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LESS TAXATION AND MORE DEMOCRACY: THE AMENDMENT 6 PRESCRIPTION FOR PROSPERITY

Looking at the Pros and Cons

IF IT IS BROKE, DO FIX IT
Introduction by John Andrews

"I urge you to resist, if you possibly can, any further increases in Colorado's tax burden, because you'll seriously harm the state's economy."

That was the warning of Dr. Robert Genetski, chief economist of the Harris Bank in Chicago, at an Independence Institute briefing for business and government leaders in September 1986.

Asked about a constitutional amendment then on the ballot which would have required voter approval of new or higher taxes, the economist said he was "all for it."[1]

Genetski was speaking on the authority of his definitive Harris research papers analyzing state economic patterns throughout the country in the 1960s and 1970s.

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SLOWING GOVERNMENT CAN SPEED THE ECONOMY
The Pros by Duane Parde

Forty-nine states currently have constitutional or statutory balanced budget requirements. In addition to these balanced budget requirements, twenty states have enacted stringent institutional mechanisms to limit state taxing and spending, known as Tax and Expenditure Limits, or "TELs."

Tax and Expenditure Limits are constitutional or statutory provisions which constrain annual increases in the maximum rate of taxation or spending to such factors as the yearly increase in the consumer price index (inflation), the increase in state personal income, or to changes in state population. TELs incur

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TOO SIMPLE FOR ITS OWN GOOD
The Cons by James Jacobs

Proponents of Amendment 6 define the problem as "runaway taxes" and their solution is "simple" -- let everyone vote on each tax increase. Is this a return to the "participatory democracy" concept of the late '60s? The idea that simple solutions can solve problems is not new.

The problems which face Colorado's 3.3 million citizens are not, however, simple. For better or worse, a complex system of government has evolved in this state. Colorado presently has over 1,800 units of government, with 1,500 of them having the authority to levy property taxes. There are the state government, 63 counties,

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IF IT IS BROKE, DO FIX IT - Introduction by John Andrews (Continued)

The conclusion from those studies, statistically rigorous and thoroughly documented, was as follows: "An inverse relationship exists between changes in state relative tax burdens and state relative economic growth. Those states with decreasing relative tax burdens tend to experience subsequent above average economic growth. Those states with increasing relative tax burdens tend to experience subsequent below average growth."[2]

But all that was two years ago. What has happened since? The 1986 tax limitation measure was voted down. The 1987 legislature retained half of the backdoor increase in state income taxes thrust on Colorado when Congress redefined the federal tax base (while other states on average were giving back three-quarters of it; see page 6). The 1988 round of reassessments increased many property taxes. Colorado's business climate ranking fell on such indexes as the Inc. Magazine and Grant Thornton scorecards. And ours remains one of the few states still mired in recession, despite the high-visibility programs of a Governor who was elected on promises to revive the economy.

This raises two questions. Which man back then better understood the forces that determine economic growth and stagnation, Romer or Genetski? And which side is more likely to be right in this year's renewed debate over controls on taxes and spending, those who predict that tighter public pursestrings will wreck the economy, or those who see less taxation and more democracy as a prescription for prosperity?

The antagonists do agree that Amendment 6 will have profound consequences for the state's future. Independence Institute can't tell you how to vote, but this paper attempts to lay out the pros and cons more thoughtfully than may have been done elsewhere. To help readers decide for themselves, we have included the actual text of Amendment 6 along with samples of the advocacy materials being circulated by both camps.

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SLOWING GOVERNMENT CAN SPEED THE ECONOMY - The Pros by Duane Parde (Continued)

wide popular taxpayer support because they establish across-the-board limits on state spending and taxing, and they force the government to prioritize and manage its activities in a more accountable manner.

In the absence of a clearly defined bottom line, governments pursue a perpetual quest for new and increased taxes in order to fund expanding government programs. TELs constrain the perpetual growth of government by requiring public officials to set spending priorities within specific revenue limits. When a state is required to balance its budget each year, maintain a lid on spending, obtain voter approval for higher taxes and super-majority approval for borrowing, both deficits and excessive spending growth can be eliminated while economic growth accelerates.[3]

Roots of the Tax Revolt

The history of TELs can be traced in practice back to the late 19th century. However, the modern day application of TELs reached its zenith during the famed "taxpayer revolt" of the 1970s. It was during that inflationary decade that states first experimented with TELs containing specific provisions designed not only to limit property tax rates, but also to encourage the use of non-property taxes and to assure citizen involvement in the budgetary process.[4]

The first modern TEL was enacted in 1976 in New Jersey by the state legislature as part of a school finance reform package which included the state's first income tax. The New Jersey TEL placed a statutory cap on government spending, not to exceed the annual increase per capita income. New Jersey's lead was followed by Colorado and Rhode Island, which enacted statutory percentage limitations on the yearly growth of general fund appropriations in 1977. (Colorado's nominal limit was and remains 7% per year, but it has leaked badly and distorted budgetary priorities; see Should Colorado Voters Impose Tougher Spending Controls?, Independence Issue Paper No. 14-88 by Barry Poulson.)

