

Path to Prosperity

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300 Million Reasons Why the Taxpayer Bill of Rights Helps Maine's Beleaguered Taxpayers

By J. Scott Moody

On November 7, 2006, the citizens of Maine voted on a Taxpayer Bill of Rights. Unfortunately, the initiative failed by a close margin (46 percent in favor and 54 percent opposed).

After that close election, amid promises to control spending and lower taxes... *business-as-usual* continued within the halls of the capitol. Three years later, the Legislature had increased taxes by \$299,890,376 through FY 2011 (see Chart 1). To put it another way, the tax increases since the 2006 vote on the Taxpayer Bill of Rights will cost the average Maine family of four \$912 over four years. Beyond 2011, the tax bill associated with these tax increases will continue to grow into eternity.

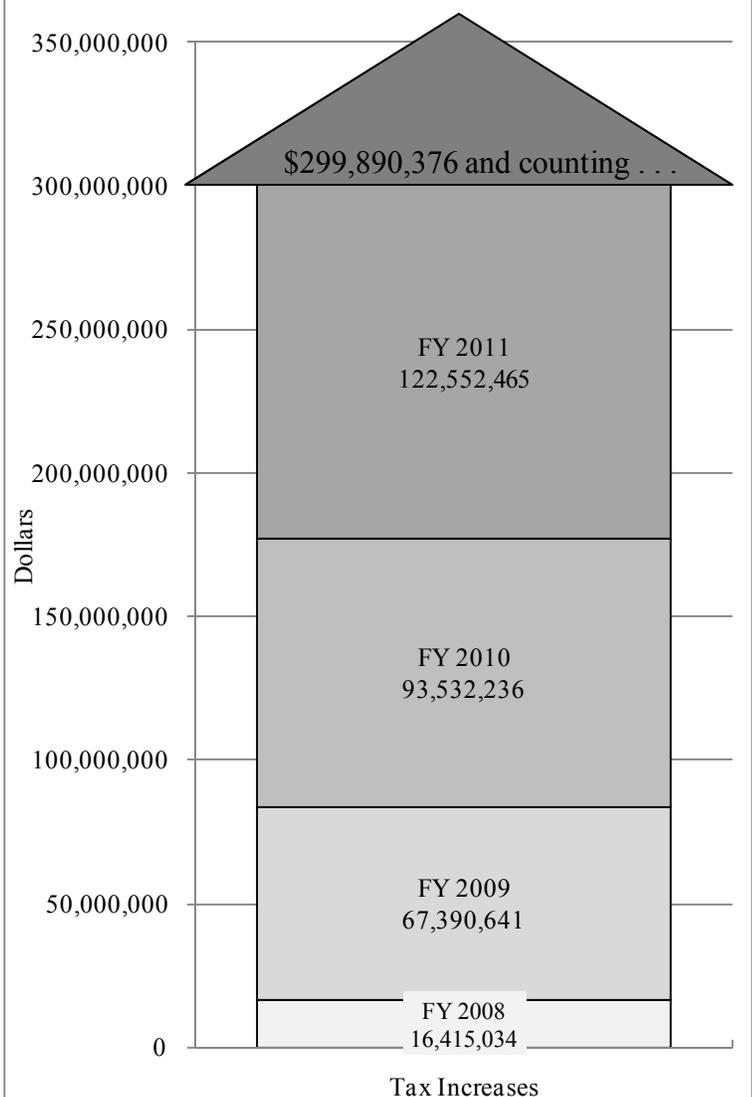
However, it has not been all bad news for Maine's taxpayers. One of the 123rd Legislature's tax increases was to fund the Dirigo Health experiment with a hodge-podge of taxes on health insurance, soda, beer and wine costing taxpayers \$17,264,932 in FY 2009, \$24,618,517 in FY 2010 and \$25,940,608 in FY 2011.

In response, businesses and citizens successfully put on the 2008 ballot a "people's veto" of these tax increases. Mainers responded with a resounding defeat of these tax increases with 64 percent voting against it. As a result, the figures in Chart 1 have been somewhat reduced, but only through the herculean actions of Maine's citizens. This does not negate the fact that it was the Legislature that initially voted to put these tax increases into law.

The moral of the story is that Mainers relish the opportunity to decide for themselves whether or not they wish to be burdened by higher taxes. Yet, under the current system, Mainers' only option is to go through the cumbersome and expensive "people's veto" process. Why shouldn't this option be automatic for all tax increases?

