



March 17, 2006

## **An Open Letter to the Rhode Island State Legislature: Give Your Citizens the Chance to Vote for Spending and Taxing Limits**

Dear Legislator:

On behalf of the 1,350 Rhode Island members of the National Taxpayers Union, I urge you to support passage of the pro-taxpayer bills H 7485 and S 2694 so that voters may decide at the polls whether to approve a Constitutional Amendment restraining growth in state spending and taxation. Giving voters the chance to enact such a measure is not just a necessity for the future of Rhode Island's economy; it is a common courtesy to taxpayers.

Rhode Islanders face one of the most punitive tax burdens in the nation. A recent study conducted by the non-partisan Tax Foundation ranked Rhode Island as having one of the worst tax climates for business – at 48<sup>th</sup> in the nation. Overall, Rhode Island's state and local tax bite is the 4<sup>th</sup>-highest nationwide. Given these conditions, it is no wonder that Rhode Island taxpayers are picking up on the tax- and spending-limitation fervor spreading across the nation. Recently-released poll results found that 75 percent of Rhode Island residents thought their taxes were too high and 72 percent said they are in favor of a Constitutional Amendment limiting spending and taxes. In light of the state's \$300 million budget deficit, Rhode Island needs carefully-designed safeguards that would restrain spending while encouraging local economic growth through limits on property taxes.

The common-sense features of H 7485 and S 2694 would keep state spending and property taxes from rising faster than the people's ability to afford them. In particular, state spending would be limited to the Consumer Price Index plus 1.5 percent, while the total tax levy on all assessed property in a given municipality could increase by no more than 4 percent annually unless local voters decide otherwise. Excess revenues would be transferred to a 5 percent budget reserve account, but tax surpluses beyond this amount would cover capital projects and fulfill looming pension liabilities. Under certain circumstances, officials could refund revenue windfalls to taxpayers. Because voter input is so crucial to a healthy debate over taxing and spending priorities, the amendment also has a provision that would ask taxpayers every 10 years for an extension.

Taxpayers in Rhode Island and throughout the nation will benefit from both the economic growth and the strong example your state provides in adopting solid taxpayer protections. We look forward to working with you on this important matter, and please contact us if we can provide additional information on how other states have thrived under tax and expenditure limits.

Sincerely,

Kristina Rasmussen  
Government Affairs Manager