

Talking Taxes



How to increase state revenue and restore
the helping role of government in society

a background paper on progressive tax policy



1201 Marina Village Parkway, #115
Alameda, CA 94501
510.523.5238 • fax 510.523.5262
www.cft.org



Introduction

What kind of community do we envision? Most of us would agree that we want to live in a society that provides everyone with the opportunity to realize our dreams. We wish to lead productive, happy, and fulfilled lives in places that are safe, with ample challenges for growth and development. We want to dwell in a world of plenty, not scarcity, where we can find the resources to accomplish our individual and shared goals.

An important part of our ability to live in such a world is the supportive role of our government. Government exists to create and enforce the rules we play by in a complex society, and to provide us with the safety and security we need to

play the game. Thanks to our government, supported by our tax dollars, we have access to education. We know that our house or neighbor's house will receive assistance if faced with fire or crime. Without Social Security, millions of Americans would be destitute, as they were before passage of the Social Security Act in 1935.

Government offers health services for seniors through Medicare. If the economy goes into a tailspin, and people lose their jobs through no fault of their own, unemployment insurance helps until a new job is available. If we don't wish to drive a car, or cannot afford to, public transportation can take us where we need to go.

How well these systems perform their assigned roles depends on decisions we make as participants in a democracy: the people we elect to carry out our wishes, the programs they support or oppose, and the funding they allocate—or don't—to underwrite these services.

But we have a problem. Many people don't like to pay taxes. Taxes come out of our paychecks, making them smaller. Taxes add to the price of items and services we purchase. Taxes make it seem harder to increase our personal wealth, because instead of all the money we earn going into our own private bank accounts, a portion is set aside for government to spend on programs that serve the common good.

Taxes make some people mad because they feel they have little or no control over how the money raised by taxes is spent. A growing number are angry that a larger proportion of the federal budget is spent on the military than on anything else. Some people don't want their tax dollars to subsidize farmers to not grow particular crops.

Others dislike allocating money for schools because they have no children or they send their kids to private schools. They may hate paying for public transit, because they only drive cars. And some don't like government at all, and want to turn almost everything—from schools to parks to transportation to regulations on banks and industry—over to the private sector.

The California Federation of Teachers believes something different: that there are excellent reasons why government, supported by a fair and progressive tax system, is the best way to address the issues that we as a people face together. Progressive tax policy is based on the simple idea that people with more money should pay more in taxes, and people with a lot more money should pay a lot more, to help government work well.

In the words of Oliver Wendell Holmes, “Taxes are the price we pay for a civilized society.” Taxes imply a social contract: we will invest together for some of the most important features of our common lives, and as a result we will be more secure living together.

Nonetheless, today, a small but rich and influential segment of our society has managed to persuade larger numbers of people that taxes, in and of themselves, are bad, and should never be raised but rather should be cut whenever the opportunity presents itself. These people are enemies of public education, government services in general, and unions. Their goals are to undermine the public sector (both to privatize and profit from it) and to destroy the protections that a strong democratic government (and a strong labor movement) provides to its citizens.

They have devised successful strategies to confuse the public about what taxes mean for a democratic society. One strategy is to make the idea of government look bad, so that people fear it, mistrust it, and refuse to pay for it. Closely connected with that is the attempt to substitute “government” for

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“the rich and corporations” as the object of working class and middle class anger, and as the agent responsible for the deterioration of the American Dream over the past three decades. Another strategy has been to convince people that all taxes are essentially the same, and that any tax increase hurts all of us.

One key figure in this effort to divert the majority of people from support for vital government services is Grover Norquist, a right wing extremist and advisor to George W. Bush. Perhaps his most notorious comment is the one he made regarding the proper size for government: “small enough to drown in a bathtub.” Norquist, however, is but one of many ideologues working hard to spread these ideas through fear and deception.

Closer to home, we find similar sentiments from the current executive director of the Howard Jarvis Taxpayers’ Association. In a recent opinion piece in the *Orange County Register*, Jon Coupal says that “Those of us who represent taxpayers must remember our starting point. Specifically, that government

is too big, too wasteful and too corrupt to be entrusted with any more money.”

