

GRANITE STATE FAIR TAX COALITION
PO Box 3431, Concord, NH 03302
www.nhfairtax.org

February 24, 2011

The Honorable Stephen Stepanek, Chairman
House Ways and Means Committee

Re: CACR 6

Dear Representative Stepanek and Committee Members:

The Granite State Fair Tax Coalition is a nonprofit, nonpartisan coalition of groups and individuals that reaches over 70,000 people across the state. We advocate for a more effective revenue structure for New Hampshire, one that raises enough to meet the state's needs in a way that everyone pays their share.

The Granite State Fair Tax Coalition urges the committee to recommend CACR 6 Inexpedient to Legislate.

Because GSFTC believes that the fiscal problems of our state are more complex than rising taxes and fees, we don't think the solution is to simply make it more difficult to raise taxes and fees. The solution we need is not CACR 6. The solution we need is real reform of our state's outdated revenue system, which will make the constant raising of every little tax and fee unnecessary.

Economic experts across the political spectrum readily acknowledge that we have a structural deficit in New Hampshire. This means that our revenue growth--by design or by neglect--does not keep pace with economic growth, population growth or changing needs. Our revenue system, quite predictably, does not raise enough to meet our state's most basic needs. Not wishes, not wants, but the most basic of needs.

Taxes make possible all of the infrastructures that our economy and quality of life depend on. It is the solemn responsibility of our elected representatives to ensure that our state's revenue system can meet our state's needs. Economic experts have established several widely accept principles of an effective revenue system. Of these principles, first and foremost is adequacy; a state's revenue system should raise enough to meet the state's needs. Next is diversity--the system should include a mix of sources, not relying on any one source too much, so that its downsides don't have exaggerated impact. The third principle, known as horizontal equity, means that people or businesses in roughly the same circumstances should be paying roughly the same amount of a given tax. The fourth principle, vertical equity, means that taxes should be based on ability to pay. There are other principles, but by this list alone, New Hampshire's revenue system is failing badly.

It doesn't raise enough to meet the state's most basic needs. It isn't diversified enough; it relies on the property tax for over 60% of all state and local revenues, far more than any other state. This means that the impact of its downside hits especially hard. You have to pay the tax whether you got a raise or lost your job. The lack of adequate revenues from other sources keeps the burden on the property taxpayer. Measures like CACR 6 or budget solutions that downshift costs to the property tax just make it worse. Because of its over-reliance on the property tax, New Hampshire's revenue system fails both the

horizontal and vertical equity tests. Houses or business properties with similar value can pay vastly different property taxes depending on where they happen to be located. People on fixed or declining incomes can end up paying more in tax than people with high or rising incomes. In New Hampshire's revenue system, the more you make, the lower your tax rate, and vice versa. Moral reasons aside, the reason this matters is because it is not effective to try to raise water from the driest rather than the deepest well, so to speak.

The only effective way to stop raising every little tax and fee every year is to enact comprehensive revenue reform, to use--rather than ignore--the knowledge of economic experts to modernize our state's revenue system. The fact that elected representatives of both political parties have lacked the leadership and the will to do this does not make this point any less valid.

CACR 6 is the wrong solution for New Hampshire. Simply making taxes and fees harder to initiate or raise will not prevent property taxes from rising. Indeed, CACR 6 will virtually guarantee more downshifting to localities and thereby increase taxes while purporting to limit them.

CACR 6 is wrong for New Hampshire because it is undemocratic. Requiring a super majority is tantamount to minority rule, because 1/3 plus just one more person carries the day.

CACR 6 is wrong for New Hampshire because it perverts our founders' intentions for a citizen legislature. It restricts the ingenuity and flexibility of future legislators to the limitations of the present day. What right do we in the present have to curtail the freedom of generations to come?

CACR 6 is wrong for New Hampshire because we love our constitution and for good reason rarely amend it. Our constitution is not the place to wage budget disputes.

For all of these reasons, Granite State Fair Tax Coalition urges the committee to find CACR 6 inexpedient to legislate.

Respectfully,

Cathy Silber, executive director
Granite State Fair Tax Coalition

The Granite State Fair Tax Coalition is a nonpartisan, nonprofit, 501(c)3 organization whose members include American Friends Service Committee NH, Episcopal Diocese of New Hampshire, League of Women Voters of New Hampshire, NEA-New Hampshire, Northern New England District Unitarian Universalist Association, State Employee's Association (SEIU Local 1984), United Church of Christ, Commission for Witness and Action, and over 1,000 individuals across the state.