



FTA bulletin

Federation of Tax Administrators
444 N. Capitol St., N.W., #348, Washington D.C., 20001 * (202) 624-5890

B-27/08
November 5, 2008

SUMMARY OF KEY TAX ISSUES ON NOVEMBER 2008 STATE BALLOTS

To State Tax Administrators:

Following is a summary of key tax issues that appeared on Nov. 4 ballots. Percentages given reflect counts as of early morning on Nov. 5. We hope you find the information useful.

Sincerely,

James R. Eads
Executive Director

Alabama voters have approved Amendment One with approximately 57 percent of the vote, creating a special rainy day fund for the general budget and funding it by borrowing money from the Alabama Trust Fund, which is itself funded from royalties from natural gas wells. Investment income generated from the Alabama Trust Fund supports a number of budget items, including conservation, education and the general fund. Amendment One will allow lawmakers to use the Alabama Trust Fund to plug holes in the budget, so long as they pay back the amount borrowed.

Arizona voters have voted 66 percent to 34 percent against Proposition 105, dubbed “Let the People Decide.” The proposition would have made it more difficult to pass tax increase initiatives by requiring approval of 50 percent of *registered voters*, even those who do not vote. Proposition 105 would have effectively counted a “no” vote for registered citizens who don’t vote on a measure. (See Oregon, which was deciding whether to repeal such a measure.)

Arizona voters have also voted 77 percent to 23 percent to approve Proposition 100, “Protect Our Homes,” which will prohibit new local or state fees or taxes on real estate sales.

Arkansas voters approved Constitutional Amendment 3 to establish a state lottery, which had been banned under all state constitutions since 1836. Proceeds will fund college scholarships. There are now only seven states without a lottery.

In **California**, Los Angeles County was among localities that voted on a half-cent sales tax increase. Los Angeles County will spend the funds to fund transit programs. The measure had to pass by a two-thirds majority, and was approved 67.4 percent to 32.6 percent. The tax in Los Angeles County will rise to 8.75%.

Colorado voters turned down Amendment 51 by 62 percent to 37 percent, declining to increase the state sales tax from 2.9 percent to 3.1 percent over two years. Revenues would have been earmarked for developmentally disabled programs.

Colorado voters turned down Amendment 52, declining to limit the amount of severance tax revenue that is applied to state programs to the prior year's amount plus inflation. Excess revenues would have been earmarked for infrastructure programs. The amendment failed 64 percent to 35 percent.

Colorado voters turned down Amendment 58, which would bar oil and gas companies from reducing their severance tax liabilities by deducting 87.5 percent of local property taxes paid on production. The amendment would have effectively doubled the revenues from the tax. The amendment also would have standardized rates at 5 percent for large companies and 0 percent for small companies and expanded the tax to small wells. Revenues would have been earmarked for specific programs, including scholarships and water treatment. The amendment lost by a margin of 58 percent to 41 percent.

Colorado voters turned down a proposition that would have weakened the tax-limitation powers of the Taxpayer Bill of Rights (TABOR) law. Amendment 59, rejected by a margin of 55 percent to 44 percent, would have eliminated the constitutional requirement that revenues in excess of the imposed limit be refunded to taxpayers. Instead, funds that exceeded the spending limit would have gone into an education fund and a special school savings account.

Florida voters turned down Amendment 8 by a margin of 56.4 percent to 43.6 percent. This proposed constitutional amendment would have allowed public votes on the creation of county local option sales taxes, with revenues used to fund community colleges.

Georgia voters easily passed Amendment 1, the State Forest Preservation Property tax Assessment Freeze, by a vote of 68 percent to 32 percent. The Amendment will allow a single owner of forest land in excess of 200 acres to enter into a 15-year covenant to keep the land in forest use in exchange for a freeze on assessments.

Georgia voters passed Amendment 2, authorizing the creation of Tax Allocation Districts (the same as Tax Financing Districts), to freeze a property's assessed value for a fixed number of years, and to allow the appreciated values to go to the tax allocation district for redevelopment use. The measure passed 52 percent to 48 percent.

Georgia voters failed to pass Amendment 3, which would have allowed the General Assembly to create and regulate infrastructure development districts, which would have been granted the authority to sell tax-exempt bonds to finance public infrastructure. The bonds would have been backed and repaid by special assessments on the properties in the district. The measure failed 51 percent to 49 percent.

Louisiana voters voted against changing the mineral severance tax allocations to the state's parishes. Amendment 4 failed 55 percent to 45 percent. The state constitution dedicates 20 percent of severance tax revenue, up to a maximum of \$850,000 per year (indexed for inflation), to the parish in which the production or severance occurs. Amendment 4 would have raised the cap by \$1 million in FY 2009 and increased it to \$2,850,000 in FY 2010. At least 50 percent of the additional revenue would have gone toward financing transportation.

