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The Fat Lady Has Not Yet Sung: Is the Tax Revolt Over?

Randy H. Hamilton

Then king Rehoboam sent Adoram, the tax collector and all Israel stoned him with stones that he died. Therefore king Rehoboam made speed to get him up to his chariot, to flee to Jerusalem. So all Israel rebelled against the House of David to this day.

... 1 Kings 12/18

Reports of the death of the "tax revolt" are premature. Despite political punditing in the national press, "If California approves this measure [Proposition 111] it is a signal to change the direction in which the ship of state is sailing," the helmsperson had best not change the course just yet. This paper examines the totality of the June 5, 1990 election in California as well as developments in over ten other states with the conclusion that the tax revolt, with us since biblical times, is alive and well in the Golden State and elsewhere.

It is true that the passage of propositions 107, 108, 116, 120, 122 and 123, authorizing California state issued debt totalling approximately $427 million annually for debt service for the next 30 years has caused most commentators to misread the signals. However, statewide, there were 50 other bond or tax increase measures on various ballots on June 5. Thirty two of them failed. Only 18 passed and some of those such as seismic safety rehabilitation following the Loma Prieta earthquake were approved by even the most die-hard tax limiters. Proposition 111 itself narrowly passed by 52% to 48%. "What strikes me is that almost 48 percent opposed the [Proposition 111] tax increase despite the fact that there was no organized political opposition, virtually no money was spent against it and the entire political establishment of both parties and virtually all the major newspapers said you have to do this. It would be a complete misreading to say that people are no longer opposed to taxes. They still don't trust politicians." 

Even Governor Deukmejian, one of the principal backers
animal control, fire suppression and firefighting, etc. The tax is in addition to the *ad valorem* property tax.

There were twenty two parcel tax propositions on the June 5 ballot. Five passed. Seventeen failed.

**Sales Tax**

Under current law, counties must seek authority from the state as well as voter approval to levy an additional sales tax. The rise in the number of sales tax elections in the past two years can be traced primarily to two broad authorizing measures: (1) SB 142 (Dedah) 1987, authorizing all counties to levy an additional tax of up to 1% for transportation purposes with majority voter approval. AB 999 (Farr) 1987, allows counties with populations of 350,000 or less to seek majority voter approval for a ½% increase for general purposes. Another version of AB 999 (Farr) allows the ½% increase to be used for general purposes. Currently, forty two counties are eligible to increase the sales tax.

There was one override measure on the June 5 ballot, in Tehama County. It failed.

Since 1988, including Tehama, there have been 38 county sales tax override or surcharge elections. Twelve passed. Twenty six failed. In the elections of March, June and November, 1988; March and November, 1999; and, June 1990, better than two out of three county sales tax override or surcharge proposals failed — 68.42%

**Transit Occupancy Tax**

Often called the "hotel tax," California law authorizes cities and counties to impose a tax, without limit, on the transient occupancy (less than 30 days) of hotel, motel and other rooms. The tax is generally considered to be borne by tourists or visitors to the area.

There were five proposals to impose or increase the transit occupancy tax on the June 5 ballot. Three passed. Two failed.

**Utility Tax**

California law authorizes cities to impose a tax on the use or sale of utilities such as gas, water, electricity, solid waste collection, wastewater treatment, cable television services.
is that taxpayers have sense and sensitivity. They will vote for what is necessary and what they can see for themselves needs repair." 13

In North Dakota, a week after Prop 111 passed, the voters soundly rejected, again, a tax increase for higher taxes for education. In the November, 1989, election, voters in five states decisively rejected tax or bond proposals for general governmental purposes. 14 No state approved any measure for general purposes. The only proposals that passed in that election were for specific use. The Maine electorate approved 8 bond issues earmarked for highways, airports, bridge and harbor improvements and juvenile correction facilities. New Jersey voters gave approval to 5 bond issues the proceeds from which are devoted to stormwater and sewer facilities and open space preservation. In Texas, the voters approved 5 bond issues specifically keyed to water development. "People are still wary about taxes. I'd be very cautious about reading too much into the California gas tax vote." 15

There are tax limiting proposals already on the ballot in ten states, including California. It is my opinion that the majority will be successful adding fuel to the tax revolt, rather than sounding its death knell. What follows is a brief description of the nationwide situation as of this writing (August, 1990). Additional petitions are still in circulation in several other states.

