House Considers Budget Bill As Deadline Approaches

Georgia Work Requirements
New work requirements for welfare are getting people back on their feet in Georgia, suggesting work really is the best cure for poverty. Page 7

Kansas Hikes Taxes
The Kansas legislature reversed previous tax reforms, making living and working there more expensive. Page 13

Alabama Liquor Reform
Alabama restaurant customers are now free to enjoy a frosty cold one with their dinners. Were margaritas a dire threat to consumers, or was government running amok? Page 14

Universal Income Proposal
Facebook founder Mark Zuckerberg joined a growing chorus of people demanding free money for everyone. Page 3

‘Pokémon Go’ Ban a No-Go
A federal judge is blocking a Wisconsin county’s ban on augmented-reality gaming in government parks. Page 9

Virginia Stadium Deal Called Off

Before the Prince William County (Virginia) Board of County Supervisors reached a vote on a stadium financing deal for the Potomac Nationals minor-league baseball team, owner Art Silber called the deal off.

Silber asked the supervisors to withdraw plans to vote on July 13, killing the deal. Silber had been asking the county to take on $35 million in public debt to pay for the stadium’s construction.

‘This Is Corporate Welfare’
Caleb Taylor, director of policy and opportunity for the Virginia Institute for Public Policy, says the first step in solving a problem, such as sports stadium subsidization, is calling it by its name.

Budget Bill, p. 8

By Joshua Paladino
As the October 1 deadline for funding the federal government for fiscal year 2018 neared, the U.S. House of Representatives Budget Committee approved House Concurrent Resolution 71, the proposed budget for the next fiscal year, placing it on the calendar for consideration by the full House of Representatives.

The bill proposes approximately $1.1 trillion in total spending, including a $97.6 billion increase in military spending, and proposed reforms to mandatory spending, such as food-stamp programs, Medicaid, and Medicare estimated to save $203 billion.

The budget assumes tax reforms will increase economic output by about 2.6 percent annually over the next ten years, predicting the added growth will reduce the federal deficit by $15 billion in Fiscal Year 2018 and lead...
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The new website by Robert G. Natelson

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Keep up with Natelson’s latest projects and commentaries at RobNatelson.com where he explains constitutional law issues, gives updates on the Article V Convention movement, discusses historical events and people, calls out political players on both sides who violate constitutional liberties, breaks down the Constitution’s meaning on controversial subjects, and much more.

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Facebook Founder Promotes Universal Basic Income

By Jeff Reynolds

Posting on social media, Facebook founder and chief executive officer Mark Zuckerberg promoted the creation of a national universal basic income (UBI) program to distribute regular sums of money to all individuals, without income cutoffs or other forms of means testing.

Zuckerberg praised Alaska’s Permanent Fund Dividend, an annual entitlement program distributing government money to residents, funded by taxes paid by energy companies doing business in the state.

Alaska’s redistribution fund could provide a model for a national UBI using “conservative principles,” Zuckerberg wrote on Facebook on July 5. “One thing that stood out to us is how different Alaska’s social safety net programs are in a way that provides some good lessons for the rest of our country,” Zuckerberg wrote. “First, it’s funded by natural resources rather than raising taxes. Second, it comes from conservative principles of smaller government, rather than progressive principles of a larger safety net. This shows basic income is a bipartisan idea.”

End of Welfare State?

Yaron Brook, president and executive director of the Ayn Rand Institute, says UBI could work if it completely replaced all government welfare programs.

“The ideal UBI would replace all forms of welfare, all forms of health care subsidization, and I would even add education to that list,” Brook said. “If you incorporated that into one lump sum that you gave to every citizen—and you’d have to give it to everybody, because you don’t want to create the situation where getting off the UBI would create a disincentive—and then you tell people that they’ll have enough money to buy their own education, to buy their own insurance, to take care of their rent and basic food—You have no excuses; go do it—you’re getting the government involved in nothing.”

‘This is Science Fiction’

Despite advantages over the current welfare system, UBI wouldn’t work in the real world, Brook says. “Now, this is science fiction—this would never happen—but this would be my ideal UBI,” Brook said. “It has a certain appeal under this system, because it gets rid of so much government intervention [and] government bureaucracy. Hundreds of thousands of government workers would have to find productive jobs.”

People want to succeed and not just survive, Brook says. “At the end of the day, people don’t just want to exist at that minimal level,” Brook said. “They want to be successful. The incentive to be successful would drive people out of UBI, but there would be a certain class of people who would just get sucked into it and never leave.”

Weakening the Work Ethic

Bryan Caplan, a professor of economics at George Mason University, says a UBI would have “horrible” consequences.

“If the UBI’s level is anywhere like what most people think would be a good idea, the incentive to work would be very weak,” Caplan said. “If you actually had a system where, if you did zero, you would get $10,000 to $20,000 a year, then the effects would be horrible.”

Costs, Effects Unknown

A UBI would significantly reduce economic production, Caplan says. “You’d have to raise taxes enormously, if you just look at the budget numbers and look at what the government currently takes in,” Caplan said. “You’d have to have various taxes, and those high taxes combined with the fact that you get money for not working, would lead to a big drop in production.”

Implementing UBI without knowing the exact price tag would be disastrous, Caplan says. “Most people just want to fudge the question or kick the can down the road, saying, ‘Well, let’s just get one and see what happens,’” Caplan said. “[That] seems like a very poor strategy for executing a multitrillion-dollar program.”

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.
Kentucky Medicaid ‘HEALTH’ Waiver Delayed by Feds

By Lindsey Schulenburg

Three months after submission, a Medicaid waiver application proposed by Gov. Matt Bevin and the Kentucky Department for Medicaid Services is still under review by the federal Centers for Medicare and Medicaid Services (CMS).

In July, Bevin sent the Helping to Engage and Achieve Long-Term Health Services (HEALTH) proposal to CMS for review, amending a request originally sent on August 24, 2016.

The application, authorized by Section 1115 of the Social Security Act of 1935, requests CMS’ approval to implement cost-reduction changes and create work requirements for single, able-bodied Medicaid recipients.

On September 6, April Washington, a regional press spokeswoman with CMS, told Budget & Tax News the waiver is still under review.

“We have neither approved or disapproved Kentucky’s 1115,” Washington said. “There is no set timetable, and my initial comment is our official comment.”

If CMS approves the plan, all Kentucky Medicaid recipients will be required to pay between $1 and $15 in monthly premiums, in addition to the work requirements.

Consider Price a Bargain

Jim Waters, president of the Bluegrass Institute, says the premium requirement would not be a burden to recipients.

“The most anyone would have to pay, in terms of a Medicaid premium, is $15 a month, certainly much less than the cost of a cell phone or cable TV, which most people have,” Waters said. “That’s $180 a year, … not bad for receiving the same kind of care that state workers get.”

Freeing Up Resources

HEALTH also would help lawmakers solve the state’s looming budget crisis, Waters says.

