



# The Activist News

Citizens for Limited Taxation  
The Commonwealth Activist Network

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The Massachusetts Taxpayer Activist's Newsletter

August 2001

## House Speaker again raids Tax Reduction Fund

by Chip Ford

In mid-July House Speaker Thomas Finneran proposed again raising the ceiling on the state "rainy day" fund, from \$1.8 billion to \$2.3 billion. As in years past, as soon as the Stabilization Fund approaches its limit and is about to rollover into the Tax Reduction Fund and be returned to taxpayers as an increase in their personal exemption, Beacon Hill pols react decisively.

"Whenever taxpayers cross the 20-yard line into the red zone, the majority on Beacon Hill keep pushing the goal line back to avoid a tax reduction touchdown," we responded in our memo to House members and our news release.

The history is as follows:

In 1986, Stabilization and Tax Reduction Funds were created; the Stabilization Fund could hold up to 5 percent of total state revenues before additional revenues flowed over into Tax Reduction Fund. When sufficient funds are amassed in TRF, a one-time increase in the personal exemption is provided in the following tax year.

But in 1997, as the Stabilization Fund approached capacity, the cap was increased from 5 percent of total state tax revenues to 5 percent of budgeted revenues.

In 1998, taxpayers were again getting close to a tax refund, so the cap was again increased, from 5 percent of budgeted revenues to 7.5 percent.

With \$1.7 billion now in the fund, and a cap of \$1.8 billion, taxpayers are finally getting close to a rebate.

So again the Speaker has proposed to increase Stabilization Fund cap from 7.5 percent of budgeted revenues to 10 percent of budgeted revenues, again depriving taxpayers of a tax break from their over-payment.

\$2.3 billion in a "rainy day" fund; when is enough enough? "Noah" Finneran must be planning to build an awfully big Ark for another Great Flood!

## President Bush's Tax Rebate: The check really is in the mail

by Chip Ford

The IRS tax rebate checks are rolling out; many will have received theirs by the time you read this and everyone will have gotten theirs by the end of September: \$300 for individual filers, \$500 for heads of household, and \$600 for those filing jointly.

Already you should notice less federal tax withheld from your paycheck, beginning on July 1st (as well as less withheld in state taxes beginning last January, thanks to our Question 4 tax rollback).

CLT has been part of the national Tax Relief Coalition and, as such, we received a personal thank-you note from President George W. Bush (left).

Did you know that the Bush tax cuts are only *temporary*? By law, they're all scheduled to sunset within the next 10 years and return to the old rates.

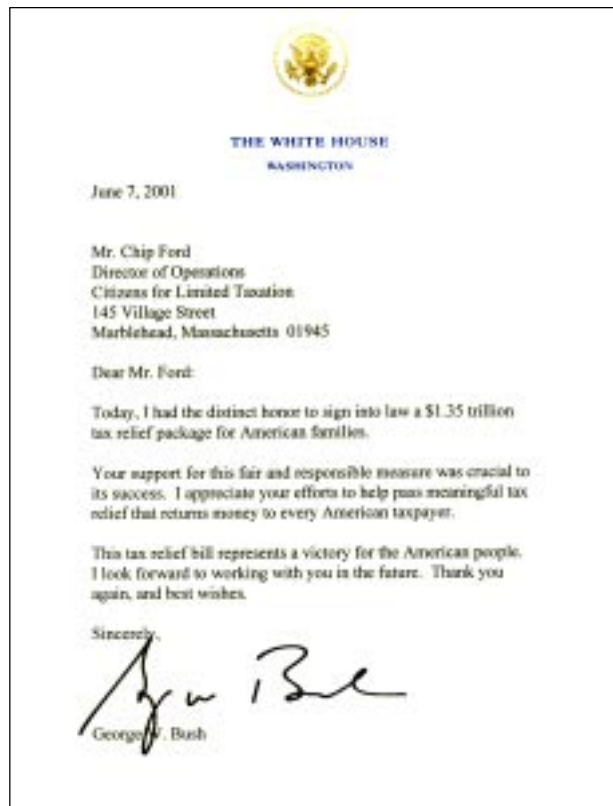
Isn't it so typical of government that "temporary" doesn't mean temporary when it's talking about tax *increases* – but does when it's talking about tax *cuts*.