However, the tax revolt era actually first bared its teeth in 1978. In California that year, with the late Howard E. Jarvis leading the charge, voters approved Proposition 13, a constitutional amendment that limited property tax levies to 1% of assessed valuation and froze property assessments at 1975 levels. News coverage of that campaign gave the whole nation a taste of the kind of dire predictions from a united political-business establishment which Coloradans are hearing today in regard to Amendment 6.

In 1979, California taxpayers struck again when they approved a similar measure, Proposition 4 (the Gann limit), which limits the growth of state taxes and expenditures to the yearly percentage increase in inflation and population growth. It was adopted by a landslide margin of 74 to 26 percent. Both Propositions 13 and 4 were unique at the time, in that they were voter-approved initiatives that placed constitutional limits on the power of the state to raise taxes and spending beyond the rate of growth of the private sector.

The initial popularity and subsequent economic success of the California initiatives prompted action in several other states. Taxpayers concerned with the endless debate over increased taxes, coupled with their perceived inability to influence the debate beyond election day, began to unite in citizens' advocacy groups and confront their legislators.

Lawmakers, faced with this new-found taxpayer power, were forced to begin reducing the share of state and local tax burdens -- which had been rising in real terms from 11.32% per $100 of personal income in 1970 to an all-time high of 12.15% by 1977. During the tax revolt period, 1978-82, 14 states adopted tax and expenditure limits, eight states enacted legislation indexing their income taxes for inflation, and numerous states enacted sales tax exemptions for food, prescription drugs, and consumer utility bills.[5]

Effectiveness of Tax and Expenditure Limits

Economists have only recently assembled evidence on the impact of TELs on the state fiscal process. The Advisory Commission on Intergovernmental Relations (ACIR), in a study published in 1987, declared: "Empirical research suggests that state fiscal discipline mechanisms in state constitutions are effective... and the very existence of such mechanisms in the states reflects a widespread public desire for 'responsible' fiscal behavior and for constitutional and/or statutory mechanisms that can promote such behavior."[6]

A recent study on the effects of Tax and Expenditure Limits conducted by Dr. Barry Poulson, a CU economist and Independence senior fellow, confirms the findings by ACIR. Poulson examined the states that have adopted TELs and found that the restraints have had a significant impact on reducing that rate of growth of state government. Poulson's work indicates that the rate of growth in government measured against growth in state income increased steadily up to the point when the TELs were imposed, and has since declined. The study demonstrates that states with stringent TELs were significantly more effective in controlling the rate of increase in government taxing, spending, and borrowing than were states that had not enacted such limits.[7]

Nevertheless, until 1987 few states actually encountered the limits imposed on taxes and spending by TELs. This is attributable for the most part to the recession during the early 1980s that adversely affected state budgets. However, with the economic recovery of the past several years, state revenues have increased and several TELs have been triggered.

Last year, greater than anticipated revenue collections in California triggered the state's constitutional TEL. As a result, the State of California was required to refund $1.1 billion to taxpayers in the form of reimbursement checks ranging in amounts from $32 to $272. (But only after a political donnybrook in which the public-sector establishment fought bitterly to retain the whole amount and divert it to school spending.)

Ten years after Proposition 13 was adopted in the state, new calculations show that taxpayers in California have saved $228 billion -- more than enough to close today's federal budget deficit -- since they approved Proposition 13 and halved their property taxes.[8] Therefore, it is not surprising that when California voters were recently asked to approve Initiatives 71 and 72 on the June 1988 ballot to weaken the state's TEL, they decided against the measures. Both Propositions 71 and 72 were soundly defeated at the polls.

Delaware is another state that provides a case study in fiscal discipline over the past decade. For example, it is one of only seven states that require a "super-majority" vote of three-fifths of all members of each house of the legislature to impose a new tax or to increase the rate of an existing tax. The state also has a constitutional provision that, similar to a TEL, limits general fund expenditures to 98% of estimated general fund revenue. Any actual excess revenue over expenditures is then appropriated to a reserve, or "rainy day" fund.

In contrast to the budget difficulties experienced by several other Northeastern states such as Massachusetts and New York, revenue estimates in Delaware are now running $21 million above the $990 million originally projected in Governor Michael Castle's fiscal year 1989 budget. Certainly, Delaware's general fund has benefited from the recent economic resurgence of the Northeast, but the state's fiscal discipline has enabled taxpayers in the state to enjoy the benefits of the economic recovery, while several other states in the same region have been forced to dip into their reserve funds, increase taxes, and cut spending in order to balance their budgets.

What Amendment 6 Can Do for Colorado Taxpayers:

This year's proposed Amendment 6, known as the Taxpayer's Bill of Rights, offers Colorado citizens the unique opportunity to become active and constructive participants in the budgetary process in Colorado. The second constitutional TEL to be initiated by petitioners in the last two elections, Amendment 6 has been described by some observers as an understandable grassroots response to Colorado's $164 million tax increase in 1987 and Governor Romer's call for an additional $1 billion in state spending in 1988.[9]

Taxpayers in Colorado have been particularly hard-hit in recent years. Over the past ten years, state and local taxes have increased in Colorado from $1,880.4 billion in 1975-76 to $4,852.4 billion in 1985-86 -- a 158% increase.[10] From 1982 through 1986, taxes per person in Colorado have risen over 37%, and property tax revenue during this same period has increased 50% (up 100% from 1980 to 1987).[11] Colorado ranks 18th in the nation in per capita state and local taxes ($1,485), 7th in the nation in terms of state and local tax capacity as a percent of the national average (118.1%), and 17th in the nation in total per capita state and local expenditures ($3,056).[12]

Proponents point out that state spending has risen 53% since 1982, twice as fast as the 26% combined rate of inflation and population growth. They worry that Colorado cannot afford to continue on the tax-and-spend course of recent years. They offer Amendment 6 as a comprehensive proposal that will impose strict fiscal discipline measures on both state and local government.