The CFT is determined to help create a new consensus view: that government exists to help people, and that sufficient revenues and educated lawmakers are necessary preconditions for that to happen.

And CFT is not alone. In his inaugural address, President Obama forcefully expressed similar sentiments:

What the cynics fail to understand is that the ground has shifted beneath them — that the stale political arguments that have consumed us for so long no longer apply. The question we ask today is not whether our government is too big or too small, but whether it works — whether it helps families find jobs at a decent wage, care they can afford, a retirement that is dignified.

The tide is turning on the anti-government ideology.

The 1% and the rest of us

During the period from the end of World War II to about 1980, income in the United States was more evenly distributed than it is today. This was due to three things: the strength of unions, a more progressive tax structure, and a prevailing belief that the role of government was to make the entire society more secure through its tax-supported programs. These ideas were cemented through the legislation of the New Deal (like Social Security and the GI Bill) and reinforced by the Great Society (programs such as Medicare).

However, over the past three decades, the rich have gotten richer at the expense of the rest of us. The view from the top is once again about how it was in the 1920s, when income inequality was at an historic peak.

Today the top ten per cent of wealth holders in the United States owns more than 70% of the nation's wealth. The top one per cent of wealth holders in the United States—about three million people in a country of 300 million—owns more than one third of the country's wealth: 34%. The top 1% makes on average \$1.6 million per year.

This unfortunate state of affairs is due to the decline of the labor movement and the relentless attacks on government and taxes by conservative forces marshaled by the 1%. This long-term assault has succeeded in reducing taxes on the top income brackets

and on corporations, resulting in systematic under-funding for all government programs except the military.



The choice today is clear. We can adequately fund government services by asking those who have benefited the most from our society to return to paying a fair share of taxes; or we can continue to slide toward a society divided sharply between a small percentage of very wealthy, and deteriorating conditions and prospects for the rest of us.

How to talk about taxes

Margaret Haley was an elementary teacher and leader in the first American teachers union of any consequence, the Chicago Teachers Federation, which she joined in 1897. Two years later the Chicago school board claimed there wasn't enough money in the school budget for a promised raise, and threatened to close the schools for two weeks for lack of funds.

Haley found that several large Chicago utility and transportation corporations had failed to pay their taxes for years. She made public speeches calling for the corporations to return their "stolen millions" to the students. The Federation filed suit, and the resultant victory brought more than half a million dollars into the city's treasury, and a quarter million more in revenue every year thereafter. The



Margaret Haley, teacher union leader and advocate for school funding through progressive tax policies.

teachers got their raise, as well as additional funds for their classrooms.

But this was a temporary victory. Over a century later, the situation is stunningly familiar. Schools are closing, and teachers are being laid off due to lack of funding. Meanwhile, corporations and rich people pay tax rates so low that they are, in essence, stealing money from the state budget.

- In the early 1990s, when California faced a state budget deficit that threatened to close schools and lay off teachers, Republican governor Pete Wilson raised taxes on the richest Californians. This measure was rescinded a few years later, resulting in three to five billion dollars per year the state doesn't receive.
- California is the only state in the nation (of 21 oil producing states) that fails to tax oil as the corporations, harvesting huge profits at the gas pumps, extract it from the ground: approximately one billion dollars per year the state doesn't receive (fluctuating with oil prices).
- Due to Proposition 13, commercial real estate holdings are not reassessed for tax purposes until they are sold. If a corporation continues to hold real estate, it continues to pay taxes on it corresponding to its value when it was purchased, even if that was decades (and millions of

dollars in value) previous. Result: several billion dollars per year cities, counties and schools don't receive.

In addition to exploiting these loopholes, some of the wealthy people and corporations residing in California are, in fact, literally stealing in the same manner as in Chicago a century ago. The State Board of Equalization keeps and publishes a list of these tax dodgers, which currently represents hundreds of millions of dollars each year.

But actual stealing is less of a problem than the type that takes place through low rates of taxation on the wealthy and corporations. These cripple our ability to pay for schools, public safety, and all the services we require to run a safe, productive, and equitable society.

