



February 19, 2009

**Testimony of Joshua Culling, State Government Affairs Manager
National Taxpayers Union
To the Ways and Means Committee of the Maryland House of Delegates On
HB 421, the Taxpayers' Bill of Rights**

I. Introduction

Chairman Hixson and Members of the Committee, my name is Joshua Culling. I am State Government Affairs Manager for the National Taxpayers Union (NTU), a nationwide grassroots taxpayer organization with 362,000 members, including more than 7,100 in Maryland.

I offer this testimony in support of Delegate Warren Miller's Taxpayers' Bill of Rights (TABOR) proposal (HB 421). This legislation would limit the growth of state spending, create a rainy day fund in the state budget, allow citizens to vote on any new taxes or increases in existing taxes, and refund surplus revenue to individual taxpayers once the rainy day fund reaches a specified capacity.

NTU believes that enacting TABOR will put Maryland on the road to economic prosperity as well as help the state avoid future budget deficits that can trigger reactionary fiscal policies.

II. Maryland's Current Situation

Maryland presently faces a budget deficit of \$2 billion,¹ despite a number of significant tax hikes that have recently been initiated. The personal income, corporate income, sales, and cigarette excise taxes were increased for FY 2009². These actions constitute only the latest repetitions of an unfortunate cycle, in which Annapolis responds to rampant overspending by adding to the tax burden on its citizens. The result is a perpetual strain on families' budgets.

Del. Miller's TABOR bill would limit the annual growth of state spending to the increase in the rates of inflation plus population. This formula would over time wean the state government from its dependence on revenue infusions and federal bailouts. It would also inject predictability into the budgetary process, reassuring Marylanders that their tax burdens will not be made heavier in the future to pay for overspending. It would also give them the opportunity to approve or deny proposed tax increases, which clearly have been unsuccessful in balancing the state budget.

¹ <http://www.baltimoresun.com/news/local/bal-state-revenue0217,0,4446180.story>

² <http://www.taxfoundation.org/files/bp58.pdf>

III. TABOR in Colorado

In 1992, Coloradans voted in favor of a statewide TABOR initiative. Its automatic taxpayer refund provision was first triggered in 1997, and over the subsequent three years, taxpayers received \$3.25 billion in refunds (roughly \$3,200 per family of four).³ After its enactment, Colorado reversed decades of stagnation and became one of the stronger state economies in the country, weathering the recession of the early part of this decade. Despite media spin that TABOR is a detriment to Colorado, voters rejected an effective repeal of the law this past November, when Amendment 59 was defeated by a 55-45 percent margin.

Yet, critics persist in arguing that Colorado's TABOR contains a flaw which, in their opinion, is relevant during this recession. In periods of economic downturn, the revenue limit faces a "ratchet-down effect" that hampers the state's ability to reset receipt levels when the economy turns around. Del. Miller's HB 421 addresses this contention head-on in several ways, among them its creation of a rainy day fund to plug budget holes in periods of need.

III. Conclusion

Simply put, TABOR does not impose a series of radical budget cuts, leaving the poor, sick and elderly out in the cold. It in fact does not require spending cuts at all. Under HB 421, Maryland's budget would continue to grow, but at a responsible rate. In the decade preceding a study NTU conducted in 2006, population growth plus inflation represented an approximate 3.5 percent increase per year – certainly enough for the government to continue to offer the services upon which Marylanders depend. Furthermore, the legislation allows public officials to make the case for even greater revenue increases directly to the electorate through the referendum process. Surely, the very same Marylanders whose votes are trusted to elect members of the General Assembly have the wisdom and the compassion to decide how much additional government they can afford.

What we will not see under TABOR, however, are the types of reckless and ill-considered tax hikes that have hit Maryland families over the past few years. Maryland's business tax climate is ranked 45th in the nation by the Tax Foundation. Its state and local tax burden is the 4th-highest.⁴ It's time to make Maryland a destination for business and investment by eliminating the tax-and-spend culture in Annapolis. It's time for TABOR.

Thank you, Chairman Hixson, for allowing us to submit this testimony on behalf of our active and dedicated Maryland members who are eager to see enactment of this important legislation.

³ http://www.i2i.org/articles/IB_2008_C.pdf

⁴ <http://taxfoundation.org/research/topic/34.html>