Maine voters rejected a legislatively enacted tax increase on soda, bottle beer and wine, passing the repeal by a margin of 64 percent to 36 percent. Revenues would have financed expansion of the state's DirigoChoice health insurance programs. Now, the programs will continue to be funded by a savings Offset Program, which taxes health insurers based on the state's estimated cost savings from the insurance programs.

Maryland voters approved legalizing slot machines in Question 2, a constitutional amendment, paving the way for up to 15,000 machines in five locations. Voters approved the measure by nearly a 3-to-2 ratio.

Massachusetts voters soundly rejected Question 1, a proposal to eliminate the state income tax over a two-year period, heeding the pleas of public officials and employees who said the loss of \$12.5 billion a year – about 40 percent of current revenues -- would destroy the state budget. Voters rejected the question 69 percent to 31 percent.

Minnesota voters agreed to a constitutional amendment to increase the sales tax by 3/8 of 1 percent, from 6.5 percent to 6.875 percent, beginning in 2009. Some 1.55 million voters agreed to the amendment while 1.1 million voters either voted against the amendment or did not answer the question. Minnesota law counts ballots with the question left blank as a "no" vote. Revenues will pay for outdoor, environmental and arts programs.

Missouri voters approved Proposition A by about 56 percent of the vote, raising the gambling tax from 20 percent to 21 percent while barring the construction of new casinos. Increased revenue, estimated to be at least \$128 million annually, will be dedicated to early childhood programs and other state and local services.

Montana voters approved Legislative Referendum 118 by some 56 percent of the vote, extending until 2018 a 6-mill statewide property tax levy dedicated for the Montana university system. The tax was due to expire at the end of 2008. The tax raises approximately \$12 million per year, representing 9% of state funding for higher education. It was first imposed in 1948 and has been extended every ten years since.

Nevada voters approved Question 3, which will require that the state legislature conduct a cost-benefit analysis of any proposed exemptions from state property or sales taxes, and include a sunset date for each exemption. The measure passed by a margin of 60 percent to 40 percent.

Nevada voters rejected Question 4, which would have allowed the state legislature to alter the state sales tax (except for changing the rate) without receiving voter approval. Voter approval has been required since 1956. Seventy-three percent of voters rejected the amendment. The authority was being sought as part of the state's efforts to make the sales tax code uniform with other participants in the Streamlined Sales Tax Project. The question would also have repealed a sales tax exemption for aircraft components that was declared unconstitutional in 1997.

New Jersey voters approved Public Question 1, which will expand a current requirement for voter approval of bonds issued by state governmental authorities. The measure passed with 57 percent of the vote.

New Mexico's voters in Santa Fe are voting 55 percent in favor of a one-eighth percentage point increase in the gross receipts (sales) tax, bringing the state and local rate to 8.0625 percent. Revenues will be used for transit projects.

North Carolina voters resoundingly defeated a proposed 1 percent sales tax on prepared food, with 70 percent of voters rejecting the idea. Revenues would have funded museums, parks, civic buildings and state marketing.

North Dakota voters rejected Measure 1, which would have established a permanent oil tax trust fund, by a 64 percent margin.

North Dakota voters also rejected Measure 2, which would have cut the individual income tax rates by half and reduced the corporate tax rates by 15 percent. The measure lost by 70 percent of the vote.

Ohio voters rejected Constitutional Amendment 6, which would have permitted a single casino be built in Clinton County and would have created a 30 percent tax on the casino's gross receipts, with revenues to be distributed to counties. The measure was lobbied most heavily by the company that would have owned most of the casino and by a nearby casino in Indiana that feared the loss of business to a competitor.

Oklahoma's State Question 735 received 85 percent of the vote. This will create a household personal property tax exemption for veterans and spouses when the veteran is 100 percent disabled as a result of active duty. The household personal property tax is imposed by more than a dozen counties.

Oregon voters approved Measure 56, a Constitutional amendment that allows for easier passage of property tax increase measures. Except in November elections in even-numbered years, Oregon law requires a *majority of registered* voters to vote, and then

requires a majority of those voters to approve a measure, before any property tax increase can be approved. Measure 56 changes the “double majority” standard to one that requires approval of a majority of actual voters. The measure won by a 55 percent to 45 percent margin. (See Arizona.)

Oregon voters rejected Measure 59, which would have increased the amount of federal taxes paid that can be deducted from Oregon taxable income. Current law allows a deduction, but only up to a cap of \$5,600. Measure 59 would have removed the cap. It failed by a margin of 63 percent to 37 percent.

Virginia voters in Loudoun County (a distant neighbor of Washington, D.C., in a fast-growing section of northern Virginia) rejected a proposed 4 percent tax on prepared food, with revenues to be used for school construction. Four municipalities in the county already have the tax. The measure was rejected by 70 percent of voters.