The ongoing fiscal crisis in California is viewed as an opportunity for the Norquists and Coupals to achieve their goal of slashing government programs. It is also our opportunity—to take on the anti-government, anti-tax, anti-union policies and attitudes created by the very rich and their allies, and replace them with a renewed social vision that appreciates the positive role played by local, state, and national governments. Here is the outline, in eight steps, of what it would take to help the public understand where the current California state budget deficit comes from, and what to do about it.

8 steps: from here to progressive taxes

1. Get over the fear

Despite decades of anti-tax propaganda, polls consistently indicate that when presented with clear ideas about progressive taxation, majorities would vote for them. Less than a third of the electorate is stuck in an immovable “no-tax” mode.

The longer we go without reminding people what taxes are for and taking on our opponents’ toxic views, the harder it will be to turn the tide. We must talk about fair progressive taxes.

The good news is that the public is not a monolith opposed to taxes, and that most of the public, as working class and middle class people, do need a properly funded government to serve them and they agree on where to turn to increase state revenues. Recent evidence confirms this idea once again, as two-thirds of the Californians surveyed in April, 2008 agreed that raising the top income tax rate on the state’s wealthiest residents would be a good idea (*San Francisco Chronicle*, 5/1/08).

Even if the first thing out of someone’s mouth is reflexively anti-tax, anti-government, or in some way voices that negative paradigm, much of the time this is a product not of carefully considered and developed positions, but regurgitation of the only arguments that someone has bothered to give them over the years. It’s time to give them another perspective to think about. Now. And again and again.

2. Talk about taxes

Have the conversation. Try out some of the lines from our **Talking Points** (see Appendix):

- “Taxes are the way we pay for a civilized society.”
- “How else do we pay for education, for fire safety, for protection on the streets?”
- “Do you think it’s better for one per cent of the population to own a third of the wealth of the country while our education system, public safety, and roads deteriorate, or should they be sharing a little more of what they have so that all of us may benefit?”
- “The governor wants to take only from those who can least afford it and asks nothing from the people who can best afford it.”
- “California ranks 47th among the states in per student funding. Instead of destroying the future, we need to invest in the future.”

This conversation should happen over the fence with neighbors and over the major channels of mass communication in our society until it becomes common sense.

3. Explain progressive taxation

Progressive tax policy is based on the simple idea that people with more money should pay more in taxes, and people with a lot more money should pay a lot more. It is fair that people who have benefited most from the opportunities given them by our public institutions should now give back in order to keep our society livable.

The standard anti-tax rhetorical device is to pretend that a targeted tax on the rich or corporations is a tax on everyone.

Example: in remarks to reporters during a meeting with Mexico's president Calderon and Canadian prime minister Harper reported by AP on April 24, 2008, George W. Bush asserted that "We got people out there campaigning, saying they're just going to tax the rich," but, he said, plans to tax the rich always "end up taxing the middle class."

Another example: Despite 2006 Democratic gubernatorial candidate Phil Angelides' careful statements that he wanted to selectively tax the top one percent of income earners and close corporate tax loopholes, his opponent, Arnold Schwarzenegger, took out \$10 million in TV ads the week after the Democratic primary, when Angelides' campaign treasury was empty. Schwarzenegger's message: "Phil Angelides wants to tax you."

Without the funding for an effective counter-campaign, Schwarzenegger's false message stuck.

This approach relies on two pillars of support: the past thirty years of consistent conservative messaging, which asserts that all taxes are inevitably bad; and the assumption—usually true during this time period—that advocates for progressive taxes will remain muted or silent because they are afraid of being labeled a "tax and spend Democrat," causing them to lose their next election.

The way around this stratagem is first, to answer back, and second, to clearly distinguish two types of taxation: progressive and regressive. Progressive taxes ask people with higher incomes to pay a higher percentage of their income than people with lower incomes. Regressive taxes—like a sales tax—seem fair on the surface because they bite everyone by the same percentage. In reality, someone who makes \$300,000 per year is going to feel the pain from a 1% bump in the sales tax far less than someone who makes \$30,000 per year and is just getting by.

