



AMERICANS FOR TAX REFORM

TAX ALERT

A bi-monthly report by Damon B. Ansell and Emily Sedgwick

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Alaska Lawmakers Consider Sales, Income Taxes

The Majority Republican caucus in the state House seems to favor a plan to add a 3% state-wide sales tax to the 3% local option that exists at present, thereby doubling the sales taxes for many Alaskan residents and tourists. Other plans to solve a \$1 billion spending shortfall include Gov. Tony Knowles's plan to introduce a state income tax (that would cost taxpayers \$360 million annually). House Bill 403 passed the House 3/18 and now resides in the Senate Committee on Finance; H.B. 403 would use \$59.3 million from the Permanent Fund to plug the spending shortfall (*Anchorage Daily News*, 3/21; *Juneau News-Miner*, 3/27).

Florida Speaker Feeney Agrees to Committee on Ballot

House Speaker Tom Feeney agreed to a state constitutional amendment ballot initiative that would allow voters to decide whether a 12-member tax reform committee should study tax reform. By a 2/3 supermajority vote, the committee would have the power to broaden the sales tax to include services and enact other tax reform proposals (*St. Petersburg Times*, 3/21; *Miami Herald*, 3/24).

Hawaii Budget Negotiations Make No Progress

House Democrats proposed distilled spirits and tobacco tax increases, spending \$100 million from the Hurricane Relief Fund, and \$90 million in additional tax increases to address this year's \$1 billion spending shortfall. The Hurricane Relief Fund board recommended that legislators use funds for hurricane emergencies only. House Republicans attacked Democrats' budget plan because it will cost taxpayers \$900 million more than previously allotted. The House budget proposal includes less reliance on the Hurricane Relief Fund, less support for tax increases, and cutting empty state employee positions. According to House Minority Leader Galen Fox, the state operating budget increased 91% between 1990 and 2000 (*The Honolulu Advertiser*, 3/21; 3/25; 3/26).

Kansas Governor Introduces Third Version of Budget

Governor Bill Graves released the third version of his budget revisions so far this session, including a total of \$365.5 million in budget cuts and \$364 million in new taxes and fees. The House rejected increasing the sales tax from 4.9% to 5.2%, increasing the cigarette tax by 65 cents, and a surcharge of 5% on income taxes. The House

Appropriations Committee began consideration of a budget without any tax increases during the third week of March (*Topeka Capital-Journal*, 3/22).

Maryland Lawmakers Preserve Income Tax Rollback

The Legislature passed the state budget 3/20, including the last phase of the income tax rollback scheduled for next year. The budget will grow by 1% next year, rather than the 3% favored by Governor Paris Glendening. Senator Christopher Van Hollen, Jr., vice-chairman of the Senate Budget and Taxation Committee, supports a 70 cent cigarette tax increase (*Washington Post*, 3/21).

Minnesota Senate Approves Tax Increases

The Senate Taxes Committee approved a bill to increase cigarette taxes by 30 cents after 4/30 and increase taxes another 30 cents after 12/31. Thereafter, the tax would be indexed to inflation and cost taxpayers \$350 million annually by 2005. The Senate voted 38-28 3/25 in a preliminary vote to approve the cigarette tax increases, but House Republicans remain steadfastly opposed to the tax increases and instead support cutting the budget. The Legislature must approve budget-balancing revisions by 5/21 or Governor Jesse Ventura can enact "unallotment" and carve up the budget himself (*Minneapolis-St. Paul Star Tribune*, 3/21; 3/26).

New Jersey Governor Breaks Promise to Taxpayers

After repeatedly promising taxpayers that he would not increase their taxes during his gubernatorial campaign last fall, Governor Jim McGreevey said 3/20 that he would consider tax increases to plug the state's \$6 billion spending shortfall. Governor McGreevey proposed a 50 cent cigarette tax increase and levying businesses taxes against companies without a legal nexus in New Jersey (*Newark Star-Ledger*, 3/21).

Tennessee Federal Lawsuit

A federal lawsuit filed in Tennessee alleges that states may not tap tobacco settlement funds to fill budget spending shortfalls, and that states must use settlement funds for their designated purpose (*Tennessean*, 3/21).

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