



Grover G. Norquist

President

October 6, 2004

Dear legislator,

I write to express my concern about the composition of the Tennessee Tax Structure Study Commission, which is expected to come up with recommendations for a reform of the Tennessee tax system by December 31, 2004.

Any credible study commission that claims independence should represent a balanced mix of ideas and perceptions – otherwise it would be a sham. Unfortunately, this balance is clearly missing with regard to the Tennessee Tax Structure Study Commission:

All members of the commission were nominated by former Gov. Sundquist, Speaker of the House Naifeh, and Lt. Gov. Wilder – all of whom strongly supported the creation of a full-fledged income tax for Tennessee. As expected, all commission members are known to be at least open to, if not supportive of an income tax. What is clearly absent from this commission, is a representation of an opposing view – nobody on the commission rejects an income tax. Thus, the findings of the commission seem to be a foregone conclusion. Yet, opponents of an income tax raise important points that need to be considered in the debate:

The commission as it is currently composed leaves the door open for a tax increase on the hard-working families of Tennessee. Even if an income tax were offset by cutting the sales tax, or any other tax, it would be only a matter of time until both were raised. The commission's tax 'reform', under the given circumstances, bears the danger of turning into a tax increase in disguise.

The underlying motivation for favoring an income tax is to increase the state's revenue. Yet, Tennessee, like many other states, does not have a revenue problem, it has a spending problem. Tennessee general fund spending rose by 76% between 1990 and 2000, while the inflation rate only rose by 31.78% over the same period. The state's surplus, reported anywhere between \$353 million and \$380 million for FY 2003-04, was largely spent before it was even collected.

With the creation of an income tax, Tennessee would have to face a serious competitiveness problem. The business community has long favored states with no income tax, and it is not unusual for entrepreneurs to go to Texas rather than New York to open up their business. Tennessee also faces tougher competition from states like South Carolina. Here, Gov. Mark Sanford, aided by President Bush's four successive tax cuts in four years at the federal level, has brought his state back on the track of economic recovery and competitiveness by cutting taxes.

Furthermore, as recent polls have shown, an income tax would be out of sync with the wishes and needs of Tennesseans. A poll commissioned by the newspaper The Tennessean finds that only 35% would favor the creation of an income tax.

Real 'reform' should look at the elimination of unnecessary programs, performance reviews, and prioritizing of funding. Tennessee must not fall for the fallacy of tax increases in disguise. Its taxpayers deserve better than having their wallets raided, and should be protected from higher taxes by a two-thirds supermajority requirement.

A study of which the results are a foregone conclusion serves no purpose, and thus it would be best to terminate the commission's work now. The only other viable option would be to extend the deadline beyond December 2004 while at the same time appointing new members to the commission that reflect the views of the 65% of Tennesseans who do not clearly favor an income tax. I urge you to consider these options.

Please find enclosed a copy of the Taxpayer Protection Pledge. If you haven't signed it yet, I urge you to make this important commitment now and let taxpayers know that you will 'oppose and vote against any and all efforts to increase taxes'.

Onward,



Grover G. Norquist