Most people haven't thought much about tax policy. That serves the other side's interests, because it means that when Bush or Schwarzenegger says, "They want to tax you," it is hard to dispute the idea. Just bringing up the notion of progressive taxation is a revelation for many people.

The wealthiest 1% in this country possesses over a third of the country's wealth.



4. Educate: where is the money?

When asked about increasing funding for education, public health or public safety, the standard answer utilized by pundits interested in maintaining the status quo is, “We don’t have the money for that.” This is just nonsense. California, if it were a nation, would be one of the wealthiest in the world.

One problem is how the wealth is distributed. The wealthiest 1% in this country possesses over a third of the country’s wealth. The overall tax rate on this wealth is actually less than the rate the middle class pays. Billionaire Warren Buffett famously pointed this out a few years ago when he noted that his secretary paid a higher percentage of her earnings in taxes than he did.

Bring taxes on the wealthiest among us up to a fair level and we would have plenty of money to have first class schools, roads, beaches, health care, safety and fire protection, secure

retirements, and provide support for those least able to take care of themselves—without even significantly crimping the lifestyles of the rich and famous. With a bump in state taxes from 10% to 11% on the richest Californians (whose average income is \$1.6 million per year) their tax tab would go up sixteen thousand dollars (from \$160,000 to \$176,000), leaving them with \$1.434 million. They would survive.

Another problem is that much of the tax money we collect federally is used to fight and prepare for wars. Currently, the United States has a military budget that is larger than all the other national military budgets in the world combined. It is eight times more than the closest rival, the Chinese. Just a little of that money would go a long way to properly fund our schools and colleges.

Similarly, corporations used to pay more in taxes than they do today. Taxes from California-based corporations counted for close to 15% of the state budget in 1980; today it is



5. Specify the taxes

During the lull between the 2005 ballot measure campaign and the 2006 gubernatorial election a large labor organization sponsored a series of focus groups intended to analyze public attitudes and determine effective messages that might be used to support the labor-backed candidate for governor. In one focus group a dozen workers—including union members as well as workers from non-union workplaces—were presented with brief descriptions of the two likely candidates, and their positions on taxes. The focus group consisted of people who made between \$25,000 and \$75,000 per year.

The first time through, the moderator said that Arnold Schwarzenegger was generally opposed to new taxes, and would impose them only as a last resort. Phil Angelides, on the other hand, was interested in increasing taxes on the top one per cent of income earners in order to fund schools and other public services. The moderator then asked the people in the room which position they liked better. Most said they liked Schwarzenegger's.

The moderator then restated the question. He said that Angelides wanted a small tax bump—from 9.3% to 11% of income—on the top one percent of income earners, which he defined as individuals who made more than \$250,000 per year or couples who made \$500,000 per year. The increased state revenue would buy textbooks and lower class sizes in schools, support public health clinics that serve poor, disabled and elderly people, and replace aging equipment for firefighters and police. The group voted nearly unanimously to support Angelides' position.

The first time around it was evident that at least several people in the room did not have any idea who was in the “top one

less than 11%. And this doesn't include the billions upon billions of dollars corporations evade paying on commercial real estate holdings, due to reassessment rules put in place by Proposition 13.

In other words, we do have the money. We simply need to change the way we allocate it. Progressive tax policies and progressive legislators with the courage to implement them are what we need to successfully address our challenges together.

per cent of income earners.” In other words, it might well have been them, for all they knew. Specifying gave them a clear understanding of who was going to be taxed, a sense of how fair it was to ask the rich to pay more, where the money would go and how it would benefit people, and permission therefore to say “yes.”

6. Specify the services

It is a well-known opinion research phenomenon. When you ask a vague, general question like, “How would you grade the job public education is doing?” many people will give it an F. If you ask, “Do you think a lot of public employees are mediocre, overpaid, deadwood?” they will say “yes.”