California

Under the State Constitution, the state and its local governments must meet certain voter requirements to enact certain new or higher taxes. Specifically, the Constitution requires all changes in state taxes for raising revenue to be passed by a two-thirds vote of the Legislature. Additionally, new or increased taxes may be added through the initiative process with majority voter approval [Prop 111]. The requirements for local tax levies varies, depending on the type of tax proposed -- general or specific. For a special tax, the California State Constitution
new or increased taxes on or after its possible date of passage.

The measure also specifies that any special tax imposed on tangible personal property must be based on the value of the property and limits the rate for such taxes to a rate equal to the maximum rate on real property; thus restricting any earmarked taxes on retail sales, cigarettes or alcoholic beverages from being imposed on a per-unit basis and limits the rate of such taxes to one percent of the value of the property.

Finally, the measure creates constitutional voter approval requirements for new or increased local taxes. Specifically, it requires majority voter approval of general tax increases imposed by either general law or charter cities. It also provides that any new special or general tax be proposed by an ordinance or resolution of the local governing body. It does, however, contain a two-year suspension for up to two years for taxes imposed to provide for disaster relief.

In sum, the measure restricts the rate of certain special taxes to one percent of the value of the property subject to the tax, which could limit the ability of the state to raise revenue through imposition or increase in such taxes. Also, by requiring a two-thirds voter approval of special taxes, it could severely limit future passage of such measures. With respect to charter cities, the two-thirds voter approval requirement for special taxes could seriously limit passage of such measures.

If the measure passes in November, the grandson of Jarvis will cause some serious disruption in the fiscal household of the state and its local governments.
press on state and local taxes. The proposed constitutional amendment would impose a requirement for voter approval of any state or local tax or tax increase any any multiyear debt, including lease debt (the most rapidly increasing form of local government debt in California) above the rate of inflation. It would limit the real property tax to 69 mills per one dollar of assessed valuation, plus any voter-approved debt. And, finally, it would limit revenue growth for Colorado governments in a mirror image of the California Gann limits, to the combined percentage of population growth and inflation, plus voter approved debt. Any revenue over this "natural growth rate" would have to be returned to the taxpayers. Since 1980, property taxes in Colorado have increased by 128% while inflation has risen only 50%, resulting in a "very screwed up tax system," said Douglas Bruce, chairman of the Taxpayer's Bill of Rights Committee.  

**Illinois**

A proposal called the "Tax Accountability Amendment" is on the ballot to amend the constitution adopted there in 1970 to require a three-fifths vote of the Legislature for any tax increase. Both the Republican and Democratic nominees for Governor have endorsed the tax limitation amendment. The amendment was born when a "temporary" $1 billion state income tax increase was rushed through in the closing moments of the 1989 legislative session. As a result, the proposed amendment also calls for a two week Notice to the Public to be announced and published by the Legislature before a tax increase could be approved, even by the proposed three-fifths vote. Last minute tax increases are common in Illinois and other states and this amendment would end the practice in the Land of Lincoln.
Taxpayers United, and it calls for a 20% rollback over the two years following the November, 1990, election.

**Nebraska**

The Nebraska Taxpayers Survival Committee has qualified a ballot proposition commonly called "the two percent solution," to tax increases, at the state a local levels. If approved by the voters, it would limit any increase in state or local budgets to a maximum of 2% a year over the preceding fiscal year.