Supporters say that Amendment 6 will enhance Colorado's freedom, prosperity, and quality of life by forcing elected officials to respond to the personal, economic concerns of taxpayers for responsible fiscal policies that they can afford.

Major Features of Amendment 6

CITIZENS WILL VOTE ON FUTURE TAX INCREASES (SIMPLE MAJORITY): Amendment 6 requires voter approval through special "tax elections" for future tax increases. This provision does not currently exist in a functional form in any other state. New Jersey, the first state to enact a TEL in 1976, did have a similar element in its law. However, New Jersey's TEL was enacted with a "sunset provision" and expired in 1983.

CITIZENS WILL VOTE ON FUTURE LONG-TERM BORROWING (TWO-THIRDS): While some bond issues now require a simple majority from the voters, more and more government debt is being incurred at the discretion of public officials without a referendum. In light of the historic pitfalls of public debt, Amendment 6 puts to the voters all borrowing that extends beyond the fiscal year. In light of the intergenerational burden imposed by repayment of principal and interest in later decades, the measure requires an extraordinary public consensus -- two-thirds in favor -- for incurring such debt. A common misconception in the pre-election debate is that any tax increase would require two-thirds; as stated in the preceding paragraph, that is not so.

CITIZENS WILL BE PROTECTED AGAINST FUTURE, UNEXPECTED HIKES IN PROPERTY TAXES: Amendment 6 limits residential property taxes (consistently rated the most unpopular tax) to 1% of assessed market value. This provision is quite similar to Proposition 13 passed in California in 1978. Proposition 13 cut the previous property tax limit about in half and froze assessments in the state at 1975 levels. As mentioned earlier, Proposition 13 is estimated to have saved taxpayers in California an estimated $228 billion since it was first implemented.

AMENDMENT 6 LIMITS LOCAL PROPERTY TAX REVENUE GROWTH: Any local district's property tax revenue growth is limited to the factors of inflation (5% per year maximum increase) and new construction, unless voters approve a larger increase. This mechanism allows local districts to meet the increased demands for public services of a growing area, but limits tax revenues to cost plus inflation and demand. This provision will reverse the trend in higher property taxes that resulted from the recent reassessments and mill levies which increased some property taxes in the state by as much as 90%.[13]

The importance to taxpayers in controlling the rate of increase in property taxes has never been more apparent. Nationally over the past 10 years, property tax payments to state and local governments have nearly doubled -- from $57 billion in 1976 to $111.7 billion in FY 1986. Over the past decade, property tax growth has averaged 7% annually.[14] Property tax growth rates in FY 1986 surpassed the rate of growth in sales taxes, individual income taxes, and corporate income taxes.

THE MEASURE WILL REPEAL COLORADO'S RECENT INCOME TAX INCREASE: Amendment 6 lowers the state income tax so that the rate of the tax can not exceed 90% of the 1987 individual rate, unless approved by voters in a tax election. Amendment 6 would cancel the estimated $171 million "windfall" that Colorado captured from the 1986 Federal Tax Reform Act.

In 1987, Colorado and 23 other states undertook major tax reform efforts. Among these, 18 states increased the standard deduction, 17 states raised the personal exemption, 13 states implemented new tax bracket structures, and 12 states lowered tax rates.[15] By the end of 1987, these states overall had returned to taxpayers over three-fourths of the $6 billion-plus tax "windfall" that they had received from an expanded tax base.[16] Colorado, however, returned only about <u>half</u> of its backdoor gain from this source (see <u>Colorado Tax Reform: An Economist Grades the 1987 Legislature</u>, Independence Issue Paper No. 8-87, by Barry Poulson.)

THE MEASURE WILL LIMIT FUTURE GOVERNMENT SPENDING AS CALIFORNIA DOES: Amendment 6 limits future increases in state spending to actual changes in the growth of population and the CPI inflation rate. Excess revenue above these limits will be refunded to taxpayers in the next year through an income tax credit. Government expenditures are tied to the increased demand for services of a growing economy and population and the rate of inflation. Suppose, for example, that the population of Colorado increases by 5% in 1990 and the rate of inflation for the same year is 5%, then the state would be permitted to increase spending by an additional 10%. This allows the state to meet its obligations based on a formula of actual cost plus inflation, and to provide needed services for new residents.

GOVERNMENT UNITS WILL MAINTAIN A RESERVE AS DELAWARE DOES: Three percent of each unit's budget must be kept in reserve for declared emergencies, with the ground rules for declaring them spelled out in Part 3 of the amendment. If tapped, the reserve must be replenished before other spending goes forward.