While the national Tax Relief Coalition is now working with Congress to make the tax cuts permanent, liberals nationwide have launched a new crusade: they want fellow travellers to sign over their income tax rebates to liberal causes, or return them to the government.

This is one more reason for the state Legislature to adopt our Voluntary Tax Check-off – opponents of Question 4 who insisted they don't need or want

our state tax rollback shouldn't be forced to take it!

Our Voluntary Tax Check-off is in the House version of the state budget, but wasn't included in the Senate version. Both are in the joint conference committee waiting for reconciliation. With the liberals' national campaign to give away their tax relief, we hope our state Legislature will see the wisdom and benefit of our proposal and adopt it.





## Beacon Hill Happens

Summertime, and Beacon Hill still happens, except for the state budget that was due on July 1st and as we go to print, hasn't happened yet. Can't expect full-time, automatically-payraised legislators to meet arbitrary deadlines like "the beginning of the state fiscal year."

So we can't tell you if the CLT "voluntary tax" proposal has become law. You may recall that it allows income tax rollback opponents to pay the same tax they would have paid if they had won the Question 4 campaign last fall. Rep. Fran Marini's simpler version, which allows them to pay 5.85 percent forever while the rest of us pay the phase-down rate to 5 percent, passed the House as an outside section of the budget. We had hoped that the Senate would pass the same language so it wouldn't end up in conference committee. Senate Republicans filed it but didn't bother debating it despite their commitment to us that they would.

Now the House and Senate conferees will decide whether to place the House-only language in the final version of the budget. If they decide against it, we must then try to get our original proposed bill out of the Taxation Committee for a floor vote. Senate Republicans promise to debate it this time. If you have one in your district, call him or her to make sure it happens.

Meanwhile, even without all that volunteered money from those who "don't mind paying more taxes," the commonwealth has another surplus, i.e., over-collection of taxpayers money. Unfortunately, unlike President Bush and the congressional majority, Beacon Hill has no plans to send a rebate check to the taxpayers who overpaid \$550 million.

Spending proposals include: 1. Treasurer Shannon's "pay down the state debt," which is supported by Gov. Swift but seems to be going nowhere, despite the debt having been a major argument used by some legislators against the tax rollback; 2. Gov. Swift's "tax relief," which gives much of it to low-income working people who don't pay income taxes and uses some of it for deferred

capital maintenance; 3. Speaker Finneran's "raise the stabilization fund cap again" to \$2.3 billion and save even more of it for a rainy day.

While these principals debate how to spend our over-payment, other proposals have been floated to take even more money from the taxpayers. So far the beer, wine and cigarette tax hikes that were floated in the spring haven't materialized. But someone in the governor's office floated a new tax to pay for a new state program: paid parental leave.

The warning story ran on the front page of the Boston Herald on the 4th of July. Chip Ford and Barbara Anderson were just leaving for an Independence Day celebration at the home of CLT's first executive director and current Boston Herald columnist, Don Feder.

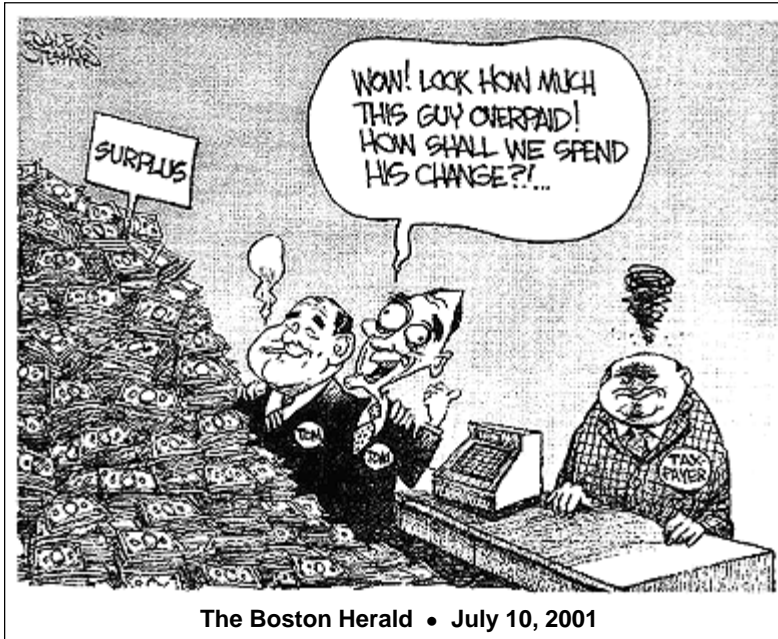
Before departing for their holiday, they prepared and sent out a statewide news release. It reminded everyone that Gov. Swift took the "no new taxes pledge" and could not sign a mandatory tax on employers or employees to pay for a mandatory "disability insurance program" that would be used for paid leave.

