



**Statement of John Berthoud, Ph.D.
President of the National Taxpayers Union**

before the

**Ways and Means Committee
Maryland House of Delegates
Annapolis, Maryland**

on

HB 1206, The Taxpayer's Bill of Rights

March 23, 2005

I. Introduction

Chairman Hixson and Members of the Committee, my name is John Berthoud. I am President of the National Taxpayers Union (NTU), a nationwide grassroots lobbying organization of taxpayers with 350,000 members, including 6,700 in Maryland. You can find out all about NTU – and our educational affiliate, the National Taxpayers Union Foundation – on our website: www.ntu.org.

I come here today to offer testimony in favor of Delegate McMillan's Taxpayer's Bill of Rights proposal (HB 1206). This measure would require voter approval of any state or local tax increase. Under the bill, state and local spending could not rise by more than the growth of inflation and population (adjusted for approved revenue changes). The measure would create a rainy day fund and also stipulate that if general fund revenues exceed projected revenues by at least 2 percent, the total amount of the excess (minus administrative costs) must be returned to taxpayers.

NTU believes that enacting a Taxpayer's Bill of Rights (TABOR) will be beneficial to Maryland and is in the state's long-term best interests – both economically and politically. In my remarks today, I would like to offer some national perspective on TABOR.

II. The Colorado Experience

The citizens of Colorado voted to enact a Taxpayer's Bill of Rights in 1992. I'm proud to note that NTU played a major role in this effort, including offering advice and counsel in drafting this measure. The Colorado TABOR contains the most comprehensive fiscal limits in the nation, including requirements for voter approval before higher state or local taxes or debts may be enacted, a ban on local income taxes and state property taxes, a flat-rate income tax,

emergency reserves and comprehensive state and local spending limits tied to inflation increases and population growth. Any surplus revenues must be returned to taxpayers.

While opponents employed scare tactics and predicted the measure would lead to economic ruin for the state, the results have been exactly the opposite:

- TABOR has enabled Colorado to lead the nation in cutting taxes. From 1997-2001, TABOR returned \$3.25 billion to taxpayers (about \$3,200 for a family of four).¹
- Colorado has not passed a single tax increase at the state level since enacting TABOR.
- Between 1995 and 2000, Colorado was first in the nation in growth of gross state product, and second in personal income growth.

III. TABOR Around America

Colorado's limitation may be the best in the nation, but many other states have limitation provisions of some sort. 26 states have enacted some variant of a Tax and Expenditure Limitation (TEL).² More than a dozen states incorporate voter approval or legislative "supermajority" mechanisms in their tax policies. And roughly two dozen states limit all or part of their budget increases to economic measurements such as inflation or personal income growth.³

In 2005, Maryland is not alone in considering the benefits of enacting the full array of protections embodied in TABOR. Taxpayer's Bill of Rights proposals are moving forward across the nation. Table 1 provides a listing of states where proposals either have been introduced or will likely soon be introduced. And other states may introduce TABOR proposals as well.

Table 1. 2005 TABOR Proposals: States Where TABOR Proposals Have Been Introduced or Are Expected To Be Introduced		
Alaska Arizona California Florida Idaho Illinois Indiana Kansas Maine	Maryland Minnesota Mississippi Missouri New Hampshire New Mexico North Carolina Ohio	Oklahoma Oregon South Carolina Tennessee Texas Vermont Virginia Wisconsin
Sources: National Taxpayers Union, American Legislative Exchange Council, Dr. Barry Poulson, and the Reason Foundation.		

There are several key drivers behind the increased nationwide interest in TABOR:

- **Citizen Involvement.** Voters like the idea that they should be asked before government takes more of their money. In a poll of Virginia residents last year, NTU found strong support (76 percent to 19 percent) for the idea that citizens should be given “the right to vote directly on most tax increase proposals by the Virginia State Legislature”⁴ As the new Democratic Speaker of the Colorado House of Representatives Andrew Romanoff has bluntly stated, “Voter approval of tax increases is extremely popular, and politically untouchable.”⁵
- **Tax Relief for Families.** Under the leadership of State Representative Frank Lasee, the idea of TABOR is moving forward in Wisconsin. Central to Lasee’s argument for a Wisconsin TABOR has been the increasing tax burdens on families at all income levels in Wisconsin. By one estimate, if a TABOR had been in place in Wisconsin from 1990-2001, Wisconsin families would have saved a total of \$10,241 per household.⁶
- **Economic Growth.** Again, the TABOR era has been part of a great economic success story in Colorado. Making the case for enacting a TABOR in Kansas, Dr. Barry Poulson argues, “The contrast between Colorado and Kansas in that time is striking: while the two states experienced similar economic trends in the 1970s and 1980s, there was a major divergence in the 90s, when income per capita increased 70 percent in Colorado, while it only increased 53 percent in Kansas.”⁷

IV. Conclusion

Maryland faces many budgetary challenges this year and will continue to face budget stresses in coming years. HB 1206 would impose some basic rules on budgeting in Maryland that – if the experience in Colorado is a guide – will help increase economic growth. HB 1206 will also increase citizen involvement, which is essential to democracy. Dee Hodges of the Maryland Taxpayers Association offers this summary of the fiscal benefits of TABOR: “TABOR works because it forces state and local governments to live within a budget, to set public priorities, to make wiser choices, and to find ways to meet state goals-not by spending more-but by spending smarter.”⁸

Thank you, Chairman Hixson, for allowing us to testify today. And again, on behalf of our 6,700 Maryland members, NTU is pleased to offer our support for this important measure.

Notes

¹ Fred Holden, “A Decade of TABOR,” The Independence Institute, Issue Paper 8-2003, June 1, 2003, <http://www.i2i.org/article.aspx?ID=559>.

² David Hoffman, Editor, *Facts and Figures on Government Finance*, The Tax Foundation, November 2004, Pages 191-271.

³ For research looking at which state limits are more effective for taxpayers, see Peter J. Sepp, “By Popular Demand: How Citizen-Driven Ballot Measures Have Shaped Tax Policy for the Better,” The National Taxpayers Union Foundation, NTUF Policy Paper 114, May 21, 1999, http://www.ntu.org/main/press.php?PressID=323&org_name=NTUF.

⁴ National Taxpayers Union, “Virginia Taxes and Budget Baseline Survey” (polling conducted by Fabrizio, McLaughlin & Associates), February 9, 2004, <http://www.ntu.org/downloads/VA-TABOR-Questions.pdf>.

⁵ Representative Frank Lasee, “Voters Like Having a Say,” Wisopinion.com, January 6, 2005, <http://wisopinion.com/index.iml?mdl=article.mdl&article=1263>.

⁶ Coalition letter to Wisconsin State Leaders, April 27, 2004, http://www.ntu.org/main/letters_detail.php?letter_id=179.

⁷ Dr. Barry Poulson, “The Truth About TABOR in Kansas . . . and Colorado,” Americans For Prosperity, February 10, 2005, http://www.americansforprosperity.org/kstabor/kst_0050210a.html.

⁸ Dee Hodges, “Maryland Taxpayers Association Urges Passage of SB 601/HB 1130, the Taxpayers’ Bill of Rights (TABOR),” March 25, 2004, <http://www.mdtaxes.org/archives/testimony&confs/2003%20testimony/dee.hodges.testimony.TABOR.3.25.04.htm>.