“While $15 a month is not much at all, it would greatly help keep Medicaid from making Kentucky broke, and would create a sense of responsibility among its participants,” Waters said. “Bevin’s plan would save Kentucky more than $330 million, which is badly needed, considering we have a public pension crisis second only in severity to neighboring Illinois.”

Promoting Self-Sufficiency

The proposed work requirements would help people get back to work, says Ben Gitis, director of labor market policy at American Action Forum.

“The work requirements under consideration … would basically require able-bodied people to either work or engage in a work-related activity,” Gitis said. “That means you can have a job, be looking for a job, be doing community service, or be a student, and you would meet these work requirements. It would essentially be ensuring that, to meet this requirement, you would be engaging in a productive way in our economy.”

Lindsey Schulenburg (lindseys.heartland@gmail.com) writes from Chicago, Illinois.

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Fort Collins, Colorado Puts Taxpayer-Funded Internet Plan on November Ballot

By Brandi Wielgopolski

On November 7, Fort Collins, Colorado voters will consider a ballot question on whether to authorize the government to build a taxpayer-funded internet service.

In August, the city council approved language for a ballot question asking voters to approve Light and Power Utility’s charter to allow the city government to spend up to $150 million, funded by new public debt, on a new government-owned broadband network.

If approved, the network might take up to five years to be completed. The Fort Collins City Council estimates the project would serve about 62,000 residences.

Money Losers

Steve Pociask, president of the American Consumer Institute, says governments generally fail to succeed in the broadband business.

“Municipalities say they want to provide broadband service at a higher speed and lower cost,” Pociask said. “The reality is, when we look at all of these ventures, we see they don’t anticipate the full costs, and once the municipally owned networks enter the market they lose a lot of money.”

Taxpayer-funded internet services are a bad deal for everyone except the government, Pociask says.

“Municipal broadband networks survive by shifting their financial losses to consumers and taxpayers,” Pociask said. “This is often done by raising taxes, issuing bonds, and pushing surcharges on electric and water consumers and other municipal services.”

Pushing Private Businesses Out

Fort Collins resident Sarah Hunt says the plan would push out private businesses in the city.

“The current internet service providers will be at a competitive disadvantage because they do not have taxpayer funds to back them,” Hunt said. “They will be discouraged and inhibited from innovation, because they will not be able to compete against a subsidized city of Fort Collins. Nobody benefits from decreased competition and innovation.”

Brandi Wielgopolski (brandi.wielgopolski@gmail.com) writes from Columbus, Ohio.
Sales Tax Initiative Planned for 2018 Massachusetts Ballot

By Brandi Wielgopolski

A Massachusetts organization representing the interests of retail store owners filed four potential ballot questions with state Attorney General Maura Healy, proposing combinations of sales tax relief and sales tax exemptions.

The Retailers Association of Massachusetts (RAM) submitted the four potential ballot initiatives on August 2. Healy approved all four questions’ language on September 6. RAM has not yet decided for which question it will collect signatures to place on the November 2018 ballot.

Depending on RAM’s decision, voters could see a question asking for reductions in the state’s 6.25 percent sales tax to either 4.5 percent or 5 percent, or a question coupling a sales tax reduction with an annual sales tax holiday.

After choosing which ballot initiative to offer, RAM will have to collect at least 64,765 signatures by December 6.

Time-Shifting Spending

Russell Sobel, an economics professor at The Citadel, says sales tax holidays shift existing spending instead of creating new spending.

“Rather than stimulate new sales, sales tax holidays incentivize consumers to shift the timing of their purchases,” Sobel said. “It may be that retail spending is higher than normal during the sales tax holiday, but it is not necessarily the case that total retail spending for the year is higher. Spending is just transferred to that weekend from other periods.”

‘Somewhat of a Distraction’

Dylan Grundman, a senior policy analyst at the Institute on Taxation and Economic Policy, says sales tax holidays are an ineffective gimmick.

“Sales tax holidays do not grow the economy, improve businesses, or do a whole lot for the families they are designed to help,” Grundman said. “They are somewhat of a distraction.”

Comprehensive tax and spending reform is more beneficial to taxpayers than sales tax gimmicks, Grundman says.

“States should be spending their time exploring real, comprehensive tax reform, looking at the spending side of the budget, and making sure they are allocating their resources as effectively as possible,” Grundman said.

“The best tax code for a state is one that is adequate to fund the services the residents and businesses rely on, fair, easy to comply with, transparent, and understandable,” Grundman said.

Brandi Wielgopolski (brandi.wielgopolski@gmail.com) writes from Columbus, Ohio.

Think Tanks, Commenters Urge ‘Net Neutrality’ Repeal

By Andy Singer

The Federal Communications Commission (FCC) closed on August 30 an extended commenting period soliciting the public’s input on plans to undo a 2015 decision by former chairman Tom Wheeler classifying broadband internet as a public utility.

On July 17, Americans for Tax Reform and more than 65 other free-market think tanks and individuals, including The Heartland Institute, which publishes Budget & Tax News, submitted a letter to FCC commenting on the Restoring Internet Freedom rule, which would reverse Wheeler’s Open Internet Order. Current and former lawmakers and other individuals also signed the letter.

The Open Internet Order, approved in 2015, is an FCC rule claiming regulatory authority over internet service providers’ (ISPs) traffic decisions, citing Title II of the Telecommunications Act of 1934 as justification for the “net neutrality” order.

Retro Regulation

Matthew Glans, senior policy analyst for The Heartland Institute, says competition is better for consumers than regulation.

“Title II regulations are a throwback to a system that no longer exists and is ill-suited to today’s dynamic internet and broadband markets,” Glans said. “The internet has never really been neutral, and the best way to ensure fair service is to promote competition by reducing, not increasing, the amount of regulation.”

Control, Not Neutrality

Katie McAuliffe, federal affairs manager at Americans for Tax Reform, says the Open Internet Order empowers government regulators, not consumers.

“Title II is far more than the idea of ‘neutrality,’” McAuliffe said. “It gives the government control over rates, service footprints, and types of service or delivery. This means that innovation won’t be driven by consumer interests in the same way it has been.”

Andy Singer (andy.s.heartland@gmail.com) writes from Chicago, Illinois.

Venezuelans are starving to death, reportedly eating zoo animals, pets, and even rats to survive. Basic consumer products and medicines are gone. Gangs and police openly murder. Rumors of cannibalism fill the air.

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Available online at:
Prince William County, VA Stadium Deal Called Off

Continued from page 1

“The first thing that needs to happen is reframing the conversation and understanding that this is corporate welfare, and only calling it that,” Taylor said.

“That is the first step: making sure that everyone knows that we’re not talking about our favorite sports team, but that we are talking about corporate welfare to a corporation in the local or state area,” Taylor said.

Taxpayers ‘Better Off’

J. C. Bradbury, a professor of economics at Kennesaw State University, says the deal’s collapse is a home run for taxpayers.