This measure is different than the statutory TEL that has been in operation in Colorado since 1977 that places a 7% ceiling on yearly state appropriations. California is the only other state in the nation that has a constitutional TEL that limits expenditures to the growth in state population and inflation. The popularity of the California TEL among taxpayers in the state is well known. The fact that efforts to weaken it were overwhelmingly defeated at the polls last June suggests California taxpayers know from experience that without effective fiscal discipline, government spending will expand indefinitely.

Conclusion

The economic recovery of the late 1980's has brought with it an increase in both state tax revenues and expenditures. State and local tax revenues have risen from $10.68 per $100 of personal income in 1983 to an estimated $11.37 in 1987.[17] As formerly mentioned, this economic recovery did trigger several state TELs for the first time. Taxpayers in California discovered firsthand the effectiveness of their TEL when they received rebates from the state that totaled $1.1 billion.

Amendment 6 offers taxpayers in Colorado the direct opportunity to participate fully in vital state fiscal policy decisions. Taxpayers in states like California, Delaware, and New Jersey can attest that tax and expenditure limits are not "sleeping giants;" they are an effective way to control the cost of government and promote economic growth.

Tax and expenditure limits sharply democratize state government by requiring that the grassroots must be the starting point in the budgetary debate. The balance shifts in favor of the average taxpayer, whose specific consent must be obtained more frequently than before. Once enacted into law (particularly when given constitutional status by a vote of the people), a TEL serves as a constant reminder to government officials of the costs of irresponsible or extravagant fiscal policies.

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TOO SIMPLE FOR ITS OWN GOOD - The Cons by James Jacobs (Continued)

268 municipalities, 176 school districts, and the remainder are special (fire, water, sanitation, etc.) and other (pest control, cemetery, etc.) districts.

While the idea of having voters decide increases on licenses, permits, fees, net increases in tax revenue, as well as government or government-back debt, is intriguing in itself, is it workable? Each elector residence would have to be notified of any such proposed increase, together with budgetary information and a statement summarizing criticisms of the proposal. It would appear that Colorado could become number one at having the largest ballot in the country. (I would just as soon let California keep that distinction.) Coordinating the polling places to fit the many overlapping jurisdictions is certainly another administrative concern.

Before going into some of the other provisions of Amendment 6, the question of how Colorado compares in its taxes must be addressed. Comparative data from other states indicate that Colorado state and local taxes are not out of line. The figures also show why property tax revolts occurred in California (5th highest) and Massachusetts (2nd highest) in the late 1970s.

RANKING OF SELECTED STATES - 1978

	Colo.	Mass.	Calif.
Property Tax Collections per $1,000 of Income	20th	2nd	5th
Total State and Local Taxes per $1,000 of Income	21st	5th	4th

It is not surprising that propositions to curb property taxes were successful in both California and Massachusetts. California's state government was sitting on a surplus of $5 billion at the time of Proposition 13. But look at the comparision today, according to the latest Census Bureau information:

RANKING OF SELECTED STATES - 1986

	Colo.	Mass.	Calif.
Property Tax Collections per $1,000 of Income	23rd	21st	32nd
Total State and Local Taxes per $1,000 of Income	40th	15th	25th

Without any doubt, the limitations lowered the rankings in total state and local taxes of both California (from 4th to 25th) and Massachusetts (from 5th to 15th). But how has Colorado done? In relation to the other states, Colorado, without a formal constitutional tax limitation, has seen its ranking decline from 21st in 1978 to 40th in 1986.

Amendment 6 Raises More Questions Than It Answers

Questions of definition and implementation can be seen throughout the proposed amendment. First of all, what constitutes "government or government-backed debt extending past the fiscal year"? Would it include the lease-purchase of city garbage trucks, country road-graders, or university computers? Would it require voter approval, by a two-thirds margin, for debt issued for the new Denver airport or the proposed Two Forks dam? The same question could be asked for any of the proposed transportation projects in the Denver area.

A second question concerns state-mandated programs delegated to local government. As many of these programs (environmental and social service) are mandated by the federal government, would the state be forced to pick up the entire tab? The third question concerns licenses, permits and fees, which could only be enacted or raised at a general election unless raised no more than the inflation index. Is tuition for higher education a fee? Would the entire state vote on hunting licenses or athletic fees at junior colleges?

The present 18 cent per gallon tax on gasoline is scheduled to return to 12 cents on June 30, 1989. If this amendment were approved, a large portion of the state Highway Users Tax Fund would be removed. A restoration of the 18 cent gas tax would require voter approval at an election.

A serious question concerns the provision on property taxes. The amendment states that the maximum annual tax on residential property shall be 1% of the last assessed market value. There are two ways of interpreting this provision. 1) The first acknowledges the existing constitutional provision of equalized mill levies among all classes. That is, mill levies would be prohibited from exceeding the limit when triggered by the 1% limit on residential. This would result in significant losses to property-tax supported districts. 2) A second interpretation is that total property tax revenue would be subject to inflation and new construction provisions and that only residential would be locked in at the 1% limit. This would result in a shift in tax collections from residential to non-residential (commercial, industrial, vacant land, etc) in those areas which have reached the 1% limit on residential property.