**Nevada**

Nevada has no corporate income tax. An initiative sponsored by the Nevada Teacher's Union proposes to institute a corporate income tax specifically for purposes of improving education. Political analysts have called it a non-starter and see scant possibility for the new tax to be adopted by the people of what is traditionally a low-tax state.

**Oregon**

A measure on the ballot in Oregon would cap real property tax assessments at $15 per $1,000 of assessed valuation, for public school purposes and $10 per $1,000 of assessed valuation for all other public purposes. The $15 cap for educational purposes is proposed to be a temporary one, rolling back to $5 by fiscal year 1966. "Our petition demands that the general fund [of Oregon] assume the major role for education funding. In the past, big revenue increases have not gone to education," says Frank Eizenzimmer coordinator for what is known as Measure 5, "The Property Tax Protection Act." In the last decade, there have been a half-dozen property tax relief measures on the ballot in Oregon. All have failed. Governor Goldschmidt, a former mayor
began paying new taxes on services and products varying from telephone
calls to toilet paper, thousands of New Jerseyites took part in a
cross-state convoy to the State House where they called for Florio
to be recalled. "Demonstrators jammed 40 miles of Interstate 195
across the center of the state and clogged the streets of the Capitol.
The State Police estimated that 2,000 cars parked in lots behind the
State House ... and more than 6,000 people took part in an afternoon
rally on West State Street, which had been closed to traffic." 23
The new taxes extended sales taxes to alcohol, cigarettes, soap
and items like paper towels; coupled with an increase in the state
income tax. The petition to recall the Governor is now in circu-
lation.

Conclusion

As this analysis shows, voters are rejecting most of the
tax hikes on their ballots and property tax revolts are reaching
the boiling point all over the nation. Across the nation, voters
have rejected tax hikes at the ballot nearly every chance they get.
Voters are concentrating not only on the big picture, but get
down to fine details such as new or increased fees levied by
Massachusetts public administrators or even finer cuts such as
those adopted in Martinez, California, on June 5, which limits
any public works spending in that city to $1.25 million or 10
percent of the previous fiscal year's appropriation, whichever
is greater. The tax revolt, clearly, will dominate local elections
in the next few years. And, since as Tip O'Neill has said, "All
politics are local," there is no reliable evidence that the
battle between governments that want and need to raise money
and their anti-tax citizenry will diminish. The '90s version seems
NOTES


2. See: California Voters Pamphlet, election of June 5, 1990, Sacramento: Office of the Secretary of State. The figures is derived from totalling the annual debt service requirements for each of the propositions that passed.


5. On the ballot in San Diego County, Inyo County, Los Angeles County, Orange County, Alameda County, Madera County, Kern County, Butte County, San Bernadino County and Sonoma County.

6. On the ballot in San Francisco County, Los Angeles County, Riverside County and San Bernadino County.

7. On the ballot in Riverside County, Mendocino County, Contra Costa County, El Dorado County, San Diego County, Marin County, Santa Barbara County, Los Angeles County, Riverside County, Butte County, Amador County, San Benito County, Tulare County, Santa Cruz County, Marin County and Santa Clara County.


9. On the ballot in Mendocino County, Los Angeles County, San Diego County, Kern County and Siskiyou County.

10. On the ballot in Ventura County, Butte County and San Bernadino County.

11. There have been more than 88 tax increase or imposition propositions on the ballot in the six elections. There is no central place which is a repository for local ballot measures in California. The Secretary of State does not collect this information, nor are county Election Clerks required to report results on "local" ballot propositions to any state agency. The League of California Cities does not keep results for cities, the County Supervisors Association does not keep results for counties. The best, but "unofficial" sources for such information are the California Association of Realtors and the California Taxpayers Association; and, of course, local newspapers. Political analysis would be greatly enhanced if California required county Election Clerks to report the results of all elections to the Secretary of State, as is quite common in other states.

12. Ibid. Smith.
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</tr>
</thead>
<tbody>
<tr>
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<td>Broughton, Robert Murray</td>
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