The next day the governor's office assured us that the concept had simply appeared on an academic list of options used in some other states. An AFL-CIO representative, however, stated on John Henning's Sunday morning program, *Eyewitness News Conference*

(July 22nd), that "she (the Gov) should forego her 'no new taxes' pledge" for this issue. We think not.

CLT does believe that Governor Swift will keep her pledge, and we also have high hopes that she will follow the July unanimous recommendation of the parole board and free Gerald Amirault, whose unjust imprisonment is being paid for by our tax dollars.

By the way, when Chip and Barbara finally did get to Don and Andrea Feder's home, they were in time for reading aloud their assigned parts of the Declaration of Independence.



The Boston Herald • July 10, 2001

CLT's last *Activist News* carried a thank-you letter from Concord activists whom we advised to call the state Division of Local Services to complain that a \$55 million debt-exclusion project had grown to \$78 million after the successful override vote. DLS ruled that the debt exclusion had to go back to the polls, where it

was defeated on June 12th.

New CLT member David Stephens wrote: "Thanks for your timely input to Lee Ann which made all the difference." We're always happy to help our members and fellow taxpayers, David. Congratulations.



# Twenty years later: Property taxes still too high, but think where they'd be without Prop 2½

by Barbara Anderson

Once upon a time there was no Proposition 2½.

Property taxes in what was then known as “Taxachusetts” were 81 percent above the national average and went up 5-6 percent, and once even 12 percent, a year.

Politicians had long ago instituted a state income tax to replace some of the property tax burden. Then they said that if the taxpayers would allow a sales tax, they could cut the property tax. Then they instituted a state lottery to reduce the property tax, so by 1980 we had an income tax, a 5 percent sales tax, a state lottery, and the third highest property taxes in the nation.

Finally the voters took matters into their own hands, putting Prop 2½ on the 1980 ballot and passing it by 59-41-percent margin. The auto excise rate was cut by almost two-thirds, a rental deduction was created, and two state mandates were repealed while future unfunded mandates were forbidden. These reforms went into effect almost immediately.

The following July 1, the beginning of all communities' fiscal year, the levy limit went into effect. Property taxes in communities whose rate was higher than 2.5 percent of fair market value were cut 15 percent a year until they reached that maximum-allowable rate.

For the rest of the communities, the Prop 2½ limit was the same as it is now: The annual levy -- the total amount collected in property taxes -- cannot increase more than 2½ percent a year, after factoring in new growth, unless the voters choose to override or allow a debt exclusion.

If you were around back then, you probably recall the ballot battle and the months of public employee marches, bitter state budget debate, and attempted repeal measures that followed. But in the end, the Legislature came up with new local aid to lessen the impact on municipalities, and local officials went to work on implementation.

Many of them started with the education budget, which had never been subject to city council or town meeting belt-tightening because of a state mandate called “school committee fiscal autonomy” -- whatever budget amount the school committee demanded, it had to be granted. During years of declining enrollments, the school budgets grew; then Prop 2½ repealed the state mandate and education budgets were temporarily brought back into line.

The Citizens Economic Research Foundation, a research arm of Citizens for Limited Taxation, the chief proponent of the ballot

question, recently commissioned a report on the 20-year impact of Proposition 2½. Lane & Company, which compiles a municipal database for use by the financial community in credit analyses, provided the following data presented here in constant per capita dollars from fiscal year 1982 through FY 2000:

The total property tax levy increased just 18.8 percent over inflation. Yet;

Local appropriations are 42.2 percent higher than could be accounted for by inflation alone. Local receipts including auto excise revenues, fees, and non-enterprise water and sewer charges, have increased 76 percent. State aid has increased 45.2 percent.

