



AMERICANS FOR TAX REFORM

TAX ALERT

Volume 7, Issue 13

A weekly report by Damon B. Ansell and Emily Sedgwick

September 28, 2001

Michigan Will Join Interstate Tax Commission

The Michigan state House voted September 26 to approve HB 5080, a bill that will force Michigan to join the Simplified Sales Tax Project, a commission comprised of representatives from states that will study means of taxing Internet commerce. The state Senate approved their version of the bill, SB 433, months prior to the vote in the House Commerce Committee to send HB 5080 to the House floor. Previously, the bill had languished in the House Tax Policy Committee where it probably would have died thanks to the efforts of Reps. Robert Gosselin (R-Troy) and Leon Drolet (R-Macomb Township), who both sit on the Tax Policy Committee. Said Rep. Gary Woronchak (R-Dearborn), another opponent of the bill, "The people don't want this policy. Government wants this policy" (*Detroit Free Press*, 9/27/01). Governor John Engler (R) is expected to sign the bill into law because he signed a letter at the National Governors Association annual meeting in August along with 41 other Governors and two Governors of U.S. Territories expressing support for the concept.

North Carolina Passes A Budget, Finally

Three months after the start of the fiscal year, the North Carolina legislature completed the longest legislative session in state history. Governor Mike Easley (D) signed a \$14.5 billion spending plan into law on September 26, putting in place a state budget that includes several expensive tax increases. These increases include a sales tax hike of 0.5%, raising the state sales tax on all items except food from 6% to 6.5%; the creation of a new, "temporary" tax bracket of 8.25% on net income over \$200,000 (previously, the highest tax bracket was at 7.75%); a new 1% tax on HMO premiums; a new 6% sales tax on spirits; a new 6% tax on long-distance phone calls; a new 5% tax on satellite TV; the repeal of the tax credit for low-income parents who pay for their children's health insurance; and the elimination of the cap on the highway use tax of 3% for vehicle total net value over \$50,000 – the tax now applies to the total value of all vehicles at time of purchase. On the sunnier side of things, the budget made progress eliminating the marriage penalty tax and extending child tax credits, but the new budget will still cost North Carolina taxpayers \$345.3 million during the 2001-2002 fiscal year, \$620 million in 2002-3, and \$440.4 million in 2003-4.

Ohio Facing Spending Shortfall of \$1 Billion

Governor Bob Taft (R) announced September 26 that revenue projections have been revised to reflect \$500 billion shortfalls for each of the next two fiscal years. Gov. Taft has promised on numerous occasions not to raise taxes, but comments he made on Wednesday cast some doubt on the strength of his position given the recent revenue shortfall projections. Asked if he would support a broad-based tax increase, such as an increase in the state sales tax, Gov. Taft said, "Not at this time... [but] there are limits as to how much we can cut before we jeopardize essential state services" (*The Columbus Dispatch*, 9/27/01).

Tennessee Governor Forced To Make Cuts

Governor Don Sundquist (R) has made \$97 million in reluctant cuts so far to the budget he wanted; his budget was cut significantly after the state legislature passed a veto override on August 17, mandating a budget \$110 million less than the Governor's preference.

Washington a Microcosm of U.S. Economic Troubles

Washington State revenue officials cut revenue projections by more than \$100 million in response to a slowing state economy. The state's chief economist, Chang Mook Sohn, said he was closely monitoring the effects of the September 11 terrorist attacks to see how consumer mentality and the elimination of 20,000 jobs at Boeing (based in Seattle) would further effect revenue projections.

New York State Resumes Budget Negotiations

Debate over a multibillion-dollar supplemental budget among New York state legislators has resumed after the September 11 terrorist attack on the World Trade Center in New York City, but top leaders acknowledge that they are not prepared to say how they will pay for a vastly changed list of spending proposals. Governor George Pataki (R) and legislative fiscal staff members have voiced strong determination to pay for World Trade Center costs without increasing taxes.

ATR awards **Gov. Frank Keating (R)** the **Friend of the Taxpayer Award for the month of September** for his efforts to pass Paycheck Protection by referendum. ATR awards **state Senator**

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>



AMERICANS FOR TAX REFORM

Gene Elsea of Tennessee (R-Spring City) Enemy of the Taxpayer for supporting the creation of an income tax in TN by questioning the legality of the Taxpayer Protection Pledge.