Ask the same person, “How would you rank your local elementary/middle/high school?” They answer, “It’s doing a great job,” especially if they have a child in the school. They will volunteer that even though the teachers are obviously stressed and underpaid, and their classrooms are undersupplied, they put out a great effort.

This seeming contradiction reflects an important principle: the more you specify the positive reality of public services people know, the more you access actual knowledge, making it available to contend with and displace constructed ideological beliefs. This undercuts the distorted picture of government and public employees that voters/taxpayers/the public have been told about ad nauseum. They experience their local school, and know it to be imperfect but functional. They know the teachers in the school, and know them to be hardworking, often under difficult circumstances. Our message needs to be built on the foundation of their real experiences.

Polls, focus groups, and other “scientific” indicators of public opinion line up with tax conversations and neighborhood barbecue chatter to consistently reveal that when provided with programmatic details about where taxes go, taxpayers are more apt to support them. Remind people that without taxes we would have no public schools (huge population without any education at all), public safety (crime and fires everywhere), public health (return of TB or polio), or public transportation (drive your car everywhere, or don’t go anywhere), just to cite the most obvious cases, and they begin to remember we need these things. Specify further—this tax for education will bring in current textbooks to replace old ones, a computer lab so children can use math software, and smaller class sizes for greater individualized attention—and you convince more people still.

Lack of knowledge of where taxes go feeds individual fears that “my money is being wasted.” Show them the concrete results of their tax dollars, and they start to understand it as an investment, not as picking their pockets.

Only full funding will allow us to escape the paradigm of “poor programs for poor people” that inadequate taxes and public funding create, and the only way to find full funding is to get it from the people who have it.

7. Educate: how do these programs help us all?

Whether your family uses the schools or not, you should support them, because without the shared civic values of public education, there wouldn't be any. Whether you ride the bus or drive a car, you should support public transportation and road repair, because they help large numbers of us get from place to place, and reduce global warming. Whether you live behind suburban gates or in an urban city center you should support public sanitation and health programs, because they keep large numbers of people well, and if these people are sick, you can get sick too.

Another way to put this is to ask, which is more expensive: public ignorance or public education? Widespread illness and disease, or public health?

These ideas used to be self-evident. It is a measure of how successful this group of rich and powerful reactionaries has been that these ideas are no longer taken for granted, and a measure of how necessary it is for us to engage this battle before they run us all over a cliff.

8. Humanize: public employees

Much of the other side's argument depends on its vagueness and its ability to evoke emotional imagery that taps reality-based fears: as unionized industrial jobs have left the country, defined benefit retirement programs have evaporated, and affordable health care recedes from the workplace to the private realm, middle class and working people know that someone must be responsible. But often they don't have a clear picture of whom, which makes them vulnerable to

demagogic efforts to blame public employees, government, and supposedly high taxes for their problems.

Conservative ideologists like to point the finger at "government waste and fraud," at "overpaid" public employees, and talk about "overly generous" benefits that they enjoy, such as health care insurance and retirement pensions that private sector companies have been jettisoning for years. These "market firsters" make the argument for outsourcing public sector jobs because the private sector, they say, is always more efficient than the public sector. In their worst caricatures, they put all these supposed elements together in one package, and refer to "lazy, overpaid, unresponsive government bureaucrats."

In reality, many decisions that impact our society are not made through government, with at least the legal requirement of an open and democratic process, but privately. Instead, corporation heads, large shareholders, pension fund managers and health insurance industry executives make most of these choices for the rest of us and they base their decisions on what is best for them in the narrowest sense. But in the absence of that knowledge, the caricature of a remote, lazy, overpaid and underworked government bureaucrat seems to represent a plausible substitute for the real decision makers, the one per cent.

Few people among the public know that corporate CEOs today make more than 400 times the average pay of their employees—the highest such percentage by far in the world, and more than ten times higher than it was in the United States forty years ago. Or that the richest of the rich—hedge fund managers, some of whom make hundreds of millions of dollars per year—pay a flat 15% of their earnings in taxes.

