



FTA bulletin

Federation of Tax Administrators
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Results of 2006 General Election State Tax Ballot Measures

To State Tax Administrators:

SUMMARY

Yesterday's general election contained a near-record number of ballot initiatives with voters demonstrating generally mixed feelings on tax and spending measures. On the whole, however, outside of cigarette tax issues, voters went for the status quo – they did not approve new taxes or tax increases but neither did they repeal existing taxes. It also appears that, in rejecting all of the TABOR-like spending limitation measures, voters are showing sophistication in understanding the nuances and consequences of these measures.

Yesterday's general election contained a near-record number of ballot initiatives with voters demonstrating generally mixed feelings on tax and spending measures.

Voters split on the matter of toward cigarette tax increases and limiting property tax assessments. Measures to increase cigarette taxes passed in South Dakota and Arizona and failed in California and Missouri. Measures to limit property tax growth passed in South Carolina but not in South Dakota.

Voters in Washington decided against repealing the estate tax and voters in South Dakota decided against repealing their wireless tax. Voters generally voted against adding any new gambling venues, but South Dakota voters also elected to keep their video lottery.

There was a sweeping repudiation, however, of Taxpayer Bill of Rights (TABOR)-styled amendments to limit state spending. Those measures failed in all three states where they were on the ballot: Maine, Oregon and Nebraska. It is also of note that proposed spending limit measures failed to qualify to be on the ballots in Oklahoma, Nevada, Michigan and Montana.

In summary, outside of cigarette tax issues, voters went for the status quo – they did not approve new taxes or tax increases but neither did they repeal existing taxes. It also appears that,

in rejecting all of the TABOR-like spending limitation measures, voters are showing sophistication in understanding the nuances and consequences of these measures.

Here is a list of those initiatives, propositions and amendments of primary interest to state tax authorities. Ballots are still being counted in most states but outcomes are clear in most cases.

Alaska

Ballot Measure 2: Natural Gas Resources Tax and Production Credit

Failed Yes – 34.7 percent, No – 65.3 percent – (50.6 percent of precincts reporting.) The initiative would have levied a 3 cents a year per thousand cubic feet of taxable gas in the ground on leaseholders. It would have repealed the tax once a major gas pipeline system is built and the gas is transported, and a tax credit would have been allowed for some of the leasehold tax. Disputed taxes would have been deposited into an escrow account pending court challenges.

Arizona

Proposition 101: 2006 Taxpayer Protection Act

No results yet; preliminary results showed 532,405 – 50 percent for and 522,701 – 50 percent against. This proposition would reset all tax entities' property tax limits to the current 2005 level. Beginning in 2007, the new levy limit would increase by 2 percent per year, plus any new construction. To exceed this limit, local jurisdictions would need voter approval. This measure would amend a current constitutional provision that limited increases to 2 percent plus new construction, since 1980. However, jurisdictions that have not been at their levy limit could increase levies by more.

Prop 203: First Things First For Arizona's Children

Passed Yes – 52.6 percent, No, 47.4 percent. (Final) Raises the tax on cigarettes by 80 cents, from the current \$1.18 to \$1.98, to fund early childhood development. The tax increases for other tobacco products are: 9 cents per ounce on smoking tobacco (for those who roll their own cigarettes), snuff, and chewing tobacco; 2.2 cents per ounce on cavendish, plug, or twist tobacco; 17.8 cents per pack of 20 on small cigars; and 8.8 cents per three on cigars that retail for no more than 5 cents apiece, and 8.8 cents each on more expensive cigars.

California

Proposition 86, Tobacco Tax to Fund Health Care

Failed Yes – 47.7 percent, No – 52.3 percent. (89.4 percent of precincts reporting.) The Tobacco Tax Act of 2006 would have increased the excise tax on each pack of cigarettes from 87 cents to \$2.60, and would have indirectly increased taxes on other tobacco products. Most of the \$2.1 billion expected to be raised each year would have gone to health care programs.