“The taxpayers of Prince William County will be better off financially, now that the burden of paying off stadium debt is gone,” Bradbury said. “Instead of spending their dollars on minor league baseball, they can spend it on other local entertainment options.”

Taxpayer-funded stadiums may have nonfinancial benefits, but they’re not good investments of taxpayer money, Bradbury says.

“If you want a minor league team in your neighborhood and don’t mind paying for it, that is fine,” Bradbury said. “But don’t be fooled into thinking that it is a good financial investment that will pay off.”

Lindsey Curnutte (lindseycurnutte@gmail.com) writes from Athens, Ohio.

Attorney General Sessions Revokes Civil Asset Forfeiture Reforms

By Andy Singer

U.S. Attorney General Jeff Sessions is reinstating a U.S. Department of Justice (DOJ) program enabling local law enforcement agencies to circumvent state laws restricting civil asset forfeiture by laundering forfeited assets and money through a federal government fund.

On July 19, Sessions removed restrictions on DOJ’s equitable sharing program, allowing local law enforcement agencies to resume receiving the redistributed funds.

In 2015, DOJ prohibited federal agencies from “adopter-forfeited assets from local and state law enforcement agencies. The reform required federal agencies’ direct involvement in seizure actions, plus increased transparency and oversight, before takings could be deposited in the federal redistribution fund.

Sessions’ new policy undoes those reforms, allowing federal agencies to resume accepting proceeds from local police actions without any federal involvement in the accompanying investigations.

Uniquely Un-American?

Diane Goldstein, a former lieutenant commander with the Redondo Beach, California police department and an executive board member of Law Enforcement Action Partnership, says civil asset forfeiture is an un-American practice.

“When you start taking a look at the history of forfeiture or forfeiture reform, we have to go back to our Founding Fathers,” Goldstein said. “This was the very thing that we fought against when we declared our freedom from Britain. All citizens [must be afforded] due process.”

Sessions’ reinstatement of this form of civil asset forfeiture is unconstitutional and infringes on citizens’ rights against government abuse, Goldstein says.

“I believe civil asset forfeiture is in complete violation of our Constitution,” Goldstein said. “What Jeff Sessions is doing is undermining federalism. He’s going to allow law enforcement to undermine state constitutions, state laws, and the Tenth Amendment.”

Stripping Property Rights

Derek Cohen, deputy director of Right on Crime, a joint project of the Texas Public Policy Foundation, American Conservative Union Foundation, and Prison Fellowship, says civil asset forfeiture strips people of their rights to due process and favors the wealthy.

“It puts the procedural hurdles in front of a property owner, innocent or not,” Cohen said. “If somebody has means, then they’ll be able to forward their interests in the system, whether they prevail or not. If someone doesn’t have those means, they can’t even afford to mount a defense.”

High Price of Justice

Victims of civil asset forfeiture without being convicted of a crime are effectively required to pay the government to return their property, Cohen says.

“Sure, you get a hearing,” Cohen said. “But for a hearing, you need to take time off work. If you’re an hourly wage earner, that cuts into your time right there.

“I have my Ph.D. in criminology, and some of the arcane practices that are used pursuant to forfeiture, even I don’t understand,” Cohen said. “You have to get an attorney who specializes in this, which is not cheap. If we’re talking about the forfeiture of a $2,500 car that takes you $4,000 worth of time and effort to defend, did you really prevail?”

Andy Singer (andy@heartland@gmail.com) writes from Chicago, Illinois.

Did you know

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House Judiciary Committee Hears Balanced Budget Amendment Testimony

By Jeff Reynolds

Representatives of the Compact Commission of the Compact for a Balanced Budget, an interstate agency promoting a convention of states under Article V of the U.S. Constitution, testified before the U.S. House of Representatives’ Judiciary Committee.

At a July 28 hearing convened by House Judiciary Committee Chairman Bob Goodlatte (R-VA), Compact for America Educational Foundation President and Executive Director Nick Dranias joined Princeton University economics professor Alan Blinder and other experts to explain the amendment convention process and the need for a balanced budget amendment.

Article V of the U.S. Constitution establishes methods for proposing and enacting amendments. After 34 states call for an amendment convention, the gathering of commissioners selected by the states is limited to consideration of one or more amendments specified in the initial call.

Currently, five states have approved Compact for America’s resolution.

A ‘Compact Approach’

Calling for an amendment convention with an interstate compact is a simple path through a complex process, says Dranias.

“The compact approach to Article V makes the path to reform quicker, easier, and more certain than ever before,” Dranias said. “It allows states to agree in advance to everything they control in the amendment process in a single bill, passed once. It allows Congress to fulfill its entire role in the amendment process in a single resolution, passed once.”

Automated Process

Dranias says the compact’s balanced budget amendment process is self-executing.

“Our compact has a provision that says the state legislature ratifies the balanced budget amendment, if and when it is proposed and referred by Congress,” Dranias said. “It’s dormant now, but the moment that it is proposed and referred out for ratification by state legislatures, it’s activated. That latter part, the ‘if it is proposed’ part, is called a conditional enactment.”

Addicted to Spending

Mississippi state Rep. Greg Snowden (R-Lauderdale), a Compact for America commissioner, says balanced budget amendments are the only way to break governments’ addiction to spending.

“Spending is like crack cocaine for governments, regardless of the level,” Snowden said. “If government has money, it will always find something considered worthwhile to spend it on. Government cannot help itself. Asking a government, any government, to spend less is like asking the sun to stand still in the sky.”

Jeff Reynolds (jefferyreynolds@comcast.net) writes from Portland, Oregon.

Georgia Applies to Expand Welfare Work Requirements

By Kimberly Morin

Georgia state officials have submitted to the federal government a plan to phase in work requirements for more of the state’s food stamp recipients.

On August 1, Georgia Division of Family and Children Services (DFCS) officials sent the U.S. Department of Agriculture’s Food and Nutrition Services (FNS) agency their plan for bringing back work requirements in 60 counties.

First waived in 2008, work requirements have already been reinstated in 24 Georgia counties, including Hall County. After DFCS began reviving federally mandated work requirements, the number of able-bodied individuals in Hall County receiving welfare benefits declined by more than 50 percent between January 2016 and January 2017, Nick Bowman reported for the Gainesville (Georgia) Times on July 17.

Hall County’s average monthly unemployment rate declined by 0.4 percentage points between 2016 and 2017, from 4.8 percent to 3.9 percent, Bowman wrote.

In an email, DFCS Communications Director Susan Boatwright told Budget & Tax News the agency expected FNS to approve or reject the plan “within 45 days or so.”

“Skin in the Game”

Benita Dodd, vice president of the Georgia Public Policy Foundation, says the national government should encourage states to measure success by how many people no longer need taxpayers’ help.

