



United for a Fair Economy is a national, independent, nonpartisan, nonprofit organization.

UFE raises awareness that concentrated wealth and power undermine the economy, corrupt democracy, deepen the racial divide, and tear communities apart. We support and help build social movements for greater equality.

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# Fair Economy Action Tool

## Evaluating State Candidates' Tax Proposals

Voters who want to evaluate what impact candidates' positions have on economic justice must consider tax policy. This is because fair tax policies can increase economic justice and unfair tax policies can exacerbate injustice. Some candidates, but not all, share the value of fairness. But often it's difficult to see through the rhetoric and evaluate a candidate's position, especially on a topic as complex and arcane as taxes.

Below are four aspects of fair tax policies that voters can consider when evaluating the tax proposals made by candidates for governor and the state legislature. On the back page are questions you can ask candidates to help you determine how fair their proposals are.

1. The proposal increases the progressiveness of the tax system, meaning that the proposal decreases the taxes paid by low-income people and/or increases the taxes paid by high-income people.  
Examples of ways to accomplish this are:
  - Increasing the income tax rate on high-income people.
  - Establish or increase the state estate tax.
  - Closing tax loopholes and other tax preferences that benefit high-income people and/or corporations (e.g., passing combined reporting).
  - Providing targeted tax breaks to low-income people (e.g., establish/increase the Earned Income Tax Credit; exempt people in poverty from the state income tax, establish a targeting property tax credit for low-income people ("circuit breaker")).
  - Taxing unearned income (e.g., capital gains, dividends) equal to or higher than earned income (wages).
2. The proposal raises enough funds to sustain a level of public services needed and demanded by the public (e.g., education, transportation, public safety).
3. The proposal works to ensure that economic opportunity is as widely distributed and equal as possible.  
This can be promoted by extending asset-building tax policies to low- and middle-income people. Examples of assets are financial savings, home ownership, retirement funds, education (human capital), and business capital. So, for example, a fair tax policy might create a tax credit for college tuition for low- and middle-income people.
4. The proposal increases the tax system's accountability to taxpayers, meaning that tax laws are not hidden, but plain to see and be evaluated by the public. This can be accomplished by:
  - Requiring company-specific disclosure of corporate profits and state corporate income tax.
  - Requiring disclosure of the beneficiaries of state tax breaks.
  - Creating a mechanism (such as a legislative or executive branch committee) to regularly review and assess the effectiveness and efficiency of tax preferences (and earmarked funds) to see if they are achieving their intended effect at a reasonable cost.
  - Creating a tax expenditure budget, which shows the costs of every tax preference that is intended to benefit a particular group of taxpayers or encourage a public policy goal (e.g., a sales tax exemption for purchases of farm machinery, a property tax exemption for the elderly).

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## Questions to ask candidates

Below are questions about fair tax policy that voters can ask candidates to at public meetings, in writing, or in letters to the editor. Some questions are neutral, others incorporate a point of view into the question. When asking questions, it's best to quote a candidate's own words if possible.

1. In our state, wealthy people pay a smaller share of their income in state and local taxes than low and middle-income people do. [*This is true in every state.*] If elected, what will you do to make our tax system more fair?
2. Company-specific corporate tax disclosure would help show policy-makers and the public the extent to which our state's corporate tax policies are effective, and whether corporations are paying their fair share of taxes. If elected, will you push for such disclosure?
3. [If applicable] Parents today have to organize bake sales to buy text books for their kids' schools, and yet the legislature is considering tax cuts which will result in further cuts to public services like education. Do you support or oppose the tax cut proposals?

If the candidate has put out a specific tax proposal:

1. Who benefits and who loses under your tax proposal?
  - Do low-income people's taxes go up or down?
  - Do middle-income people's taxes go up or down?
  - Do wealthy people's taxes go up or down?
  - If your proposal gives everybody a tax break, is the percent reduction for wealthy people more or less than that for low and middle income people?
  - Do corporate taxes go up or down?
2. Does your proposal create or eliminate special tax preferences? If it creates them, for whom? If it eliminates them, for whom?
3. Does your tax proposal increase the amount of funds available to sustain the public services needed and desired by residents in our state (e.g., education, transportation, public safety)?
4. Does your tax proposal increase accountability to taxpayers?
  - Does it create accountability mechanisms for regularly reviewing & assessing special tax preferences?
  - Does it require disclosure of the beneficiaries of special tax preferences?
  - Does it require company-specific disclosure of corporate profits & state corporate income taxes paid?

*For more information, contact Karen Kraut, State Tax Coordinator, 617-423-2148 x122*

Sources: United for a Fair Economy, [www.faireconomy.org](http://www.faireconomy.org); Institute on Taxation and Economic Policy, "Tax Principles: Building Blocks of a Sound Tax System," <http://www.itepnet.org/pb9princ.pdf>; National Conference of State Legislatures, "Principles of a High Quality State Revenue System," <http://www.ncsl.org/programs/>