

Some Arguments Against the “Brewer Tax”

Arizona taxpayers and Tea Party activists need to work hard to defeat Proposition 100, the one-cent sales tax increase that will be on the May 18 state ballot.

“One cent” sounds like it’s not a big deal. But the reality is that Proposition 100 would raise your state sales taxes—the amount of money leaving your wallet—by 18 percent. That’s big.

Defeating Proposition 100 will not be easy. In a low-turnout election, the sky-is-falling propaganda from public employee unions and other spending interests could be persuasive to uninformed voters.

If the sales tax does win at the ballot, Arizona will set itself up for short-run and longer-run fiscal distress. In the short run--assuming that the Brewer Tax is actually temporary—the sales tax hike will allow the state government to spend an extra one billion dollars a year. But in the year 2013, when the tax goes away, we will once again face a structural deficit of a billion dollars a year.

And with the state’s deficit currently at over \$3.5 billion dollars a year, one billion dollars a year in extra cash is not nearly enough to plug the gap. So the state will still have gigantic deficits in 2010, 2011, and 2012—even with the Brewer Tax. That means that the state will have to cut spending, no matter what happens on May 18.

If the sales tax passes, we will also do a lot of short-run damage to our economy--at a time when we’re already hurting. The San Francisco Federal Reserve office estimated recently that a dollar taken from the private sector for government spending reduces economic activity anywhere from 60 cents to \$2.30.

In the longer run, by resorting to a tax increase, and by failing to reduce spending, we will tell potential investors, businesses, workers, and retirees that Arizona is the next California: we are stuck in a cycle in which the government spends too much money in boom years, goes into deficit crises, raises taxes to keep government spending at high levels, and then repeats the process until it hits bankruptcy.

If taxpayers rise up between now and May 18 and defeat Proposition 100, that will force the state government to get really serious about achieving efficiencies in government.

For ideas on how to balance the budget without raising taxes, see this document:

<http://www.americansforprosperity.org/files/budgetoptionsupdate12-15-09.pdf>

Unfortunately, the governor and many legislators are still not serious about dealing with Arizona’s short term and long term fiscal problems.

You can tell that (many of) the politicians are not serious about the short-term deficit, because they have failed to look at fundamental reforms to the way we fund education in Arizona. According to the Superintendent's Report for 2009, Arizona district schools spent an average of \$9,424 per child that school year. That means that the typical classroom in Arizona potentially had \$235,000 of resources available to it. That's enough to pay good teachers \$100,000 a year in salary and benefits, and still have a ton of money left over for capital, administration, libraries, special education, and extra-curricular activities—as well extra money to give back to the state to help out in balancing the budget.

You can tell that (many of) the politicians are not serious about Arizona's long-term spending problem, because they have thus far failed to move forward on a serious spending limit. This entire crisis was caused by reckless overspending during the middle years of this decade. We had a real estate bubble, with a flood of tax revenues coming in, and the legislators (with lots of pushing from Gov. Janet Napolitano) spent far more than was reasonable or sustainable. They spent far too much on programs, and hired far too many state employees. Inevitably, the bubble popped, the revenues went away, and we are now faced with the difficult political problem of how to lay off excess state workers and how to get rid of unnecessary programs created during the fat years.

Going forward, we need a strong spending limit for state government. But so far, the politicians have failed to refer one to the voters. Instead, they are trying to get us to raise taxes and give them more money.

The Arizona chapter of Americans for Prosperity will work hard to defeat the Brewer Tax at the ballot. We will bring our gigantic inflatable ATM (“Already Taxed to the Max”) bank machine to every town in the state, and drive home the point that Arizona taxpayers should not be used as a cash machine when politicians have overspent their budgets and are short on revenue.

--Tom Jenney is Arizona Director for Americans for Prosperity (www.aztaxpayers.org).