“It’s really important that states get some skin in the game,” Dodd said. “When they start having the dollars be impacted by how they manage those dollars, then I think we’ll find that most states [begin] looking at how to steer this population to the jobs, how to find the jobs, how to match them, how to train them, and how to turn them into self-sufficient role models in their communities.”

Helping the Truly Needy

Jason Pye, vice president of legislative affairs for FreedomWorks, says work requirements for able-bodied welfare recipients ensure the money is there to help those who truly need it.

“In order to maintain a competitive economy, you have to ensure you’re spending frugally, and on the things you really should be spending on,” Pye said.

“Welfare should always be there for those who truly need it, but not for childless, able-bodied adults. If you’re able to work, of course you should have a job.”

Making Welfare Work

Pye says welfare should be about getting people back to work.

“It’s all about upward mobility,” Pye said. “That’s what we saw in 1996, when we passed welfare reform at the federal level.

“Work requirements actually do work,” Pye said. “They encourage people to get a job and get back to work.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.
House Considers Budget Bill As Deadline Approaches

Continued from page 1

to a $9 billion annual budget surplus by 2027.

Calls for Spending Cuts
Lawmakers should implement spending cuts to reduce the deficit, instead of using economic growth projections to make the numbers work, says Justin Bogie, a senior policy analyst in fiscal affairs for The Heritage Foundation.

“Instead of relying on that [economic growth] to balance, they should really be looking at the entitlement reform side,” Bogie said. “They don’t do anything to Social Security. They also only had about $5 billion in discretionary cuts in 2018. They should rely on more concrete things that are within their control, like entitlement reform and cutting spending.”

“What’s Really Important!”
Slowing the growth of the debt should be a top priority, Bogie says.

“What’s really important is getting the debt-to-GDP [ratio] on a downward trajectory,” Bogie said. “Balancing the budget is certainly the right approach to doing that. Social Security, health care spending, and net interest are going to be the biggest expenditures in a couple of years. In 20 years, they’re going to overtake all federal revenue.

Until they address that, even if they do balance in the tenth year, they’re not going to stay in balance very long, unless they make reforms to those programs.”

“It’s a Messaging Document”
Andrew Roth, vice president of government affairs at the Club for Growth, says lawmakers have to stop talking about fixing spending and start making the necessary cuts.

“The House budget is largely a political document,” Roth said. “It’s a messaging document. What we want to see is action.

“All Republicans are on record supporting all kinds of great reforms from the previous Ryan budget, when he was head of the budget committee,” Roth said. “Again, those were just messaging documents. They never summoned up the courage to actually tackle those pro-growth things: personal accounts for Social Security, block-granting Medicaid, premium support for Medicare, and block-granting food stamps.”

Steel Tariff Decision Coming ‘Fairly Soon,’ President Says

By Michael McGrady

A decision on whether to restrict how much steel U.S. companies may buy from businesses in other countries will come “fairly soon,” President Donald Trump told Wall Street Journal editor-in-chief Gerard Baker in a July 26 White House interview.

In April, Trump ordered U.S. Commerce Secretary Wilbur Ross to investigate whether foreign-made steel was a national security threat requiring emergency trade sanctions authorized by Section 232 of the Trade Expansion Act of 1962.

In 1971, President Richard Nixon’s use of Section 232 legal authority increased the cost of foreign-manufactured goods by 10 percent in an attempt to boost national prosperity and productivity.

Ross’ report on his investigation into trade’s effects on American national security was due in June. Trump says the report is taking longer than expected.

“So, we’re waiting till we get everything finished up between health care and taxes and maybe even infrastructure, but we’re going to be addressing the steel dumping at a very—fairly soon,” Trump told Baker. “Just so you understand—we have massive reports. You know, a lot of this stuff you can’t just walk in and say, ‘I’m going to do this.’”

‘An Inappropriate Trade Restriction’
Tori Whiting, a research associate at The Heritage Foundation’s Center for Free Markets and Regulatory Reform, says protecting U.S. steel manufacturers against foreign competitors is not a matter of national security.

“First of all, a Section 232 measure on a commodity like steel is an inappropriate trade restriction to use,” Whiting said. “Not only do you have industry—but also defense officials—saying that steel, as a basic commodity, is not a matter of national security, it is not something that will keep us from fighting a war if we’re importing from Canada or Korea, or wherever.”

Much of the nation’s imported steel comes from friendly countries such as Canada, Whiting says. “Actually, a large portion of the steel the United States imports is from Canada, and I don’t think Canada is planning on attacking the United States anytime soon,” Whiting said.

Concerned About Costs
Increasing the price of raw materials and protecting the steel industry from competition will not promote prosperity and security in the United States, Whiting says.

“Products that are neither scarce nor technologically sensitive do not pose a threat to national security and do not warrant these industry protections,” Whiting said. “Imposing tariffs on the basis of national security when the targets are basic commodities, such as steel, will increase the cost of one of the most crucial intermediate goods for the U.S. manufacturing and construction industries.”

Suggests Industry Influence
Dan Pearson, a senior fellow with the Cato Institute, says the Section 232 study may not be unbiased.

“What’s really going on here, in practice, is that the Department of Commerce really would like more import restrictions on steel,” Pearson said. “Secretary Wilbur Ross formerly ran International Steel Group. He has a lot of experience benefiting from import restrictions for his specific business. I think that is largely what’s going on.”

Michael McGrady (mmcgrady@mcmgradypolicyresearch.org) writes from Colorado Springs, Colorado.
Federal Judge Blocks WI County’s ‘Pokémon Go’ Park Ordinance

By Kyle Foley

A Milwaukee County, Wisconsin ordinance requiring software developers to pay permit fees and security costs to allow people to play cell phone games in government parks is on hold after a federal judge blocked its enforcement.

On July 20, Judge Joseph Peter Stadtmueller, of the United States District Court for the Eastern District of Wisconsin, granted the plaintiff’s request for a temporary injunction blocking enforcement of the ordinance until the jury reaches a verdict.

The ordinance, approved by the Milwaukee County Board of Supervisors in February, requires developers of augmented-reality (AR) mobile phone games, such as Niantic’s “Pokémon Go,” to pay a $1,000 permit fee and apply for government permission to allow their apps to function in county parks during certain hours.

Candy Lab AR, a game developer, is suing the county, alleging the ordinance infringes the company’s First Amendment rights.

The trial is scheduled to begin on April 16, 2018.

Pokémon Hunting Licenses

Anne Hobson, an associate fellow in technology policy with the R Street Institute, says the ordinance is too restrictive and costly.

“Milwaukee County’s ordinance requires app companies such as Niantic or Candy Lab AR to pay as much as $1,000 for a special-use permit to allow their users to play the game in local parks,” Hobson said. “The application called for companies to predict the dates, times, and sizes of crowds who may use the app in public parks, and included a permit review process. For location-based mobile apps with millions of physical checkpoints, this is prohibitively costly.”