Government decisions, on the other hand, are open to public examination and control. Because of the ease of access to

STOP THE ARNOLD ASSAULT on school funding and our pensions



The people who do the work in schools, health care, safety, and the rest of public service need to let the public know who they are and what they do to give the public the ability to offer full support for necessary programs.

information about public employee salaries, news reporters often make a big deal about a small fraction of high income public employees, and confuse their audience about how representative these salaries are.

This underscores the critical importance of an ongoing campaign to educate the public about the people who do the work of government, how hard they work, and how fair their compensation is for the work they do. Such a campaign should offer real human faces—e.g., the school bus driver, a mom with two children, who works hard, lives in the community, knows the kids on her route, keeps them safe, and obviously serves the public better than would an outsourced, revolving door minimum wage worker hired by

a corporation for profit, not public service. Such a campaign should emphasize the relatively modest compensation of most public employees.

The flip side of a campaign to reset the popular perception of public employees should be a tax fairness campaign. Each is incomplete without the other. Only full funding will allow us to escape the paradigm of “poor programs for poor people” that inadequate taxes and public funding create, and the only way to find full funding is to get it from the people who have it. At the same time, educating the public about who has the real economic power in our society will redirect anger from its displaced target—government employees—to the people who deserve that anger, the 1% who do not pay their fair share of taxes.

Some conclusions

Taxes pay for public education, firefighting, street repair, trash collection, disease control, crime fighting, and for Social Security and Medicare. But the economies of scale, and the idealism of public service, are continuously denied or derided by those who champion privatization, small government, and no taxes.

We have some hard work ahead of us. In the short term, forcefully presenting the public with the human face of state budget cuts will make our initial case that such an approach to the state budget—now or at any time—will cause more harm than good.

But that is just the beginning. We also have to have the next step ready: advocacy for appropriate tax policies that can properly fund necessary social services, and in the process, create a better life for all of us.

Convincing the public of the necessity to do this will entail a carefully planned, long-term campaign to counter decades of propaganda from the other side. We will need to address misconceptions about who holds the wealth and who has the power in our society, and be ready to have answers that

convincingly assign responsibility for the decline of economic prospects for working class and middle class people where it belongs: back from “government” and “government employees” to the wealthiest one per cent and their corporations that have controlled our living conditions for too long.

The recent stock market crash and ongoing national economic recession have created a new public consensus that these were the results of a free-market ideology that eliminated reasonable government regulation over the stock market and financial sector. We now have an historic opportunity to make the case for a more equitable approach to the distribution of wealth in America through effective government and fair tax policies.

More than a century ago, Margaret Haley understood where the money was to pay for public education. She undertook the hard work of research and public advocacy against powerful opponents and was ultimately successful in her effort to redirect some of the wealth of society, however modestly, from the well-to-do to the rest of us.

With a solid commitment of organizational resources, we can win similar battles today. The state budget crisis and national economic recession offer us the opportunity to engage the conversation. Let’s begin.

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APPENDICES

APPENDIX I: TALKING POINTS

Our students need and deserve the best education possible in order to become active participants in a democracy and productive workers in an evolving global economy. Instead of the damaging approach that takes the most from those who can least afford it, CFT proposes to increase state revenues by instituting fair tax policies that ask those who have the most to help out.

Point 1: The proposed cuts would devastate education and other services

- Continued reductions to education spending will send public education into reverse. In community colleges and universities, students will lose classes, contingent faculty will be laid off, and costs to students will rise, along with the amount of time necessary to graduate.
- Just as bad are proposed cuts to Health and Human Services. Taking billions of dollars from the sick, the elderly, and the hungry? Simply from the perspective of public education, these reductions would be terrible, since children who come to school sick or hungry cannot learn.
- California already has the 48th lowest ratio of state government employees to general population.

Point 2: California is under-funding education

- According to Education Week, California ranks 47th in the nation in K-12 per-pupil spending—\$2000 less per student than the national average.
- New York spends 75 percent more on education than California.
- California community colleges rank 45th in the nation in per-pupil spending.

- When the governor or other anti-tax ideologues say, “We have a spending problem,” they are wrong. We have already been doing more with less for years. The budget is large because California has the largest population of any state. California’s K-12 public schools educate more than 6.3 million kids. The community colleges serve 2.5 million adults. These are the largest systems of public education in the country. One can simultaneously have a big budget and an inadequate budget. We do.