Proposition 87, Oil Severance Tax

Failed Yes – 45.0 percent, No – 55 percent. (89.4 percent of precincts reporting.) The Clean Alternative Energy Act would have levied a new severance tax on oil extracted in California to provide \$4 billion in funding for development of alternative energy sources. The tax would have been 1.5 percent of the gross value of barrels that sell for \$10 to \$25, 3 percent of barrels that sell for \$25 to \$40, 4.5 percent of barrels that sell for \$40 to \$60, and 6 percent of barrels that

sell for \$60 or more. Proposition 87 would have given Board of Equalization the authority for the first time to set a tax rate for a product other than tobacco.

Proposition 88, Parcel Tax to Fund Education

Failed Yes – 22.9 percent, No – 77.1 percent, (89.4 percent of precincts reporting.) The Classroom Learning and Accountability Act would have levied a \$50 tax on every real property parcel in the state, except for property owned by certain elderly and disabled homeowners. The \$450 million raised by the measure each year would have been allocated to school districts to be used for class-size reduction, textbooks, and other programs.

Proposition 89, Publicly Financed Political Campaigns

Failed Yes – 25.3 percent, No – 74.7 percent. (89.4 percent of precincts reporting.) The California Clean Money and Fair Elections Act would have increased the state corporate income tax rate from 9.3 percent to 9.5 percent, and would have required that the \$200 million raised each year be spent on political campaigns for state elected officials.

Colorado

Referendum H: Limiting State Business Tax Income Deductions

Passed Yes – 50.8 percent, No – 49.2 percent. (86.8 percent of precincts reporting.) This eliminates the state deduction for the cost of wages for businesses that hire illegal aliens. Workers must be paid more than \$600 before the provision will kick in. This only applies in cases where the employer knew at the time of hire that the employee was an unauthorized alien. It does not apply to certain circumstances, such as when wages are paid in cash or when the employee utilized fraudulent documents.

Idaho

Advisory Vote Only (non-binding) on Property Tax Relief

Passed. Yes – 73 percent, No – 27 percent. (79.3 percent of precincts reporting.) This confirms legislation enacted in August, 2006, that reduced local property taxes by approximately \$260 million and raised the state sales tax by one percent to 6 percent.

Proposition 1: Increasing K-12 Education Funding for Local Public Schools by Adding One percent to State Sales Tax

Failed. Yes – 45 percent, No – 55 percent. Proposition 1 would have required the state to provide adequate and stable funding for local K-12 public schools, either from a new 1 percent sales tax effective July 1, 2007 or an alternative stream of funding.

Louisiana

No. 7

Passed; Yes – 78 percent, No – 22 percent. (Final.) This measure replaces seven New Orleans tax assessors with single office.

Maine

Question 1

Failed; Yes – 45.7 percent. 54.3 percent. (85 percent of precincts reporting.) This initiative would have imposed Colorado-style tax and spending limits (TABOR).

Minnesota

Constitutional Amendment

Passed; Yes – 58.8 percent, No, 41.2 percent (78 percent of precincts reporting.) A constitutional amendment requires motor vehicle tax revenue to be used for transportation projects. This dedicates revenues from a tax on the sale of new and used motor vehicles over a five-year period, so that after June 30, 2011, all of the revenue is dedicated at least 40 percent for public transit assistance and not more than 60 percent for highway purposes.

Missouri

Amendment 3.

Failed Yes – 48 percent, No – 52 percent (95.6 percent of precincts reporting.) Would have raised the tax on a pack of cigarettes by 80 cents, from 17 cents to 87 cents, with revenues dedicated to the Healthy Future Trust Fund.

Nebraska

Measure 421

Failed Yes – 39 percent, No – 61 percent. (99 percent of precincts reporting.) An initiative that would have permitted a limited number of video keno machines.

Measure 423

Failed Yes – 30 percent, No – 70 percent. (99 percent of precincts reporting.) The Stop Overspending Nebraska initiative would have imposed Colorado-style tax and spending limits (TABOR), limiting the growth of state spending to inflation plus population growth.