Cites Better Options

Lawmakers can mitigate wear and tear on government parks without creating huge regulatory burdens, Hobson says.

“If regulators are concerned with consistent overcrowding or littering in public parks, there are policies to consider in lieu of a permitting process,” Hobson said. “The county can charge a small park entrance fee, expand the number of parks, or ask for donations from gamers who enter parks to cover any added cleaning or security costs.

“Or, better yet, regulators can refrain from expanding the regulatory burden and instead celebrate innovative apps and a renewed interest in public lands and exercise,” Hobson said.

Squeaky Wheels

Chris Rochester, communications director for the John K. MacIver Institute for Public Policy, says the ordinance appears to be a favor for powerful people.

“In this case, it looks like kids trying to have fun using a new kind of technology were annoying certain well-connected people who lived near this public park,” Rochester said. “Their solution was to turn to local officials to make it harder for the public to use a park that taxpayer dollars pay for.”

The county’s “Pokémon Go” park permit requirement is an example of regulatory capture, Rochester says.

“The parks are for everyone to use,” Rochester said. “They’re not a taxpayer-funded playground for certain people in the neighborhood. It’s difficult to believe that bands of marauding kids were destroying the parks and ruining the public peace. It’s more likely that certain individuals living in this area wanted to use government to keep the ‘unwashed masses’ out of what they view as their park.”

Kyle Foley (kylefoleywrites@gmail.com) writes from Orlando, Florida.
Massachusetts Tax Agency Proposes Online Sales Tax Collection Mandate

By S. M. Chavey

The Massachusetts Department of Revenue has issued a proposed regulation to require online businesses located outside the state to collect and pay sales taxes to the state. The department withdrew a similar policy statement in June.

The policy statement, Directive 17-1, was scheduled to take effect on July 1, but NetChoice, a trade association representing owners of online businesses, filed a lawsuit in the state’s Superior Court requesting Judge Mitchell Kaplan block enactment of the directive.

On June 28, the state’s tax department withdrew Directive 17-1. The Department of Revenue followed up on July 28 by proposing a formal regulation requiring online businesses located in other states and doing $500,000 or more in sales and 100 or more transactions to Massachusetts residents, to collect and pay the state’s sales tax.

If adopted, the regulation would take effect on October 1.

In Quill v. North Dakota, a 1992 U.S. Supreme Court case that created a “nexus” standard for business taxation, the court decided businesses cannot be required to collect and pay sales taxes to jurisdictions in which they are not physically located.

Tilted Playing Field

David Tuerck, executive director of the Beacon Hill Institute, says online businesses have a tax advantage over brick-and-mortar ones.


However, requiring online businesses to remit sales taxes to taxing jurisdictions based on where their customers live gives large online businesses an advantage over smaller e-businesses because there are so many different taxing jurisdictions, Tuerck says.

“The entities that are harmed would be small entities that sell online and would have to deal with complication,” Tuerck said. “It’s a problem for a small online seller to have to collect taxes from every jurisdiction.”

A Simple Solution

Collecting taxes based on where businesses are located, instead of where customers live, is an obvious solution, says Andrew Moylan, executive vice-president of the National Taxpayers Union.

“I think that the answer is staring us in the face,” Moylan said. “It’s to require tax collection for each sale that’s made over the internet, but to require tax collection in the exact same way that you require tax collection in a store: based not on where the consumer lives, but on where the business itself is located,” Moylan said.

Taxing online and brick-and-mortar businesses in the same way makes sense, Moylan says.

“I live in Virginia, but I work in DC,” Moylan said. “If I go to make a purchase in DC, they don’t ask what district I live in, in Virginia. They just have the simple standard of applying DC rates.

“‘That’s what internet retailers should do,’” Moylan said. “‘That’s a simple standard, the exact same standard that every brick-and-mortar sale uses today.’”

S. M. Chavey (sarahchavey@gmail.com) writes from St. Paul, Minnesota.

New Ridesharing Law Rolls Into Alaska

By Joshua Paladino

Soon after Alaska Gov. Bill Walker signed House Bill 132 into law on June 15, a Denali man became his town’s first—and only—Uber driver.

The new law standardizes the state’s transportation regulations on peer-to-peer transportation network companies (TNCs) such as Lyft and Uber.

In the July 5 edition of the Fairbanks (Alaska) Daily News-Miner, community editor Kris Capps interviewed Noah Treky, the first person in the 1,790-person borough to use Uber to trade transportation services for money.

For now, Treky is the only Uber driver in the borough, Capps writes.

“If it’s in Denali, it’s gonna be me,” Treky told the Daily News-Miner.

The new law took effect on June 16, creating a single, statewide regulatory framework for TNCs, freeing the drivers from having to deal with individual municipal governments with varying regulations and requirements.

“The Free Market Won”

Alaska state Sen. Mia Costello (R-Anchorage), sponsor of the Senate version of the bill, says people such as Treky and the people he drives in Denali were the bill’s real champions.

“It was the forces of the free market and what the public actually wanted, for themselves, for their own economy, for their own family, for their own jobs, and for transportation, versus three prongs of opposition: unions, the Alaska Municipal League, and the taxi lobby,” Costello said. “The free market won overwhelmingly.”

“Exactly What We Need”

Alaskans need more prosperity and more freedom, Costello says.

“Alaska is facing its first recession in decades, and we’ve lost nine thousand jobs, Costello said. “We looked at this and thought, ‘This is exactly what we need.’

“We need an avenue for Alaskans to make money and have jobs,” Costello said. “When you bring in ridesharing, it brings people out. They visit community stores and restaurants more, so it’s really an economic boost.”

Eye-Opening Experience

David Boyle, executive director of the Alaska Policy Forum, says Alaskans may be surprised at how well competition serves their needs.

“I think people’s eyes are going to be opened—tourists and residents—who when they take a cab, compared to an Uber,” Boyle said. “Customers benefit because you request an Uber and they’re there within a few minutes. You can wait for a taxi for an hour, if they show up at all. You can’t get taxi service in Eagle River, but now Uber is going there. People complain about taxis being filthy, so when Uber drivers pull up in their new car, people will be happy.”

Better, Cheaper, Faster

Boyle says TNCs do what taxis do, only better and at lower cost.

“For the same ride, it’s about $15.”

Joshua Paladino (jpaladino@hillsdale.edu) writes from Hillsdale, Michigan.
Worker-Freedom Ordinance Proposed in Sandoval County, New Mexico

By Brandi Wielgopolski

Two Sandoval County, New Mexico commissioners are proposing a county ordinance to prohibit some businesses from requiring union membership as a condition of employment.

Commissioner Jay Block (District 2) told Budget & Tax News he and Dave Heil (District 4) planned to unveil the ordinance on September 21.

If approved, it would make Sandoval County, in northwestern New Mexico, the state’s first right-to-work county.

To date, 28 states and the territory of Guam have enacted worker-freedom laws. New Mexico is one of 22 states without such laws.