Point 3: There is another way: tax fairness for increased state revenues

- California is the richest state in the richest country on earth. The problem is not that we don’t have the money. The problem is that the money is in the wrong pockets.
- The top 1% of wealth holders owns 34% of the wealth. Their tax rates are lower today than they used to be. In 1993 the highest tax bracket in California was 11% of income; today it is 9.3%.
- The same is true for corporations. In 1980 California corporations contributed nearly 15% of the state budget; today they pay 11%. The revenue options listed below, even without the regressive sales tax options, could raise an estimated \$16 billion per year or more. These would address the state’s structural budget problem with progressive tax policies that do not adversely affect the average Californian.
- The legislature has imposed more than \$12 billion in tax cuts for individuals, families and businesses over the past fifteen years. It is time to reverse this trend so that we can continue to provide necessary services to Californians.

APPENDIX II: SELECTED REVENUE OPTIONS

Not all of these tax options are progressive. The regressive ones are included to show the range of options that will be considered in any discussion of tax increases. [from the California Tax Reform Association]

Restore top income tax brackets

Several billion dollars in increased state revenues would result by bumping the top joint income tax rates up from the current limit of 9.3% to 10% for people who make over \$300,000 per year, and to 11% for people who make over \$600,000.

Commercial property reassessment (“split roll”)

Commercial property is currently only reassessed when sold. With a statutory change we could raise between \$1 and 2 billion per year. With a constitutional change it would be 4+ billion.

Oil production/severance tax

California is the only oil producing state (out of 21) that does not tax oil when it comes out of the ground. The

average tax for the other states is 6%. The oil corporations will not “leave California” if this tax is imposed. Their profits—at all time record highs—will withstand the new tax, which would raise \$.75 billion per year with oil at \$50/barrel.

Restore Vehicle License Fee

By returning to the 2% rate repealed by Governor Schwarzenegger, the state would take in close to \$5 billion per year.

Broaden the sales tax base (non-labor “services”)

\$1 to \$4 billion (higher amount includes telecom and cable) could be raised from including admissions, entertainment, parking/ temporary rentals of space. Considerably more could be raised with a tax on stock transactions.

Sales tax increase

A ½ cent increase equals \$3 billion. A 1% sales tax increase would bring in \$6 billion.

APPENDIX III: WORDS TO USE, LOSE

Use: Taxes are:

- an investment
- a path to opportunity
- a civic duty
- shared infrastructure
- necessary social programs

Lose: We don't say:

- tax relief
- tax burden
- special interests
- government bureaucrats
- bloated government
- overly generous benefits

APPENDIX IV: SAMPLE LETTER TO EDITOR

Editor: Our state now ranks 47th out of 50 states in per pupil spending. Education is our future. We need to invest in it. The state budget deficit can and should be resolved with fair, progressive tax policies—not further cuts to necessary social programs like education, public health, and public safety. California is the richest state in the richest country in the world. We can afford the best opportunities for all. But our wealth is not distributed properly. The wealthiest one per cent of the population (people who average \$1.6 million per year in income) holds more than one third of the wealth, and they are taxed at rates lower today than they were in the mid 1990s. Former governors Pete Wilson and Ronald Reagan, despite their political aversion to taxes, understood that fair tax rates were necessary for California to succeed. Our legislators and governor today need to understand the same facts.

Sincerely, _____.

NOTE: Letters to the editor are typically 150 words, but check with your local paper.

APPENDIX V: SAMPLE OPINION EDITORIAL ('OP-ED') ARTICLE

Republicans' 'no new taxes' pledge is irresponsible

By Marty Hittelman, president California Federation of Teachers, published in *The Sacramento Bee*, June 13, 2008

It's too early to tell how the California Legislature will resolve the state budget impasse and the projected \$17 billion deficit. But the choice is plain: cuts or taxes.