The residential levy dropped 1.6 percent. The commercial levy increased 287.5 percent, and the industrial levy, 114.2 percent.

This was initially the result of voter-passed tax classification law that was being implemented during the same time period Prop 2½ went into effect.

Despite claims that “education was devastated” by Prop 2½, per-student education expenditures increased 74.4 percent over inflation between FY '82 and FY 1999.

Proposition 2½ contains an override provision that allows local voters to raise their community's taxes more than the levy limit provides. This is good for democracy, but hard on taxpayers who can't afford the extra increases.

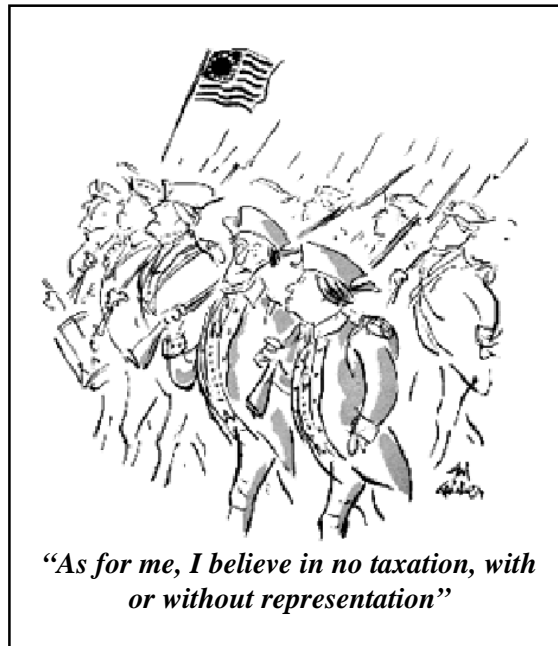
National data that showed our per capita property tax burden to be third highest in the country in 1981 dropped us as far back as 12th later that decade. But we were back up to seventh in 1996.

Our property tax burden relative to personal income was fourth highest in the nation in 1981, 22nd in 1991, then up to 15th in 1996.

Some of the increase comes from overrides and debt exclusions, but most of it is due to the “new growth” provision, that lets the local levy rise to cover new construction and major improvements.

One of CLT's long-term goals is to remove school budgets from the property tax altogether by funding public education with existing, broad-based state taxes while retaining local control through parental choice and vouchers.

Property taxes are still too high in Massachusetts. But they are not as high as they were, and certainly not as high as they were heading before the implementation of the initiative petition known as Proposition 2½ twenty years ago, July 1st.



# CLT represented at National Taxpayers Union conference in St. Louis

by Chip Faulkner

As CLT's associate director, I flew to St Louis in mid-June to meet with other taxpayer groups. The four-day conference sponsored by the National Taxpayers Union Foundation had as its theme: "*Activism for the New Millennium.*"

Activism there was, as participants from not only the United States but from around the world attended. Leaders of taxpayer groups from republics in the former-Soviet Union were there in abundance. Putting this in perspective the president of the World Taxpayers Association, Björn Tarras-Wahlberg, a longtime friend of CLT, on opening night quipped: "Lenin said 'Let the workers of the world unite!' Now the cry is: 'Let the *taxpayers* of the world unite!'"

There were numerous panels and workshops that emphasized research, direct mail, lobbying tactics, building membership, winning the media war, etc. One of the better ones: "How do we fight the teacher unions?"

On Friday night, courtesy of the foundation, the attendees enjoyed a 2½ hour riverboat cruise including a prime-rib dinner, up the Mississippi which is only a 10-minute walk from the Radisson Hotel – site of the conference.

During the sessions I had opportunities to tell delegates about the CLT tax rollback victory last November. I passed out the "Promises should be kept" brochure with the collage of newspaper articles using the word "temporary" to describe the 1989 tax increase. Many delegates were amazed that CLT rode to victory

with the active participation of the governor of the state! In their tax activist battles, many times their governor is the biggest opponent. (I reminded them not to feel bad: once upon a time we had a governor by the name of Michael S. Dukakis...)

I also publicized CLT's "voluntary tax" bill which many delegates thought was quite appropriate given the high moral ground the opposition always tries to take. Grover Norquist, head of Americans for Tax Reform, became quite interested when I gave him a copy of the bill. (Many CLT members may still remember the great speech Grover gave at our annual dinner a few years ago.)