Limited Economy

Paul Gessing, president of the Rio Grande Foundation, says New Mexico’s economy is running out of gas, money, and ideas.

“For its entire history, the state has relied on two primary economic engines: the oil and gas industry and the federal government,” Gessing said. “It is now widely understood that we can no longer rely on these economic drivers. Low oil and gas prices are taking a toll, and there is not enough money from Washington to support a healthy state economy.

“The local right-to-work ordinance is about jobs,” Gessing said. “It is about economic development and putting the local governments on the map for jobs and economic activity.”

‘We Need to Compete’

Block says right-to-work is right for Sandoval County and all of New Mexico.

“New Mexico is one of the nation’s poorest states,” Block said. “We have the highest unemployment rate in the country, the lowest wages in the Southwest, and cannot compete with our neighboring right-to-work states.

“A local right-to-work ordinance will make us competitive and allow us to grow and diversify our economy,” Block said. “It’s a competitive world out there, and we need to compete. Unfortunately, we have not been competing in New Mexico for more than 80 years. Local governments are under the boot of Santa Fe, and they haven’t done anything to help us, so we are going to go on our own and do it.”

Big Businesses Lobby Capitol Hill to Keep Interest Expense Deduction

By Jeff Reynolds

The Businesses United for Interest and Loan Deductibility (BUILD) Coalition, a group representing large businesses and trade organizations, sent U.S. Sen. Orrin Hatch (R-UT) and other Senate Finance Committee members a letter urging them to retain the federal tax deductions for interest paid on businesses’ debt.

The BUILD Coalition letter, sent on July 5, calls on the Senate Finance Committee to preserve the net interest expense deduction, an annual tax deduction for interest paid on loans.

Eliminating the deduction and allowing companies to fully expense capital investments in a single year are two tax reforms included in the U.S. House Republicans’ “Better Way” agenda offered in 2016 by Rep. Paul Ryan (R-WI) as a recommended campaign platform for candidates.

One Piece of the Puzzle

Alexander Hendrie, federal affairs manager for Americans for Tax Reform, says removing the debt deduction may sound like a tax hike, but it is part of a larger tax relief plan.

“We need to compete,” Hendrie said. “The plan makes multiple changes to business taxation. The reasons they make both of these changes are to pay for it, but ... the current tax treatment of interest payments creates this unequal tax treatment between debt financing and equity financing.”

Win Some, Lose Some

Taken as a whole, the plan will reduce business owners’ tax burdens.

“This is a net tax deduction, but it would impact some businesses more than others,” Hendrie said. “By moving to disallow deductibility of interest, you have some companies that rely on that a lot. The tradeoff that has been linked there is the immediate depreciation of new investments. For businesses that don’t have that kind of capital-intensive structure, they might be worse off under that direct tradeoff.”

Influencing Businesses’ Behavior

The current federal tax code encourages businesses to accumulate debt, by giving indebtedness better tax treatment than other choices, says Gordon Gray, American Action Forum’s director of fiscal policy.

“The current tax code subsidizes companies to take leverage above and beyond what they would otherwise do, because it’s tax-preferred,” Gray said. “The current tax code undeniably, unquestionably favors companies taking on leverage above and beyond what they would otherwise do, because it’s tax-preferred,” Gray said. “The current tax code undeniably, unquestionably favors companies taking on debt to invest.”

All or Nothing at All

Tax reform must be done all at once, or the changes will create even worse problems, Gray says.

“All else being equal, if you just got rid of the deduction, you’d have a huge tax increase, which I would not be in favor of,” Gray said. “Goosing taxes is certainly not my idea of pro-growth tax reform.

“Moving to immediate expensing, in and of itself, is tremendously pro-growth, but when you think about it with respect to interest deductions, there’s an interesting and important interplay,” Gray said. “If you retained the current interest deduction and you moved to full expensing, you would take that current negative tax subsidy and jack it up tremendously.”

Jeff Reynolds (jefferyreynolds@cast.net) writes from Portland, Oregon.

“A local right-to-work ordinance will make us competitive and allow us to grow and diversify our economy. It’s a competitive world out there, and we need to compete.”

JAY BLOCK
SANDOVAL COUNTY COMMISSIONER

Cites Neighbors’ Successes

Making Sandoval County a right-to-work area will promote residents’ prosperity, Block says.

“A local right-to-work ordinance will attract businesses, put our people to work, and expand our middle class,” Block said. “We know this is true because our neighboring right-to-work states have higher wages, lower unemployment, and expanded union membership. These states are doing significantly better than New Mexico.”

Brandi Wielgopolski (brandi.wielgopolski@gmail.com) writes from Columbus, Ohio.

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GORDON GRAY
DIRECTOR OF FISCAL POLICY, AMERICAN ACTION FORUM
Illinois Legislature Overrides Governor’s Budget Veto

By Andy Singer

Illinois tax burdens got heavier in July when the state legislature overrode Gov. Bruce Rauner’s veto of Senate Bill 6 to enact the state’s first full appropriations legislation in more than two years.

The Illinois House and Senate voted to override Rauner’s veto on July 6. On July 11, the state’s personal income tax rate officially increased from 3.75 percent to 4.95 percent. The business tax rate increased from 5.25 percent to 7 percent.

The veto override broke a two-year deadlock between Rauner and the legislature. Lawmakers demanded more taxes and higher spending, while Rauner pressed for reductions in taxes and spending.

‘Will Only Hurt Illinois’

Ted Dabrowski, vice president of policy for the Illinois Policy Institute, says the new budget will accelerate the state’s economic decline.

“This budget will only hurt Illinois more, because it only taxes what are some of the highest-taxed residents of the country without providing any of the economic spending reforms that were so needed to bring back an economic vibrancy the state needs,” Dabrowski said. “I think it will just chase more people and more businesses away, because there are no true spending and economic reforms.

“A balanced budget for one year simply tries to ensure the revenues and expenses are equal,” Dabrowski said. “What’s really important about a budget is the inherent policies that are behind it, versus the current economic policies that are bringing the state down.”

‘Most Anti-Taxpayer’

Policy

Jonathan Williams, chief economist and vice president for the Center for State Fiscal Reform at the American Legislative Exchange Council, says the veto override is a big letdown for taxpayers.

“This is one of the most anti-taxpayer things we’ve seen happen in the states in 2017,” Williams said. “The 32 percent income tax increase is going to be very anti-taxpayer, generally.”

Lessons from the Past

Williams says raising taxes will not solve the state’s budget problems.

“If history is our guide, it wasn’t all that long ago that we had a big tax increase in Illinois that was supposed to solve unpaid bills and the budget crisis,” Williams said. “Of course, that proved to not happen, and unpaid bills basically stayed roughly the same even with the massive tax increase.