Courtroom Could Thwart Ballot Box

As a result of these questions, I believe that the final decision-makers of Colorado fiscal policies if Amendment 6 passes would be neither the electorate nor the elected officials at both the state and local level if this amendment is approved. Litigation by both the proponents and opponents would turn these matters over to the judicial branch for final determination. Would this not be the greatest irony?

INDEPENDENCE INSTITUTE is a Colorado non-profit corporation. It is governed by a bipartisan board of trustees and holds a 501(c)(3) tax exemption from the IRS. Its public policy research focuses on economic growth, education reform, equal opportunity, and local government effectiveness.

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JOHN ANDREWS edits the Issue Paper Series. He was an appointee of Presidents Nixon and Reagan and a college administrator before establishing the Independence Institute, which he now heads.

Footnotes

1. Quoted in Carl Raschke, "Economist Backs Amendment 4," Rocky Mountain Business Journal, September 22, 1988.

2. Robert J. Genetski and Lynn Ludlow, "The Impact of State and Local Taxes on Economic Growth: 1963-1980," Harris Bank, Chicago, Illinois, December 17, 1982.

3. Advisory Commission on Intergovernmental Relations (ACIR), "Fiscal Discipline in the Federal System: National Reform and the Experience of the State," (Washington, D.C., July, 1987) pg. 29.

4. David Merriman, The Control of Municipal Budgets: Toward the Effective Design of Tax and Expenditure Limitations, (New York, Quorum Books, 1987) pg. 13.

5. Karen M. Benker and Daphne A. Kenyon, "The Tax Revolt -- Round II," Perspective, (ACIR), Washington, D.C., 1984. pg. 14.

6. ACIR, Fiscal Discipline in the Federal System: National Reform and the Experience of the States, Washington, D.C., 1987. pg. 5.

7. Barry W. Poulson, "Constitutional Tax and Expenditure Limits," unpublished paper, 1987, available from American Legislative Exchange Council, Washington, D.C.

8. Jay Matthews, "California Transformed by 'Prop 13'," The Washington Post, May 2. 1988.

9. American Legislative Exchange Council, "Focus on Tax Policy," Washington, D.C., February, 1988.

10. Utah Taxpayers Association, "The Utah Taxpayer," Salt Lake City, March 10, 1988.

11. Douglas Bruce, "Government Feels No Restraint on Spending," Colorado Statesman, July 29, 1988.

12. State Policy Research, Inc., State Policy Data Book '88, Alexandria, Virginia.

13. Barry W. Poulson, "Tax Revolt Alive and Well," unpublished paper, 1987, available from American Legislative Exchange Council, Washington, D.C.

14. Tax Foundation, Inc., "Tax Features," Washington, D.C., Vol. 32, No. 2, February/March, 1988.

15. National Association of State Budget Officers (NASBO) and the National Governor's Association, Fiscal Survey of the States, Washington, D.C., March 1988. pg. 1.

16. Ibid., pg. 15.

17. Steven D. Gold, "The Tax Revolt 10 Years Later," State Legislatures, National Conference of State Legislatures (NCSL), Denver, September, 1988. pg. 16.

This page and the reverse side, both reprinted from the Rocky Mtn. News of 10/21/88, are a sample of proponents' publicity.

Are the TABOR Committee's arguments more or less persuasive than those of James Jacobs and Citizens for Responsible Government (page 13-14)?

Amendment 6 will let voters rein in runaway taxes

By Douglas Bruce

A Colorado view

USE of scare tactics and loaded words such as "radical," "assault," "catastrophic," "staggering" and "crippling" is no substitute for rational analysis. Let's examine the *Rocky Mountain News'* claims regarding Amendment 6:

1) We all know tax rates will go up every year until something is done. The *News* obviously wants that and is willing to deny a vote at the ballot box to those who disagree. That approach proves the *News* doesn't believe its own claim that tax hikes "reflect the popular will." Politicians will never run on a platform of higher taxes because they saw what happened to Walter Mondale. They'll wait to be elected and then raise taxes.

2) Amendment 6 does not dictate how the money is spent, nor does it freeze revenues, which will increase with inflation and growth, nor does it tell elected officials what laws to pass. It allows politicians to raise taxes in an emergency, subject to voter approval or rejection at the next election. It does say governments can't take a bigger share of our money for taxes without the permission of the people they claim to represent. The issue is simple: Who should decide how much more government we can afford — the people who earn the money or the politicians who spend it?

3) Voting out politicians is not realistic. People busy earning a living can't follow every legislative vote. We would also have to pay the higher taxes for two or four years until the next election and then hope the new politician keeps his campaign promise better than the old one. Why react to overspending when we can prevent it? Why give them a blank check?

4) If the *News* doesn't believe in any limits on politicians other than elections, why have any initiatives at all, or a balanced-budget amendment, or even a constitution? They all cramp the politician's style. Eighteen states already limit taxes and spending and are doing better than Colorado's sick economy. Those of us who weren't asleep in civics class know that America was founded on individual freedom and limited government, not blind faith in elected officials. Our heritage of freedom protects both political and economic liberty.

5) As for "steep rollbacks," why is it "catastrophic" to return to the income tax level we had in 1987 before the "windfall" tax hike? The reduction in state revenue is about 2½%. Can't government be 2½% more efficient? State revenues go up more than $400 million each year from inflation and growth. So for one year, Amendment 6 limits them to a $160 million increase. There is no year-to-year reduction in revenue, only a one-time reduction in the rate of increase.