Fortunately, a new Taxpayer Bill of Rights will be on the November 2009 ballot which, if enacted, would automatically give Mainers a voice over their tax bill.^[1] Chart 2 shows the process that any tax increase would have to go through before it could become law. The most critical part of the process is the mandatory election for voter approval of a tax increase... You Decide!

Chart 1
Cumulative Tax Increases under the 123rd
and 124th Legislature



Source: Office of Fiscal and Program Review, The Maine Heritage Policy Center.

The Taxpayer Bill of Rights Ballot Question:

“Do you want to change the existing formulas that limit state and local government spending and require voter approval by referendum for spending over those limits and for increases in state taxes?”

Overall, the vast majority of the recent tax increases, under the new Taxpayer Bill of Rights, would have required voter approval. Yet, the new Taxpayer Bill of Rights is flexible, especially in regards to revenue-neutral tax reform. Only a net tax change exceeding 0.01 percent of General Fund revenue threshold would need voter approval.

Methodology

The data used to calculate the tax increases imposed is from the Office of Fiscal and Program Review. See:

http://www.maine.gov/legis/ofpr/past_legislatures/budget_summaries/tax_fee_changes_123R1.pdf

and;

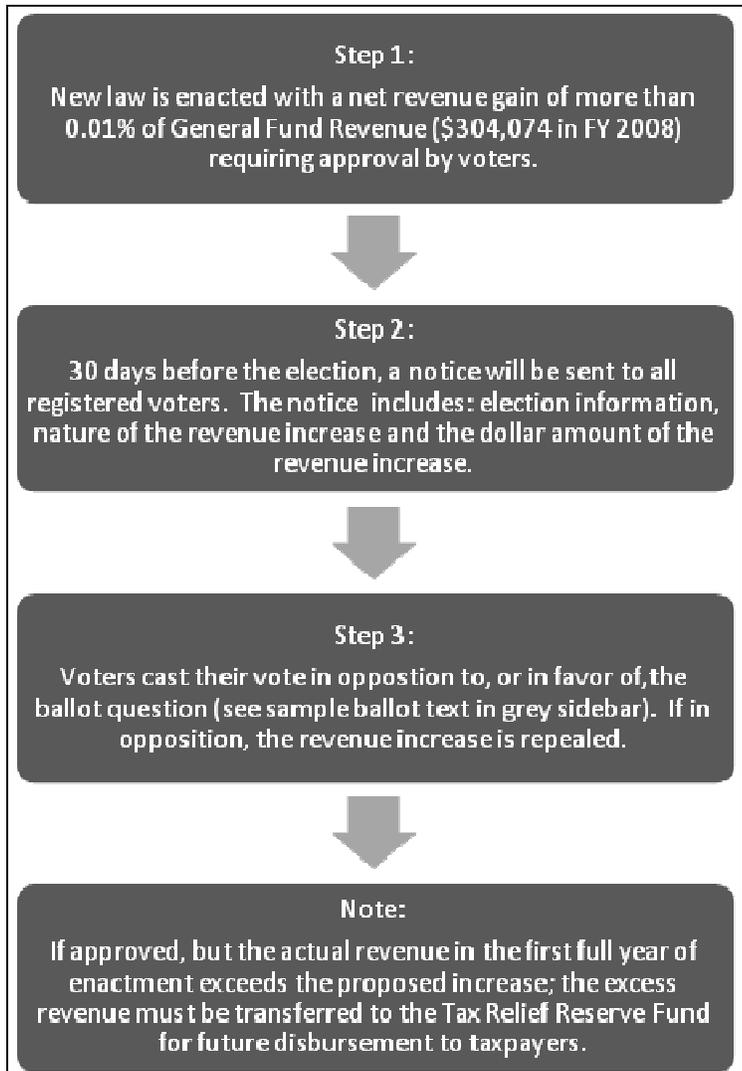
http://www.maine.gov/legis/ofpr/past_legislatures/budget_summaries/tax_fee_changes_123R2_S1.pdf

and;

http://www.maine.gov/legis/ofpr/appropriations_committee/materials/biennial_budget/LD_353_ca_summary.pdf

Required Ballot Question under TABOR for a Proposed Tax Increase:

“Shall (description of tax increase) to increase state revenue by (amount of first or, if phased in, full fiscal year dollar increase) annually for the purpose of . . . ?”



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Path to Prosperity is a special series of publications by The Maine Heritage Policy Center which focus on Maine’s overspending and the resulting tax burden that threaten long-term, stable, sustainable prosperity. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

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