Bill Sizemore, president of Oregon Taxpayers United, mentioned that in 1998 his ballot question lost. The unions were crowing about the defeat, stating that they spent \$5 million "but could have spent more." Bill decided to find out *how much* more and put *seven* questions on the ballot last year! He made them spend over \$12 million.

Richard Vedder, economics professor at Ohio University, noted, "The greatest under-reported U.S. mass-migration was the 2.8 million people who moved from the 41 states that have income taxes to the 9 that don't. This happened from 1990-1999 and excludes immigrants."

Quipped luncheon speaker Jim Glassman: "Here's a sequel to the movie 'Air Force One' called 'Air Force Two.' In this version all 535 members of Congress are kidnapped and the terrorists threaten to release them."



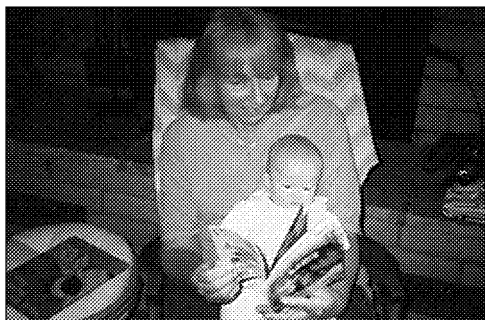
L to R: Björn Tarras-Wahlberg, president, World Taxpayers Association; Chip Faulkner, Associate Director, CLT; John Berthoud, president, National Taxpayers Union, at the St. Louis NTU conference

## "For the Children"

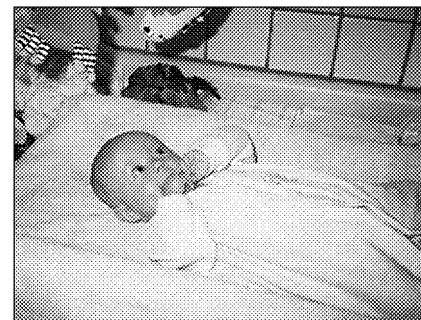
by "Gram" Barbara

I wanted to send you a newsletter composed entirely of photos of my twin grandchildren; Chip gave me this corner.

The books I am reading to Aidan were illustrated by CLT activist Joan Paley: "I Love Stars" is his favorite.



Mariah waits her turn: she likes the big bright pictures of bugs in "What's That Sound, Woolly Bear?" And Oprah Winfrey recommended Joan's "Little White Duck" to her book club! (I also gave them a nice picture of Ronald Reagan.)





# The Outsiders' Track

By Barbara Anderson

CLT activists who want to see the entire *"Twenty Years of Prop 2½"* report by **Lane and Company** can find it on our website at <http://cltg.org>. The column on page 3 gives you data you can use during override debates that begin with "Prop 2½ has outlived its usefulness." Personally, I'd like to see it get a booster shot....

**Carla Howell** and CLT's other Libertarian friends are planning to file an interesting initiative petition on the traditional first Wednesday in August. Liberals and legislators: if you didn't like the income tax rollback, you aren't ready for this either.

"David vs. Goliath": CLT member **James M. Knott, Sr.** has been fighting the Environmental Protection Agency for over two years, since heavily armed EPA agents stormed his small Massachusetts manufacturing company. His crime: according to a Washington Legal Foundation ad, "a harmless violation of an obscure technical provision in an EPA Clean Water Act regulation." Charges were dropped after it was discovered that the agency had altered critical evidence. Now Jim, who is a recipient of the governor's award for developing pollution control technology, is suing the EPA for harassment and "clearly vexatious" prosecution. More information on our website.

Boston taxpayers, be on alert; it's your turn to deal with the so-called Community Preservation Act. A story in the July 20

*Boston Globe* "Coalition to push tax hike initiative" states that a "broad coalition of advocacy groups is preparing an initiative for the November ballot that would raise property taxes citywide to pay for affordable housing, preservation, and open space." Wonder where they are going to find the open space part, which must be at least 10 percent of a CPA project? Some suggestions: abandon the Big Dig; forget about taxpayer subsidized convention centers and ballparks on the waterfront; tear down City Hall...