6) The 1% limit on residential property taxes will reduce property tax revenues about 5%. How is that "staggering"? As for schools, we are already 4th in the U.S. in the percentage of government spending going to education, but test scores remain flat. Not all problems are solved by throwing money at them. And if the educational bureaucracy is so overworked and underpaid, how can they spend so much time and money trying to tell people how to vote?

7) How is it a "complicated decision" to vote on a sales or income tax increase? The *News* is saying people are too dumb to be able to vote on how much government they can afford but discerning enough to throw big spenders out of office. Incumbents almost never lose because they get special-interest groups to donate to their campaign as a pay-off for the receipt of our tax dollars by the special interests.

8) The productivity formula that limits agricultural assessment is specifically protected: "No repeal of programs yielding lower tax liability is intended." Right now, the politicians can adjust the formula at any time to any amount. Voter approval will provide more protection to agriculture, not less. Besides, the *News* says Amendment 6 is bad because it lowers taxes. Now the *News* says it's bad because it raises taxes. Which is it?

9) In 1980, state and local government debt was $3.8 billion. In 1985, it was $9.5 billion, a 150% increase. Colorado is on both a taxing and a borrowing spree. If a majority wants to raise taxes, they can. But piling up debts for our children to pay should be only a last resort and require a stronger mandate, like a two-thirds vote. Everyone claims to be against deficit spending. Here's a way to restrict it.

Our economy is sick right now. A moderate restraint in taxes (2½% to 5%) will stimulate the private sector, which produces real jobs, because people can keep a little more of what they earn to spend on something besides big government. People who believe in democracy, fiscal responsibility, limited government, the right not to be taxed out of one's home, free enterprise, and tax justice should vote "yes" on Amendment 6.

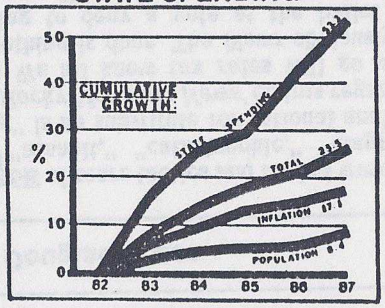
Douglas Bruce, Colorado Springs, spearheaded the petition drive to get Amendment 6 on the Nov. 8 ballot.

RMN
10-21-88

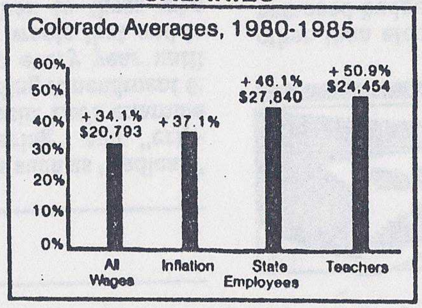
TAXPAYERS!
HAD ENOUGH?

THE PROBLEM: Runaway Taxes
- From 1980-87, property tax revenue **doubled.**
- From 1982-87, income tax revenue was up **95%,** Colorado personal income ony 40%.
- We have America's 2nd highest gas tax, 3rd highest local sales taxes.
- They now want to tax food, services, and senior citizen pensions!!

STATE SPENDING



SALARIES



THE OPPOSITION: Special Interests
- Tried to remove this issue from the ballot. Not content with taking your money, they tried to take away **your right to vote.**
- Says voter approval destroys representative government. But they want a BLANK CHECK. To stay free, we must **limit** government.
- Says government will collapse. Don't be fooled by their scare tactics. 18 states limit taxes already. Amendment 6 only cuts property tax revenue 5%, State revenue 2½%. Can't government be 2½% or 5% more efficient?

THE SOLUTION: Amendment 6.
- Majority voter approval for higher tax rates. Does **not** freeze revenue nor tell them how to spend it. Has exception for declared emergencies.
- 1% maximum tax on your home. $60,000 home: $600.
- Income tax rate cut from 5% to 4½%.
- Growth in State spending limited to increases in population plus inflation unless voters OK more.

6	SHALL THERE BE AN AMENDMENT TO ARTICLE X OF THE COLORADO CONSTITUTION TO REQUIRE VOTER APPROVAL FOR CERTAIN INCREASES IN STATE AND LOCAL GOVERNMENT TAX REVENUES, TO RESTRICT PROPERTY, INCOME, SALES, AND OTHER TAXES, AND TO LIMIT THE RATE OF INCREASE IN STATE SPENDING?	YES	X
		NO	

The issue is simple: Who should decide how much government we can afford—the people who earn the money or the politicians who spend it?

This ad cost $2000 for one day. Send your donations of $25, $50, $100 or more to: Amendment 6
Box 1900
Arvada, CO 80001

To volunteer, call 303-869-6306 or 860-1404. How much does the right to vote mean to you?

Douglas Bruce

Douglas Bruce
Chairman
TABOR Committee

LIMIT TAXES — YES ON 6

Paid for by Tabor Committee, Clyde Harkins, Treasurer

Let's look behind the cover at Amendment #6.

This page and the reverse side are a sample of opponents' publicity -- coordinated by a committee called Citizens for Responsible Government, distributed with the aid of groups such as CACI, and editorially supported by major news media.

