Evaluating State Elected Officials’ Tax Proposals

Citizens who want to evaluate the impact elected officials’ positions have on economic justice must consider tax policy. This is because fair tax policies can increase economic justice and unfair tax policies can worsen injustice. Some elected officials, but not all, share the value of fairness. But often it’s difficult to see through the rhetoric and evaluate an elected official’s position, especially on a topic as complex as taxes.

Below are four aspects of fair tax policies that citizens can consider when evaluating the tax proposals made by the governor, state legislators, or local elected officials. On the back page are questions you can ask elected officials to help you determine how fair their proposals are.

Fair Tax Policies

1. The candidate’s 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.
   - Establishing or increasing the state estate tax.
   - Closing tax loopholes and other tax preferences that benefit high-income people and/or corporations (for example, passing “combined reporting”).
   - Providing targeted tax breaks to low-income people (for example, establish/increase the Earned Income Tax Credit; exempt people in poverty from the state income tax, establish a targeted property tax credit for low-income people, also known as a “circuit breaker”).
   - Taxing unearned income (for example, 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 (for example, 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 (for example, a sales tax exemption for purchases of farm machinery, a property tax exemption for the elderly).

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Questions to ask elected officials

Below are questions about fair tax policy you can ask elected officials at public meetings, in writing, or in letters to the editor (for more ideas of ways to use this Action Tool visit http://faireconomy.org/action_tools_for_evaluating_electedofficials). Some questions are neutral, others incorporate a point of view into the question. When asking questions, it’s best to quote an elected official’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.] 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. Will you push for such disclosure?

3. Major taxpayer subsidies are granted to corporations in the name of economic development. Yet, rarely are the terms of these subsidies completely disclosed nor are they reviewed to see if companies have delivered on their promises of job creation. Do you support strict disclosure, accountability and reform of economic development subsidy programs?

If the elected official 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 (for example, 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?

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