We already know what cuts would look like. The picture is spelled out in dry language in the governor's May revised budget proposal: \$4.3 billion in education cuts, \$2.9 billion in health and human services cuts. The human picture is something else. The governor is asking those who can afford it least to make the biggest sacrifices to close the budget deficit: old people who won't have access to food, disabled people who won't have access to health care, students who won't have access to a reasonably funded educational experience.

Some people don't like paying taxes. Taxes make our paychecks smaller. Taxes add to the price of some of the items we purchase. Taxes make some people mad because they feel they have little or no control over how the money raised by taxes is spent. Many are angry that a larger proportion of the federal budget is spent on the military than on anything else.

Others dislike allocating money for schools, because they have no children or send their kids to private schools. They may hate paying for public transit because they only drive cars.

But like them or not, taxes are the price we pay for living in a civilized society – to be educated, to be healthy, to be safe.

However, California is shackled in its ability to provide for the common good. It is one of three states in the country that require a two-thirds legislative vote to raise taxes. As a result, we face a tyranny of the minority. To add to this

basic undemocratic situation, slightly more than a third of each legislative house is represented by Republicans, who have vowed not to vote for any tax increases no matter how great the need or the nature of the tax.

This is irresponsible. We elect people to serve in government, make decisions about what's best for society and about how to pay for programs created for the common good. It is an abdication of responsibility for our elected representatives to refuse to even consider new taxes. Faced with similar budget situations in the past, Republican governors Ronald Reagan and Pete Wilson, despite their ideological distaste for tax increases, bit the bullet and did what was necessary.

The taxpaying public has been persuaded to underfund education and other public services for many years. Until very recently, the governor was saying that the state has a spending problem, as if the budget deficit is the result of a wealthy drunkard on a spree. Hardly. California ranks 48th in the country in the number of state government employees per resident. It is 46th in the nation among states in per-student spending.

It is possible to meet the needs of the people of California without harming the pocketbooks of the majority, through

progressive tax policies that ask those who have the most ability to do so to pay slightly more.

Returning the top income tax bracket to where it once was – 11 percent from the current 9.3 percent – on people who make more than \$300,000 a year would net the state \$5 billion a year.

We can also close tax loopholes. California is the only state that does not tax oil when it is taken from the ground. The average state oil production tax is 6 percent. The price of oil is at more than \$100 a barrel, which would bring California \$1.5 billion each year. The oil companies are making record profits while we pay through the nose at the pump. They can easily pay more – yet Republicans in the Legislature blocked an effort to close this loophole, chanting in unison, “no new taxes.”

Don't let a small group of ideologues stand in the way of teachers' ability to deliver quality public education to their students. If everyone reading this took a few minutes to contact their legislators, telling them it's time to ask those who can best afford it to pitch in for the common good, we'll continue to live together in a civilized society. And if the legislators can't hear you, because they are chanting “no new taxes” too loudly to pay attention, then it's time to elect people who will listen to you.

APPENDIX VI: A FEW IDEAS ON ACTIVITIES

1. Make a presentation to community organizations with which you have a direct connection: PTAs, other unions, religious institutions, academic groups, civil rights groups, homeowners associations, veterans organizations, and so forth.
2. Hold a house meeting. Invite neighbors for a cup of coffee or glass of wine and discuss the issues.
3. Distribute the short CFT “Progressive Tax Policy”* brochure to family, friends, neighbors, colleagues. Talk with them about the issues.
4. Write an opinion article or letter to the editor and submit it to your local newspaper.
5. Visit or write to your local elected public officials. Share your perspective on the importance of progressive tax policy for properly funding local and state government services.

* For brochure copies and bulk orders, call 510-523-5238, or write to CFT/Progressive Tax Policy brochure, 1201 Marina Village Parkway #115, Alameda, CA 94501

APPENDIX VII: RESOURCES

Visit these web sites:

California Federation of Teachers
www.cft.org

California Budget Project
www.cbp.org

California Tax Reform Association
www.caltaxreform.org

Too Much: A Commentary on Excess and Inequality
www.toomuchonline.org

AFT Fight for America’s Future Campaign
www.aft.org/fight4america/index.htm



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