How many of these arguments are effectively rebutted by Duane Parde's analysis or the TABOR materials (pages 11-12)?

Amendment #6 is certainly attractive. It's a sales pitch which is hard to resist. After all, who isn't in favor of "taxpayer rights"?

The backers of Amendment #6 hope that you don't look beyond their simple slogans. But you can't judge a book by its cover.

Behind the cover of Amendment #6 is a scheme which could wreak havoc on Colorado. The amendment is poorly drafted. It's poorly thought out. It's the most radical tax measure ever proposed.

Get the full story on Amendment #6.

Goodbye jobs and economic development.

Led by Governor Romer, Colorado's top priority is economic development and new jobs. The passage of Amendment #6 would be the death knell for this effort. No new businesses are going to locate—nor will existing businesses prosper—in a state which refuses to maintain its roads, support its police, and invest in its schools.

A tax rollback Colorado can't afford.

They're trying to sell Amendment #6 as a tax limitation. It's really a tax rollback… of massive proportions. Look around you. State government, local governments, and school districts are operating on very tight budgets. If we rollback taxes now, critical services will be at risk and critical needs will go unmet. Schools, roads, police protection, services for the elderly—all will suffer.

There's no room for Monday morning quarterbacking when dealing with disasters and emergencies.

One of government's primary responsibilities is to respond immediately to disasters and emergencies. A flood. A tornado. Other acts of God… or man. But Amendment #6 would encourage people to second guess the emergency response in an election months or years later. This is a crazy idea and will only cause difficulty at times when immediate action is most needed.

Inflexible. Impractical. Extreme.

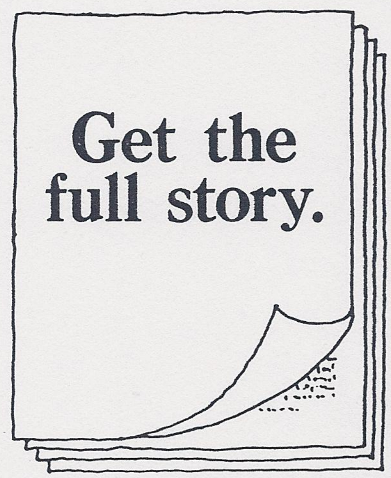
Limiting taxes is one thing. But Amendment #6 goes way beyond this. It would also require a vote on any increase in any fee at any level of government. Everything down to the level of fishing licenses and park passes. Even the towel fee in the high school gymnasium would need to be voted on in a general election. How much sense does this make?

So much for the principle of majority rule.

Amendment #6 not only requires that all tax or fee increases be voted on in an election. In many situations, it would require ⅔ voter approval. By doing so, it would allow a minority of voters to have their way. How's that for an extremist idea?

A massive tax increase on farmers and ranchers.

Whether by accident or design, Amendment #6 would deal a crippling blow to Colorado's farmers and ranchers who are already struggling through very tough times. It would require that all property be assessed at market value. That would increase property taxes on agricultural land by a huge amount.



Then vote NO on #6.

The Denver Post researched Amendment #6. They opened the book. And read the fine print. Here's what the *Post* says.

THE DENVER POST

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Voice of the Rocky Mountain Empire

Tax shift is still a threat

RECENT POLLS show public support is dropping for proposed Amendment 6, a massive tax-shift scheme that would cut some state taxes sharply while triggering huge tax increases for other citizens. But it remains a grave threat to this state's economic future.

Coloradans have been offered these chocolate-covered lemons before, most recently as Amendment 4 just two years ago. Like most "free lunch" offers, they enjoy early popularity. But when voters realize the havoc such fiscal time bombs would cause to schools, roads, police and fire protection and other vital services, the tax shifts have been defeated.

This year's tax shift scheme has been tied up in legal challenges that may not be decided until a few days before the election. If opponents wait to begin fighting Amendment 6 until the courts decide its fate, there may not be time to expose its dangers if it is ordered back on the ballot.

And there are many dangers in this slapdash scheme that would be locked into the constitution. For openers, it actually repeals majority rule by requiring that many new taxes must be approved by *two-thirds* of the voters — allowing just 34 percent of the electorate to overrule the majority. These and other restrictions would make it difficult for cities and counties to sell bonds for such items as street improvements or economic development projects — and would sharply raise the interest rates on the bonds that can be sold.

Amendment 6 could also sharply increase the tax assessment on agricultural land, crippling farmers and rural schools. It would similarly hobble the ability of state and local governments to respond to emergencies, such as the Big Thompson flood or the 1965 flood that ravaged Denver.

Worst of all, this vague mishmash is a lawyer's full employment act that turns many vital tax and budget decisions over to the courts. If you don't like the job your elected officials do, you can at least vote them out of office. When was the last time you were able to vote a lawyer out?

This assault on representative government simply isn't justified in a state with a documented record of fiscal conservatism. The Colorado Public Expenditure Council, a taxpayer watchdog, reports Colorado ranked 40th lowest among the 50 states in combined state and local tax collections per $1,000 of personal income. Furthermore, the share of Colorado's economy that supports state and local government services has dropped from 14.6 percent in 1963 to 14 percent in 1986.

