continuing professional training and a recertification process. The League has opposed

legislative efforts to weaken or delay the process.

The League believes that assessors should be professionally trained and appointed based on ability. Since 1977, assessors must pass an examination and be certified by the state. The League supported this as well as the 1983-85 state budget tightening of re-certification requirements.

The League supported the standards adopted in 1986, requiring each taxation district to have an assessment ratio (the percentage that the assessed valuation is to full market value) of at least 90% and not more than 110%. In the 1987-88 legislative session, the League opposed a bill which would have changed the standard to 75%. The bill failed to pass.

League support for larger assessment districts together with its support for strengthening county government resulted in support for a 1971 law providing for a county assessor system. The bill included formula funding by the state and provided for a 60% vote by the county board to adopt the system. There is no "opt out" provision. The League supported legislation for a simple majority vote as an incentive. It has taken no position on bills to allow withdrawal from the system. Member agreement on this issue was not a part of the League's 1984 update on assessment but in discussion some members suggested that the inclusion of an "opt out" provision might encourage more counties to experiment with the system.

To date only Kenosha County has adopted the county assessor system (1972). Experience there suggests that the system may produce better assessment practices.

The 1987-88 governor's budget recommended the phase out of the county assessment program by 1990 and included an "opt out" provision by a 60% vote of the county board. The League opposed the phase-out of funding, pointing out that at a time when so much attention and study are focused on the property tax, the state should be encouraging measures to ensure accuracy, equity and uniformity in assessment. The measure failed to be enacted.

A 1989 bill requiring tax assessors to prepare a map showing the tax-exempt real property in the taxation district received League support under our "citizen's right to know" position. The bill died in committee.

User Fees

Leagues participating in the 1984 Update expressed dissatisfaction with our users fee position for a wide variety of reasons. Generally, Leagues recommended that when a conflict arises between funding a vital public service with users fees and funding a service with tax dollars, the issue be resolved in favor of the service being offered at a reasonable cost to users. This could mean at no cost at all.

For a discussion of school financing, see Education.

Borrowing cautiously and within limits;

Tax incremental financing but with tightened rules; and

Industrial revenue bonds when limited to original intent.

Wyoming

<http://www.lariat.org/LWV/ProgramRecord.html>

TAXATION

POSITION

State taxes should be broadly based, equitable, equally assessed, easily and economically collected. Counties, cities and towns should have adequate revenue-raising options. (Adopted 1964, 74) Sales and use tax returns to local governmental entities should be increased; 1% optional sales tax should be retained. (Adopted 1978) Measures should be adopted that would make property tax revenues from mineral production available to all local governmental entities (including cities and towns) on a more equitable basis. (1980) Mineral severance tax rates should not be altered at this time. (1982)

As the present position on taxation gives a basis for action, the LWVWY is to use this position for advocacy on school finance, Tax Reform 2000, and other related issues and it is resolved that the LWVWY undertake an update/study on state taxation. (Adopted 98)

GUIDELINES

- The tax burden for low-income persons should be alleviated.
- (Adopted 1974). Sales tax should be removed from grocery food purchases, with the state reimbursing local governmental units for lost revenue. (Adopted 1978)
- Training for assessors should be mandatory.
- Uniform accounting and reporting methods should be used for all corresponding governmental units.

HISTORY

The first sentence of position and the first sentence of guidelines form the first League position adopted by motion at a state convention. Originally a part of the education position, the taxation statement was adopted as a separate position to permit the League to work on the reduction of sales, use and ad valorem taxes for low-income persons and to work against a constitutional amendment (passed in 1974) that, in effect, prevents a state income tax.

"Tax Facts" was published in October 1974. A more comprehensive publication, "More Than You Want to Know ABOUT WYOMING TAXES," was published in 1976. "Should All the Lines be Equal?" (1978) was followed later in the year by "Per Capita Amounts Available to Wyoming Counties, Cities and Towns from Specific Sources."

"Mineral Severance Taxes--Friend or Foe?" was published February 1980. From that study came a consensus that there should be an increase in the percentage levied for the Permanent Wyoming Mineral Trust Fund, and that measures should be adopted that would make property tax revenues from mineral production available to all local governmental entities (including cities and towns) on a more equitable basis.

A 2% increase in severance tax on oil and gas was passed by the 1981 legislature. One-twelfth of this increase was earmarked for the Permanent Wyoming Mineral Trust Fund. Additionally, more money was made available to cities and towns and counties for operating revenues from the 2% increase.

A publication, "Mineral Wealth and Wyoming Government," was published in December 1981. From it came the position that "Mineral severance tax rates should not be altered at this time." At the same time Wyoming League members stated that the national Congress should not place a lid on state severance taxes. As this is a national issue, no consensus was adopted.

During the 1998-99 legislative sessions League lobbied for:

1. In raising revenue, one resource entity should not suffer to the benefit of the other. If there are to be increases, they must be broad-based and spread among all revenue sources and should be phased in incrementally with education funding as the priority for the state.
2. Exemption granted in the past should be examined as to future revenue sources. Property taxes and even a state income tax should be considered.
3. Provide secure funding sources as citizens should be able to count on established and consistent funding sources and not the threat of continued litigation.
4. The League supports substantially raising tobacco and excise taxes to address underage smoking, health care and the true costs to towns and counties.