Here's a tough one: who is the *worst* of the Democrats running for the 9th Congressional seat? In alphabetic order, with first two nicknames courtesy of Howie Carr: **Cheryl Jacques** (rhymes with fakes); **Brian "Multiple Choice" Joyce**; **Steve** (politicians have to pay their taxes and college loans?!) **Lynch**, or **Marc** "anti-privatization" **Pacheco**. My choice: Joyce, who is the *only* legislator to ever have his endorsement *recalled* by CLT's 2½ PAC, after he filed and ran on the income tax rollback in the House only to vote against it a few months after his election to the Senate. Better the predator you know than the wolf in sheep's clothing. Fortunately, the Republicans have a solid candidate in state Rep. **JoAnn Sprague**, who filed CLT's voluntary tax and presumably would have voted for it if **Senate Minority Leader Brian Lees** hadn't sandbagged an anticipated rollcall vote.

*Excerpts from*

## Crowd hurls rocks, rhetoric to protest tax

by Leon Alligood, Rob Johnson and Duren Cheek  
The Tennessean • (Nashville, Tennessee) • July 13, 2001

They still know how to throw a successful tax revolt in Tennessee!

July was the second time anti-tax activists have beaten back a state income tax there; the first was in June, 2000. *The American Spectator* reported in its Feb. 2001 issue ("How a Horn-Blowing Mob Beat a Tax Sneak-Attack," by Dave Shiflett):

*"The tax fight is interesting for a couple of reasons. It reminds us that political elites can change their stripes very quickly. In this case, Republican Governor Don Sundquist promised never to countenance such a tax, yet two months after telling the General Assembly that state finances were rosy, he pronounced a crisis and called for the imposition of a state income tax...."*

It's ironic that while Tennesseans look to the Boston Tea Party for precedent, two centuries later we now look to Tennessee for inspiration. — *Chip Ford* —

"A shouting mob of more than 1,000 anti-tax protesters, fearing an 11th-hour approval of a state income tax, stormed the Capitol building yesterday, pounding on office doors and breaking a few windows, one of them by a rock hurled into Gov. Don Sundquist's office.

"For two emotional hours, authorities blocked entrances to the

Capitol, where inside the Senate eventually voted a budget with no new taxes similar to one already passed by the House. No one was arrested. One woman was taken to an area hospital with an asthma attack, emergency medical workers said.

"The crowd grew to at least 1,000 on the immediate grounds, with several hundred more across the street at the Legislative Plaza.

"Many people were giving credit to conservative talk-radio hosts Phil Valentine and Steve Gill for alerting the public to possible action on an income tax. Both men urged listeners to come downtown. Valentine also suggested that listeners go to Sen. Bob Rochelle's Lebanon home and protest. State troopers were sent to Lebanon as a precaution.

"This is the greatest display of liberty Nashville has ever seen," Gill said outside the Capitol. "We're the voice, but they're the volume. Listen to them."

"Rep. John Mark Windle, D-Livingston, said he sought refuge in the governor's suite of offices after sensing the crowd's angry mood.

"By late afternoon, the protesters had moved into the main lobby separating the House and Senate chambers, abandoning their car horns for their angry voices...."



# Ten random ideas for what to do with your federal tax rebate

1. Buy plane or bus tickets to visit grandchildren or elderly parents.
2. Sponsor a child with the Christian Children's Fund or Save the Children.
3. Send a contribution to a veterans' organization.
4. Adopt a pet, or contribute to an animal shelter.
5. Surprise your pastor with a special donation.
6. Send a contribution in honor of Ronald Reagan to an Alzheimer's research foundation.
7. Save for a rainy day. If you're young, start saving for your retirement, because social security is estimated to be bankrupt by 2038. Or save for your own "paid family leave."
8. Buy something nice at a business that lets you petition in front of it.
9. Send an extra donation to Citizens for Limited Taxation!
10. Return the check immediately to the federal government for your Congressman to spend on something more worthwhile than any of the above. Recent choices, according to Citizens against Government Waste, have included Vidalia onion research, premarital sex workshops, marijuana eradication in Hawaii, development of a "smart truck" at the Nat'l Automotive Center, swine waste management, a national water sports center, an Ice Age National Scenic Trail, a rice museum, a media literacy project, the historic study of jazz in Moscow, a Museum of American Soul Music in Memphis, and money to house a clock that was shot down during Pancho Villa's raid on the United States.

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