That's why House Speaker Bev Bledsoe of Hugo, Senate President Ted Strickland and Gov. Roy Romer have joined other political, business, labor and civic leaders in speaking out against Amendment 6. But they need more support.

Coloradans cannot rebuild our prosperity by crippling rural Colorado. We can't attract new jobs by destroying the roads and schools that industry needs. But Coloradans can, and must, defeat Amendment 6.

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The Taxpayer's Bill of Rights

BE IT ENACTED BY THE PEOPLE OF THE STATE OF COLORADO:

Article X, Section 21

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Here is the exact language of Amendment as it will appear on the Nov. 8 ballot.

1. **GENERAL PROVISIONS**
This is the Taxpayer's Bill of Rights. It takes effect December 31, 1988 unless otherwise stated. "District" includes the State and all lower levels of government. Supplemental State statutes require a 2/3 vote of the membership of each house. Parties may file individual or class action lawsuits, which shall have first judicial priority. If the suit succeeds, the district shall within 60 days, and with 10% annual interest, refund any illegal revenue and reimburse plaintiff for costs including attorney fees.

2. **TAX ELECTIONS**
Any new tax, tax rate increase, or other change in district policy, except changes allowed in section 10.c., that causes a net gain in tax revenue requires voter consent in advance except in section 3 emergencies. The measure shall be on a State or district general election ballot scheduled within 12 months or, if none scheduled, on the first Tuesday in November. 25 days notice, titled "NOTICE OF ELECTION TO RAISE TAXES", shall be mailed to each elector residence, listing: The election date, hours, and polling place; the next fiscal year's estimated revenue with and without the tax; the spending totals of the past 5 budgets; what groups would pay more taxes; the tax expiration date or "None"; and an outline up to 100 words stating how the money would be spent. A summary up to 100 words of any filed criticisms shall be included. If a challenge be filed within 10 days after the election, major defects in notice shall invalidate the tax. Whenever an amount equal to 5% or more of the new revenue is diverted from the designated expenditures, the tax must be reduced by that amount. Effective July 1, 1989, the initiative and referendum powers for cities shall apply to all local taxing districts.

3. **EMERGENCIES**
Emergency taxes are valid only if the district meets all of these terms:
   a. It seeks funds only for the difference between reserves, plus State and Federal funds available, and its estimated emergency costs until the next available tax election date.
   b. The emergency is declared and defined by 2/3 of the membership of the elected district board or of each house of the State Legislature.
   c. Funds raised are used only for emergency expenses.
   d. A tax election on the next available date must secure voter consent or the tax is voided retroactively.
   e. Revenue shortfalls, economic conditions, or the effects of this amendment are not emergencies.

4. **RESERVES**
Each district shall reserve 3% or more of its budget for declared emergencies only. The reserve has first claim on revenues whe below 3%. Revenue shortfalls, economic conditions, or the effects of this amendment are not emergencies. This section takes effe July 1, 1989.

5. **DEBT ELECTIONS**
All future government or government-backed debt extending past the fiscal year requires a 2/3 voter majority. Section 2 requirements shall apply, substituting "debt" for "tax" where appropriate.

6. **PROGRAM SHIFTS**
Excepting public education through grade 12, local districts may cut or end spending programs the State Legislature delegates to them for administration under State guidelines but without full State funding, effective July 1, 1990.

7. **REVENUE SHIFTS**
Licenses, permits, and fees may be enacted or raised only in a general election unless raised no more than net changes since January 1, 1989 in the United States Bureau of Labor Statistics Consumer Price Index ("C.P.I.") for all Denver urban consumers. Except section 8 credits, future enactments of exemptions, deductions, credits, deferrals, or other special tax benefits require approval in a general election.

8. **SPENDING LIMITED**
Percentage increases in fiscal year State spending, including reserves but not debt or Federal funds, shall not exceed the percentage change in state population in the prior calendar year, using Federal census estimates, plus that prior calendar year's C.P.I. percentage change, except by net changes in voter-approved revenue after June 30, 1990. A negative percentage total requires reduced spending. Excess revenues shall be refunded in the next year by an income tax credit proportionate to each income tax overpayment. This takes effect July 1, 1990.

9. **TAXES REPEALED**
   a. Recording or transfer taxes on real property are prohibited.
   b. Any new tax or tax rate increase first effective in 1988 without voter consent is repealed.

10. **TAXES REDUCED**
Starting with 1989 taxes:
   a. The State income tax rate may exceed 90% of the 1987 individual rate only by tax election. All taxable income shall be taxed at one rate.
   b. A personal property tax credit and filing waiver of $250. per tax schedule location, annually adjusted for C.P.I. changes, established.
   c. Except voter-approved debt, the maximum annual tax on residential real property shall be 1% of the last assessed market value. Except changes in physical condition, real property shall be reassessed every two years based on its market value on January 1 two years before. All mill levies shall be set annually to yield no more than the prior year's revenue, adjusted for any C.P.I. decreases and up to 5% in annual increases, plus new construction revenue and voter-approved changes. School districts may also adjust for annual percentage changes in student enrollment since the later of these: its last adjustment; or their last tax or debt election. Unapplied C.P.I. and other increases carry forward.
   d. No repeal of programs yielding lower tax liability is intended.