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

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On November 7, 2006, the citizens of Maine voted for a Taxpayer Bill of Rights (TABOR). Unfortunately, the initiative failed, but only by 4 percentage points (54 percent opposed to 46 percent in favor)—or a swing of only 20,899 votes.

After the close TABOR vote, the 123rd Maine Legislature was seated amid promises to cut spending and lower taxes. Two years later, however, the Legislature had increased taxes by $220,169,693 through FY 2011 (see Chart 1). To put it another way, the tax increases just since the 2006 TABOR vote will cost the average Maine family of four $677 over four years. Beyond 2011, the tax bill associated with these tax increases will continue to grow.

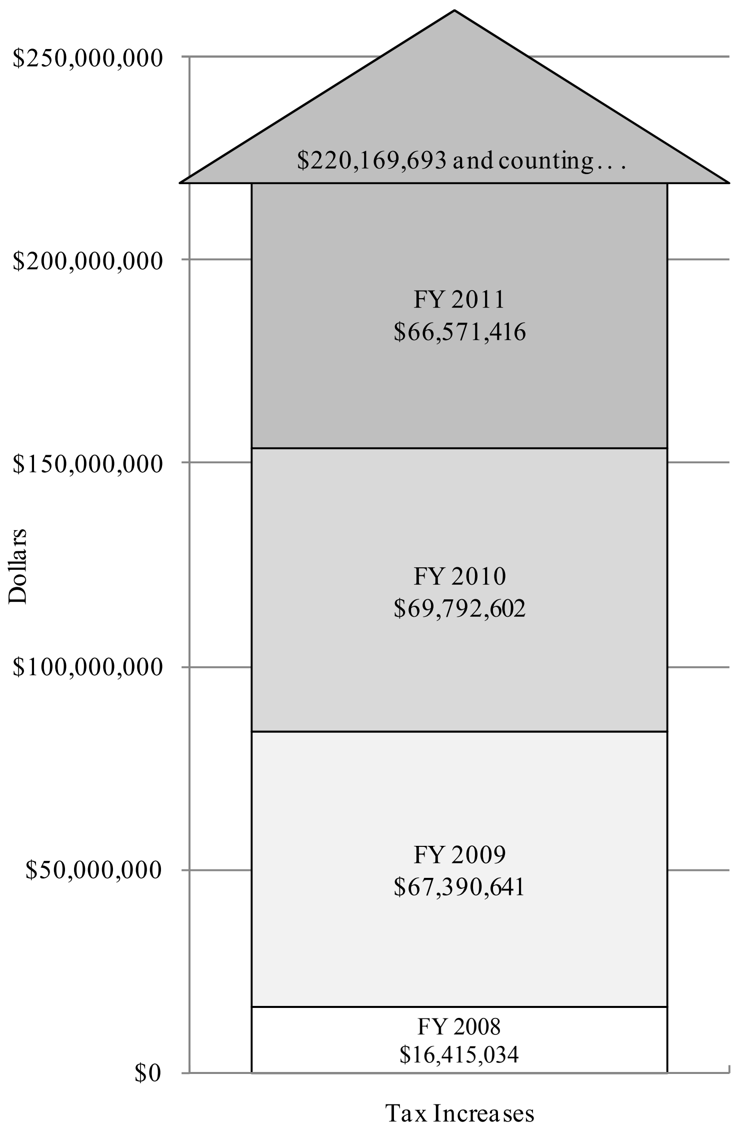
However, it has not been all bad news for Maine's taxpayers. One of the 123rd Legislature's tax increases was to replace the so-called "Savings Offset Payment" tax with a hodge-podge of taxes on health insurance, soda, beer and wine costing taxpayers a net tax increase of $17,264,932 in FY 2009, $24,618,517 in FY 2010 and $25,940,608 in FY 2011.

In response, affected citizens and businesses successfully put a "people's veto" of these tax increases on the November ballot. 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.

Chart 1
Cumulative Tax Increases under the 123rd Legislature



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

Overall, the vast majority of the tax increases imposed by the 123rd Legislature, 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. A net tax change that does not exceed the 0.01 percent of General Fund revenue threshold would not need voter approval.

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 . . . ?"

Methodology

The data used to calculate the tax increases imposed by the 123rd Legislature 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

The total tax increase used in this study excludes the budgetary gimmick of hiring new revenue agents in order to raise revenue. Between FY 2008 and 2011, this gimmick raised an estimated $30,214,628.

Notes and Sources

[1] To view the model legislation for the new Taxpayer Bill of Rights, see: http://www.mainepolicy.org/library/resources/90.pdf

Chart 2
Tax Increase Process under the TABOR

Step 1:
New law is enacted with a net revenue gain of more than 0.01% of General Fund Revenue ($304,074 in FY 2008) requiring approval by voters.

Step 2:
30 days before the election, a notice will be sent to all registered voters. The notice includes: election information, nature of the revenue increase and the dollar amount of the revenue increase.

Step 3:
Voters cast their vote in oppostion to, or in favor of, the ballot question (see sample ballot text in grey sidebar). If in opposition, the revenue increase is repealed.

Note:
If approved, but the actual revenue in the first full year of enactment exceeds the proposed increase; the excess revenue must be transferred to the Tax Relief Reserve Fund for future disbursement to taxpayers.

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Fiscal Sanity is a special series of publications by The Maine Heritage Policy Center which focus on Maine's overspending crisis and long-term solutions to create a more prosperous state with lower taxes and greater economic freedom. All information is from sources considered reliable, but may be subject to inaccuracies, omissions, and modifications.

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