



AMERICANS FOR TAX REFORM

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# TAX ALERT

A weekly report by Damon B. Ansell and Emily Sedgwick

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## **Maryland May Make Tennessee's Mistake**

Taxpayers in Maryland might learn a thing or two from their compatriots in Tennessee, who just this year shelled out another \$170 million to keep pace with the cost of inflation; TennCare (read: socialized medicine) already costs Tennessee taxpayers a whopping \$5 billion every year. Last session, Tennessee taxpayers fought to snuff out the possible creation of a state income tax and various proposals to increase the state sales and services taxes, to fill this year's \$850 million spending gap. The Maryland Citizens Health Initiative began drafting in May what they call "Health Care for All," and planning thus far two highly notable events: a seminar entitled, "Increasing Physical Activity and Decreasing Sedentary Lifestyle in Maryland," and an event called "Melanoma Monday" to educate Marylanders about the dangers of sunbathing. Note to Marylanders: Tennessee had a surplus, too, once.

## **And Speaking of Tennessee... Watch Your Windows**

Demonstrators broke windows at the state capitol in Nashville and vandalized Gov. Don Sundquist's office on July 12, 2001, in response to reports of state legislators reconsidering the creation of an income tax. For the third straight year, proponents of an income tax in Tennessee have run into a solid mass of opposition and noisy, horn-honking protests at the state capitol, from taxpayers convinced that Tennessee's budget problems stem from excess spending rather than a shortage of revenue. "The people are passionate when they say no income tax," said Steve Gill, a Nashville radio talk show host who helped organize the protests (*Associated Press*, 7/12/01).

## **Kansas Revenue Grows, Spending Gap Widens**

Fiscal year 2001 revenue collections grew 4.9% in Kansas, \$207.5 million more than FY2000. Legislators panicked last session because revenue collections were predicted to increase by 6.9% -- producing a \$206 million spending gap and a great many proposals to increase taxes, including: a sales tax increase and the reimposition of the inheritance tax on Class C heirs, and various increases on cigarette, spirit, wine, beer, liquor enforcement, and drink taxes. It seems even a growing economy can provoke government spending shortfalls and tax increases. Beer, anyone?

## **Reps. Gosselin, Drolet in Michigan Fight Internet Tax**

1920 L Street N.W., Suite 200, Washington, DC 20036  
Phone: 202/785-0266 Fax: 202/785-0261  
E-mail: info@atr.org <http://www.atr.org>

State Representatives Robert Gosselin (D-Oakland County) and Leon Drolet (R-Macomb County) lead the fight against Michigan taxing out-of-state Internet retailers. Despite the 1992 U.S. Supreme Court decision, *Quill Corp. v. Heitkamp* (504 U.S. 298) ruling that the Due Process Clause "requires a physical presence in a State" to warrant the taxation of a business/entity by that state (299), the Michigan Treasury Department has strongly recommended that Michigan join the Streamlined Sales Tax Project (SSTP). The Michigan state senate passed a similar bill earlier this session; the house version is delayed and awaiting a committee vote until the legislature reconvenes September 20. So far, 13 states have joined SSTP, and another 12 are seriously considering participation. On the mad grab for new sources of revenue, Rep. Gosselin said in the *Detroit News*, "We're talking about money that nobody was counting on, it hasn't been coming to the state coffers for all these years and all of a sudden they want to go after it? That's bunk" (7/2/01).

## **Pennsylvanian Taxpayers Safe From Internet Taxation?**

Another possible addition to SSTP is Pennsylvania, where Rep. David Steil (R-31) has led an uphill battle to drag Pennsylvania into SSTP. Rep. Steil maintains that "there is no link between the passage of H.B. 900 and any proposed future changes in Pennsylvania taxation policy" (in a letter dated 6/28/01 to ATR State Projects Manager Emily Sedgwick), and yet the purpose of SSTP is to "negotiate the terms of the agreement to simplify and modernize sales and use tax administration," according to the opening language of H.B. 900. "Simplify and modernize?" Try "tax and spend." In any case, H.B. 900 looks to be about dead.

**The Villain of the Taxpayer Award for the month of July** is awarded to **State Senate President Fred Risser (D-26)** for his leadership passing a budget costing taxpayers \$350 million in increases, including increases on corporate income taxes, the state sales tax, computer software taxes, cigarettes, and landfill taxes. **The Friend of the Taxpayer Award for the month of July** is awarded to Risser's counterpart in the **Wisconsin State House, Speaker Scott Jensen**, who managed to lead the House to pass a budget with zero growth in revenue.