

California Commentary

Tax Schizophrenia on the Ballot

By Jon Coupal

Taxes have become the featured player this election season. Most of the tax talk revolves around Governor Schwarzenegger's hard-core no new taxes pledge — a position that appears warmly embraced by the California electorate if polls are any indication. But many of the ballot propositions also propose new taxes or affect existing ones, including Propositions 1A, 86, 87, 88 and 89.

Even though all but two of the propositions involve tax or fiscal issues, that doesn't mean that they are similar in substance or merit. Propositions 1A and 86, in particular, present a striking contrast to how voters should treat taxes on certain products. In a nutshell, Proposition 1A reflects rational tax policy while Proposition 86 reflects the *worst* of a distorted plan for taxing one group to enrich another.

Proposition 1A would prohibit lawmakers, with some exceptions, from future raids on gasoline tax money. The logic behind such a measure is that voters expect specialty or "excise" taxes to be used for a purpose related to the tax. For the gas tax, that money is supposed to go to improving roads and other aspects of California's transportation network. Proposition 1A would close the much maligned loophole that allows lawmakers to siphon gas tax money into the general fund for any purpose.

The Proposition 1A message is simple: an excise tax on gas should benefit those paying the tax. Proposition 1A is, if truth be told, simply

an effort to bring the law into compliance with what most voters think the law is already. Motorists filling their cars at gas stations are shocked to find out that the gas tax does not automatically go for transportation.

Proposition 86 is Proposition 1A's polar opposite. Proposition 86 would inflate the tax on tobacco products by 300 percent from 87 cents per pack to \$3.47 per pack. The \$2.1 Billion that Proposition 86 is projected to generate in its first year would be divvied up by California hospitals, which would receive 40 percent of the money, and two dozen various health programs.

In fact, Proposition 86 commits only 10 percent of the money for smoking prevention and cessation programs. In other words, Proposition 86 backers are proposing to levy the *highest* tax of any state in the nation, but provide *essentially nothing* to help those paying the tax (i.e., smokers).

The Proposition 86 message is complicated: let's tax smokers to help fund a smorgasbord of bureaucratic health programs, including obesity and nutrition programs, nurse training and emergency room care, while doing little to help smokers quit.

But voters seem to be less and less enamored with such special interest tax proposals on the ballot. In June, they turned away Rob Reiner's attempt to fund universal preschool by taxing high income earners (Proposition 82).

For more information, contact: Kris Vosburgh, Executive Director

Howard Jarvis Taxpayers Association • 621 S. Westmoreland Ave., Suite 202 • Los Angeles, CA 90005 • (213) 384-9656

Permission to reproduce this commentary in any format — print or electronic — is hereby granted, as long as proper attribution is included.

Hospitals — a powerful special interest in their own right — are backing Proposition 86 in an effort to improve their bottom line by recovering the costs of serving undocumented immigrants that are overwhelming emergency room facilities in many communities. This is a serious issue that should be addressed, but it is unreasonable and unfair to single out a *minority* of the population to bear the *entire* financial burden.

Two years ago, voters rejected a tax on cell phone users to pay for emergency room services. Interestingly, the hospitals behind that measure (Proposition 67) are the *same* ones behind Proposition 86, although this time they want about *twice* as much — nearly \$800 million.

The real kicker on Proposition 86, other than the disconnect between the tax and the programs the tax will be used for, is that it would fund a broad expansion of health programs with a steadily *declining* revenue source.

Tobacco use is down and has been for quite some time. Most people, the vast majority of whom are nonsmokers, think that's great. The backers of Proposition 86 would lead voters to believe that their top priority is reducing smoking even more. But, in reality, Proposition 86 is much more about what special interests can do with smokers' money than it is about improving smokers' health. Indeed, the perverse incentive of Proposition 86 is that the backers have a big reason to *keeping smokers lighting up* to fund their special interest programs!

And when the smokers' money runs out, California *taxpayers* will be looking down the barrel of two dozen health programs that have become even more bloated and looking for a fix.

On Election Day, voters will decide whether special taxes should fund related programs or, as in the case of Proposition 86, California's tax

policy should approve of robbing Peter to pay Paul.

* * *

JON COUPAL is an attorney and president of the Howard Jarvis Taxpayers Association — California's largest taxpayer organization which is dedicated to the protection of Proposition 13 and promoting taxpayer rights. He can be reached through the Association's website: <http://www.hjta.org>.

For more information, contact: Kris Vosburgh, Executive Director

Howard Jarvis Taxpayers Association • 621 S. Westmoreland Ave., Suite 202 • Los Angeles, CA 90005 • (213) 384-9656

Permission to reproduce this commentary in any format — print or electronic — is hereby granted, as long as proper attribution is included.