New Jersey

Public Question 1

Passed; Yes – 67 percent, No, 33 percent. (15 of 21 counties reporting.) Dedicates state revenue to reduce property taxes. This follows a budget deal from the summer that increased the sales tax from 6 percent to 7 percent, with half of new revenues used for current spending and the other half, if approved by this constitutional amendment, to be applied to property tax relief for 10 years.

Public Question 3

Passed; Yes – 59 percent, No – 41 percent (15 of 21 counties reporting.) Dedicates 10.5 cents per gallon of the existing motor fuels tax (the entire current gasoline tax) for the cost of funding the state transportation system. The current constitutional dedication is 9 cents per gallon of the motor fuels tax.

Ohio

Issue 3

Failed. Yes – 43.3 percent, No – 57.6 percent. (98.2 percent of precincts reporting.) This amendment to the Constitution would have permitted up to 31,500 slot machines at seven horse racing tracks and at two Cleveland non-track locations and permitted expanded gaming in four Cuyahoga County locations.

Oregon

Measure 41

Failed. Yes – 36.8 percent, No – 63.2 percent. (56 percent of precincts reporting.) This measure would have changed how state income taxes are calculated. Currently, Oregon taxpayers may take a personal exemption tax credit (\$154 for 2005) for each exemption allowed under federal tax law. This measure would have given Oregon taxpayers the option of taking a tax deduction equal to the amount deducted on federal taxes. Currently, federal law allows taxpayers to take a deduction (\$3,200 in 2005) for each personal exemption allowed under federal law. Taxpayers could have claimed either the new deduction created in this measure or the existing personal exemption credit, if the existing credit resulted in a lower tax for the taxpayer.

Measure 48

Failed. Yes – 29.1 percent, No – 70.9 percent. (56 percent of precincts reporting.) This would have placed a new limit on spending by the state government, proposing to limit state spending by amending the Oregon Constitution to provide that, unless approved by a two-thirds vote of both the Oregon House and Senate and a subsequent approval by a majority of the voters, spending for state services in a two-year period cannot exceed the amount spent in the previous two-year period plus the combined rate of the increase of the state's population and inflation in that same, previous, two-year period.

Rhode Island

Question 1

Failed Yes – 37 percent, No – 63 percent. This measure would have permitted the building of a private casino in the town of West Warwick through a partnership by Harrah's and the Narragansett Indian tribe, giving them exclusive rights to operate the state's only casino. Tax proceeds from the casino would have been dedicated to property-tax relief.

South Carolina

Amendment 4

Passed. Yes – 65.8 percent, No – 34.2 percent. (Final.) Limits growth of property tax assessments to 15 percent every five years. Voters will decide on a county-by-county basis how much to increase the sales tax to pay for property tax credits for all classes of property. The measure limits the growth of property tax assessments to approximately 3 percent per year.

South Dakota

Amendment D

Failed. Yes – 20 percent, No – 80 percent. (99.8 percent of precincts reporting.) Would have amended the state constitution to base the taxable value of property upon its acquisition value for property sold after January 1, 2007 and limited the annual increases in property values to not more than 3 percent unless the property is sold.

Measure 2

Passed. Yes – 61 percent, No – 39 percent. (99.8 percent of precincts reporting.) Measure increases the cigarette tax from 53 cents to \$1.53 per pack and increases the tax on other tobacco products from 10 percent to 35 percent.

Measure 7

Failed. Yes – 33 percent , No – 67 percent. (99.8 percent of precincts reporting.) Measure would have repealed the authority for the state video lottery. In 2005, the lottery generated about \$112 million, or 11 percent of the state general fund receipts.

Measure 8

Failed. Yes – 39 percent , No – 61 percent. (99.8 percent of precincts reporting.) Measure would have repealed the state's 4 percent excise tax on the gross receipts of wireless telecommunications carriers.

Washington State

Initiative 920

Failed. Yes – 39 percent , No – 61 percent. (35 percent of precincts reporting.) Measure would have repealed the state estate tax that was enacted in 2005. It would have eliminated \$184.5 million in revenue over the next two years for public schools and higher education.

Sincerely,

Harley Duncan
FTA Executive Director