

FINANCING STATE AND LOCAL GOVERNMENT

POSITION: The League supports a balanced system of taxation that considers the ability of the taxpayer to pay and which produces sufficient revenues to fund essential services. Constitutional taxation provisions should be broad and sufficiently flexible to meet future revenue needs.

Therefore the state position includes the following:

- **State Income Tax:** The League supports a broad-based personal income tax and repeal of the Hall income tax in order to enhance the equity and balance of the tax structure and to produce adequate state and local government revenue. An occupational privilege tax (payroll tax) and retention of the Hall income tax is a less desirable second choice. The League opposes the levy of local option income or payroll taxes. The corporate excise (income) tax should be retained. The statewide income tax should be adopted by Legislative action rather than Constitutional amendment. For this reason, a flat-rate tax with a standard deduction and personal exemptions sufficient to reduce regressivity would be acceptable.
- **Sales Tax:** The League opposes continued and increased reliance on sales tax for revenue. The local option sales tax rate should be no higher than currently authorized at 50 percent of the state levy. The sales tax on food for home consumption should be eliminated; broadening of the sales tax base and any raise in rate should be contingent upon the exemption of tax on food.
- **Property Tax:** The League supports classification of property for tax purposes into real, personal tangible, and personal intangible; the League opposes subclassification of real property and erosion of the property tax base. Income producing property, including that owned by religious and nonprofit charitable organizations but not used for religious and/or charitable nonprofit purposes (investment property), should be subject to the property tax. The League supports a mandatory periodic reappraisal program, accomplished by professional assessors, that is equitable statewide, and supports increased involvement of the state in the local reappraisal process. Property tax relief for low-income persons and families should be provided by state legislation coupled with a state income tax.
- **User Fees:** The League supports expanded local government levies of user fees providing they meet accepted League taxation criteria.
- **Intergovernmental Revenue:** A percentage of statewide personal income tax proceeds should be transferred to local government(s) earmarked principally for public education. State services mandated and performed by local government should be fully state funded. State/local transfer formulas should be equitable and consider the recipient local government's tax capacity and effort.

The League used the following criteria to evaluate a system of taxation:

1. Ability of the taxpayer to pay
2. Diversity of revenue sources
3. Economy of administration
4. Simplicity and convenience
5. Certainty
6. Sufficiency
7. Elasticity

Each tax should be considered and evaluated in relationship to all other state and local taxes. No single tax will meet all of the above criteria.

Adopted 1971, Amended 1977, 1983