

OLD WINE IN NEW WINESKINS

Tax Seduction In Alabama

By Forrest B. Hunter

If you live in Alabama, not a day goes by that one is not fed a steady diet of "Yes" to taxes, or "No" to taxes. The "Yes" argument is coming from politicians, the public education lobby, assorted banking interests, and mainline churches including eight former presidents of the Alabama Baptist Convention. On August 21st Quin Hillyer, editorial writer for *The Mobile Register*, concluded a four part essay in support of Governor Riley's multiple tax increases.

The timber and agricultural interests lead the organized "No" argument. There are also local grass root organizations opposing the plan. Recently, new voices have been heard: Six DC-based national conservative organizations have joined the fight in opposition.

But the REAL opposition to the tax increases is the Alabama public, who (according to a recent poll) are rejecting the plan by a twenty-point margin.

The Mobile Register has pulled out all the stops in its support; but the Hillyer four-part essay was the most strident. One essay characterizes the increases as "compassionate conservatism," and goes on to equate Bob Riley to Ronald Reagan and Jack Kemp.

But Hillyer is wrong on both counts. Compassion for the poor is not a part of this tax plan, and the comparison between Bob Riley and Ronald Reagan or Jack Kemp is ludicrous. Neither Reagan nor Kemp sought tax increases to solve fiscal problems. Above all, they never advocated raising taxes first in order to reduce taxes later, as Hillyer claims will happen if this 22 percent tax increase goes through.

For the next fiscal year the Governor says he needs an additional \$675 million made up of three principal parts: \$260 million to cover the revenue shortfall,

\$140 million to repay last year's borrowing from reserve accounts, and new spending of \$275 million requested by Governor Riley.

What is the new spending Riley wants to do? There have been plenty of references to "education" and college scholarships, which are warm and fuzzy issues that motivate voters to support spending. State officials admit 25% of the populace is functionally illiterate, which the Governor's staff conveniently claim is why the people don't understand (and thus don't support) the tax plan.

But if the Governor wants to spend more money on education, he should set forth a plan, and the plan should include an itemization of the education money spent in the last 15 years, and should set forth some standards of accountability against which new spending can be measured.

HOW MUCH WOULD JESUS TAX?

Part three of Hillyer's pro-tax series cloaks the tax increases in religion and morality. The aforementioned eight past presidents of the Alabama Baptist Convention have endorsed the Riley plan. Another Baptist supporting the Riley plan is the editor of *The Alabama Baptist*, the newspaper of the Alabama Baptist Convention. He called for a yes vote and stated, "The Bible is clear that "to whom much is given, much is required." Essentially, the pro-tax increase side is arguing that good, Christian people should be willing to pay more taxes and spend more money on government beneficence programs.

Oddly, after emphasizing the religious and moral arguments in favor of the tax increases, Hillyer gives himself a convenient out. He writes, "It remains dangerous, to

be sure, to claim the Christian *imprimatur* for either side of a complicated tax issue. I'd prefer that all these church leaders stick to preaching the Gospel and letting each individual draw the appropriate lessons for himself." Well, then, why did he make the arguments and emphasize the endorsements of religious leaders, while discrediting the religious leaders on the other side?

SO MANY NEW TAXES

Tax proponents are clear that the plan shifts much of the tax burden from low-income family onto higher-income families. The plan increases the existing tax threshold from \$4,600 to \$20,000 for a family of four, and raises the child exemption from \$300 to \$2,200, resulting in less income tax for a family of four. But offsetting this income tax reduction are eight increases in existing taxes, all of which will be passed on to the people who have just received an income reduction.

Cigarette taxes will increase. Another tax that will increase is the property tax on autos, which will be gradually raised from its current assessment at 15% of market value to 45%, to 63%, to 81%, and finally to 100% in 2007. The millage drops from 6.5 per thousand to 3.5 per thousand, just short of a fifty percent reduction. To gain this minuscule reduction taxpayers have to accept an increase of 85% plus in taxable evaluation. As an example, a vehicle currently assessed at \$500 incurs a state tax of \$3.25. That same car, in 2007, would be taxed \$11.67--a \$8.42 increase, or 2.5 times more than 2003.

What about local taxes on your Alabama Motor Vehicle Tax Receipt? In the example above, the \$500 car with an Alabama state tax of \$3.25 has local taxes of \$19, which is a rate of \$38 per thousand of assessed valuation. At 100% of evaluation (\$3,333), the local taxes would be \$126.65 vs. the current \$19. That yields a new total tax of \$138.32 as opposed to the current \$24.25, an increase of \$114.07 (470 percent). I have not heard anyone speak on this issue but, I must ask, does anyone believe local politicians will voluntarily use an assessed value less than the State of Alabama?

Additionally, a new tax would be created to tax labor and services like appliance repairs, auto repairs, and warranty contracts. The double whammy here is that counties and municipalities will be able to expand their tax base by adding these new taxes to their tax rolls.

ARROGANCE

Buried in all of the rhetoric is the disturbing attitude of Riley administration officials. The Governor and his supporters insist that the voters who do not support the

plan simply do not understand it yet. Worse still was the recent comment by David Stewart, Riley's policy director, stating, "the people of Alabama are too damn stupid to know better."

Of course, it is the same state legislature that created Alabama's deficit mess that will be spending and administering the new tax money--one billion plus--if these proposed tax increases pass.

Sen. Roger Bedford (D, Russellville), the budget writing chairman in Montgomery, was quoted in the *Decatur Daily* on July 13th saying, "This is free money, un-earmarked, and it can be spent on anything that the Legislature deems appropriate, whether the governor supports it or not." If the voters of Alabama support the tax increases, they will be putting the new money in the hands of the likes of Sen. Bedford.

NATIONAL IMPLICATIONS

A conservative, Republican governor in Alabama is championing a massive new tax-and-spending scheme, replete with class warfare rhetoric and hidden taxes. This represents a complete departure from the tax cuts and fiscal discipline that have been a hallmark of conservative philosophy and Republican aspirations for decades.

Even worse, he is cloaking his tax grab in the language of compassion and moral superiority. As a final insult, the pro-tax side strongly implies that anyone who does not support the tax plan is not good enough, not Christian enough, not educated enough, or not smart enough.

We'll find out on September 9th whether the voters of Alabama will let them get away with it.

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