“A reasonable person should ask the question, ‘Why should this be any different from the first time?’” Williams said. “If there’s no control on the growth of government, spending, pensions, unfunded obligations, and no substantive reforms in this package, I don’t think we should expect an outcome any different from the last time taxes were raised significantly across Illinois.”

Andy Singer (andys.heartland@gmail.com) writes from Chicago, Illinois.

Illinois Gov. Bruce Rauner

Millions in Federal Arts Spending Goes to Billionaire Organizations

By Michael McGrady

The National Foundation for the Arts and Humanities (NFA-H) sends millions of taxpayer dollars every year to organizations that already have billions of dollars in assets, a new study reports.

NFA-H, the government agency responsible for administering the National Endowment for the Arts, National Endowment for the Humanities, and the Institute of Museum and Library Services, transferred $441.1 million in taxpayer money to more than 3,000 nonprofit organizations and colleges in 2016, the July 17 report stated. Seventy-one such subsidized organizations, such as the Art Institute of Chicago, the Boston Museum of Fine Art, and the San Francisco Opera Association, received approximately $20.5 million in taxpayer funds despite already possessing assets in excess of $1 billion each, the study found.

The audit of the agency was conducted and published by Open The Books, a project of American Transparency—a nonprofit, nonpartisan think tank promoting open disclosure and tracking of spending at all levels of government.

Reverse Robin Hood?

American Transparency’s chief operating officer, Adam Andrzejewski, told Budget & Tax News government arts subsidies transfer money from all taxpayers to the wealthy.

“The argument for public funding of the arts goes something like this: If you eliminate public funding of the arts, then the starving artists will go away, and you need this to have a vibrant culture in our country,” Andrzejewski said. “Well, we found that most of the grants don’t go to starving artists. They go to well-heeled, asset-rich organizations. In fact, about $8 out of every $10 go to organizations with high assets.”

Government Art Control

Jonathan Bydlak, president of the Coalition to Reduce Spending, says government bureaucrats use arts subsidies to tell artists what to say and how to say it.

“While subsidies for the arts may result in more art overall, the majority of the change in artistic output will occur for those types of art where subsidies are available,” Bydlak said. “This opens up the door to all sorts of perverse incentives and doesn’t exactly support true creativity.”

Michael McGrady (mmcgrady@mccgradypolicyresearch.org) writes from Colorado Springs, Colorado.

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Illinois Gov. Bruce Rauner

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Illinois Gov. Bruce Rauner
House Budget Bill Blocks Funds for IRS Religious Speech Limits

By S. M. Chavey

A budget bill under consideration by Congress includes language blocking funds for enforcement of Internal Revenue Service (IRS) limits on political speech by religious organizations.

A clause in House Resolution 3280 (HR 3280), the Financial Services and General Government Appropriations Act of 2018, would prevent federal taxpayer money from being used to enforce the Johnson Amendment. Named for then-U.S. Sen. Lyndon B. Johnson, the amendment is a provision in the Internal Revenue Code of 1954 prohibiting nonprofit organizations from officially endorsing or opposing political candidates.

On July 18, the House Committee on Appropriations approved HR 3280, making the budget bill available for consideration by the full House of Representatives.

‘There Is No Clear Line’

Walter Olson, a senior fellow at the Cato Institute, says it is difficult to make a clear distinction between religious speech and political speech.

“There is no clear line between what churches say about religion and the world and the controversies that are at stake in elections,” Olson said. “If someone is preaching a religious sermon, who was drawn to something about current controversies, it seems strange to say they should have to stop mid-sentence because they’re criticizing someone in an election. Do we really want tax law to be inhibiting congregations and their administrators from carrying on services in the way that they wish?”

On the Other Hand …

Olson says the Johnson Amendment has increased contributions to political campaigns.

It’s difficult to find a downside in removing one of our nation’s most onerous encroachments on free speech and civic engagement in American history. Perhaps the only downside would be for the politicians, who may find that they need to actually represent their communities when organizations in their community could respond when they don’t.”

DAN JOHNSON
EXECUTIVE DIRECTOR, TAX REVOLUTION INSTITUTE

Kansas Legislature Reverses Years of Tax Relief

By Michael McGrady

Kansans’ wallets are lighter than usual today, with the legislature raising the state’s income tax rates across the board in July, reversing several years of tax relief led by Gov. Sam Brownback between 2012 and 2017.

Brownback vetoed Senate Bill 30 on June 6, but the legislature overrode the veto on the same day, enacting the bill into law and staving off a projected $900 million budget deficit for Fiscal Year 2018.

Beginning July 1, joint filers with annual income above $60,000 and single individuals earning more than $30,000 began paying a top income tax rate of 5.2 percent for 2017 earnings, instead of the previous 4.6 percent.

Earners in the bottom two brackets now pay 2.9 percent and 4.9 percent, respectively, and will pay 3.1 percent and 5.25 percent in 2018.

The tax hike also includes the removal of tax exemptions for business owners and farmers, increasing their liabilities, too.

The tax hike is retroactive. Kansans taxpayers will owe back taxes for income earned between January 1 and June 30 of this year.

Lack of Spending Control

Jonathan Williams, chief economist for the American Legislative Exchange Council, says the cause of the budget deficit was too much spending, not too much tax relief.

“While the tax cuts in Kansas were far from a failure and in fact aided the state’s economy, many free-spending politicians created a budget failure with the unwillingness to match the tax cuts with meaningful spending control,” Williams said. “In short, at the state level, you cannot cut taxes without keeping an eye on the spending side of the ledger.

‘Serious Negative Effects’

Dave Trabert, president of the Kansas Policy Institute, says the tax hike places a heavy burden on Kansans.

“The tax increase will have serious negative effects on citizens,” Trabert said. “About 300,000 low-income Kansans who had been exempt from the state income tax will now have to pay taxes, and everyone else will endure a double-digit increase by next year.

“Collectively, this takes about $600 million per year out of the economy and makes less money available to buy food and clothing,” Trabert said. “Employers will have less money available for pay increases and business investment.”

Michael McGrady (mmagrady@mcgradypolicyresearch.org) writes from Colorado Springs, Colorado.

Delaying the Inevitable?

Dan Johnson, executive director of the Tax Revolution Institute, says the proposed budget provision would improve the nation’s political atmosphere.

“It will increase civic engagement, as members of the community will be able to discuss pertinent issues and candidates in many of the organizations most affected by new policies and laws,” Johnson said. “It will also reduce the influence of special interests, as more organizations representing their community members, such as churches and civic centers, will be able to be involved in the political process. More players means a more even distribution of power for each player.”

The proposed budget clause is a thoroughly positive reform, Johnson says.

“It’s difficult to find a downside in removing one of our nation’s most onerous encroachments on free speech and civic engagement in American history,” Johnson said. “Perhaps the only downside would be for the politicians, who may find that they need to actually represent their communities when organizations in their community could respond when they don’t.”

S. M. Chavey (sarahchavey@gmail.com) writes from St. Paul, Minnesota.

INTERNET INFO

Seattle Taxpayers Challenge City’s ‘Millionaire Tax’

By Leo Pusateri

Assisted by a regional think tank, taxpayers are suing the City of Seattle over a recently enacted “millionaire tax.”

The Seattle City Council in July approved an ordinance requiring individual residents earning more than $250,000 a year, or households earning more than $500,000 a year, to pay a 2.25 percent annual income tax.

On August 9, 18 Seattle residents filed a lawsuit in the Superior Court for King County, arguing the tax violates a state law prohibiting municipal income taxes.

Lawyers from the Freedom Foundation, a think tank with headquarters in Washington and Oregon, are representing the Seattle taxpayers in court.

Judge John Ruhl has not yet scheduled a date for opening arguments in the case.

Source of State Pride

Paul Guppy, vice president for policy research at the Washington Policy Center, says the state’s voters have consistently opposed proposals to impose income taxes.

“Washington state has a long history of not having an income tax,” Guppy said. “People are proud of it. People have voted nine times on the question of whether we should have an income tax, and it went down in flames every time.

“People across the state hate the income tax,” Guppy said. “The reason people don’t like the income tax is that there is a broad feeling that not having an income tax gives our state, and Seattle too, a huge competitive advantage.”

Groundwork for Statewide Tax?

Patrick Gleason, director of state affairs at Americans for Tax Reform, says the Seattle tax is a test run for creating a statewide income tax.

“Seattle's City Council passed this tax knowing that it would be challenged in court, and for the purpose of it being challenged in court. Their hope is that an activist state supreme court will overturn 80 years of case law and precedent, and in doing so, open the gates for a statewide income tax, which is their ultimate goal.”

Patrick Gleason, Director of State Affairs, Americans for Tax Reform

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Attracting Talent

Seattle’s lack of a city income tax is a selling point for local employers seeking high-performing job candidates, Guppy says.

“People in the high-tech boom going on in Seattle, leaders of biomedical, aerospace, software, and other companies, point out that one way they are able to recruit top talent worldwide is because we have no income tax in Seattle,” Guppy said.

Leo Pusateri (psycmeistr@fastmail.fm) writes from Saint Cloud, Minnesota.

Alabama Margarita Ban Goes Down, Consumers Say ‘Bottoms Up’

By S. M. Chavey

A labama’s Alcoholic Beverage Control Board (ABC), a government agency with the stated mission of maintaining “rigorous control” of the distribution and licensing of alcoholic beverages in the state, reversed a ban on restaurants’ margarita sales after a free-market think tank publicized the backdoor prohibition.

In July, ABC forced Taco Mama, a Birmingham, Alabama Mexican restaurant, to remove margarita pitchers from its menu, citing a 1975 law criminalizing the alteration of customers’ alcoholic drinks.

Cameron Smith, R Street Institute’s general counsel and vice president of implementation, spoke with Dean Argo, ABC’s government relations manager, for a July 12 AL.com column about ABC’s actions against Taco Mama.

A margarita pitcher’s alcohol content changes over time as ingredients settle to the bottom, Argo said, thereby making the sale of margarita pitchers a criminal act.

“The person who is poured the first or second drink may receive only a quarter- to half-ounce of alcohol, where a person receiving the third, fourth, or even fifth pour may receive much more alcohol than mix,” Argo told Smith.

After Smith’s column was published, Argo announced ABC’s decision to stop interpreting the law that way.

Burdensome Inconsistency

Smith says inconsistent enforcement of regulations, such as the margarita ban, creates an uneven playing field for business owners.

“If not enforced consistently, there’s a competitive disadvantage with particular types of restaurants,” Smith said. “At the end of the day, it doesn’t seem like a big deal, but then you layer these with other rules, like requiring menus to be submitted, which is a regulatory burden and a competitive disadvantage.”

Blocking Choices, Job Creation

Andrew Yerbey, a senior policy director and senior legal counsel with the Alabama Policy Institute, says intrusive government regulations impose unnecessary additional costs on consumers, workers, and businesses.

“Economic protectionism has powerful effects on economic growth,” Yerbey said. “Unnecessary regulations impose extra costs on consumers. They also impose an obstacle to opportunity. As in the case of the ABC Board, that inhibits entrepreneurs or small business owners from entering the markets.”

‘A Small Liberty Thing’

Ending the margarita ban may seem like just a small victory, but Smith says every win for freedom is important.

“This is how liberty dies: a thousand small cuts, some of which may be well-intentioned,” Smith said. “Getting them to reverse on the margarita thing is a small liberty thing. In the bigger picture, if liberty is lost by 1,000 small cuts, it takes 1,000 reversals to regain it. We need to be willing to do lots of smaller things to move in the right direction.”

S. M. Chavey (sarahchavey@gmail.com) writes from St. Paul, Minnesota.
By Kimberly Morin

After announcing plans to begin collecting signatures to place a ballot measure asking South Dakota voters to approve requiring out-of-state nonprofit organizations to disclose private donor lists, an out-of-state nonprofit organization and a South Dakota lawmaker are abandoning their plans.

Represent.Us, headquartered in Florence, Massachusetts, held a July 9 press conference announcing plans to train volunteer signature collectors in three South Dakota cities. Represent.Us was working with South Dakota state Rep. Mark Mickelson (R-Sioux Falls) on the campaign, asking voters to approve amending the state’s constitution and campaign finance laws. In August, Mickelson announced he was abandoning those plans in favor of initiatives for ballot questions to enact a tobacco tax hike and ban out-of-state contributions to ballot question committees.

The proposal would have required out-of-state nonprofit organizations donating more than $25,000 per year to South Dakota political committees pushing for ballot measures to publicly disclose their top 50 donors.

Public Disclosure, Private Beliefs

Forcing donor disclosure often leads to public shaming for personal beliefs, says Bradley Smith, a professor of law at Capital University and a former member of the Federal Election Commission.

“We’ve seen a lot, in recent years, of people harassing donors,” Smith said. “They can include business boycotts, but often include threats. We’ve seen people picket outside of people’s homes, we’ve seen individuals fired. It’s not a healthy thing for our democracy.”

Mandating donor disclosure would discourage such initiatives and could facilitate government retaliation against private donors, Smith says.

Many Nonprofits Affected

Ron Williamson, president of the Great Plains Public Policy Institute, says the proposal would have affected many nonprofit organizations.

“Basically, the plan would require advocacy [groups] or nonprofits to disclose the 50 largest contributors that give $25,000 per year or [per] ballot initiative,” Williamson said. “That obviously would include labor, business, and any other nonprofit organizations. There would also be a requirement that those who spend $25,000 or more would have to list their top 50 contributors to the advocacy group.”

Constitutions and Costs

Williamson says he was concerned about the proposal’s constitutionality and its cost to taxpayers.

“The big thing with this issue, from a constitutional standpoint, is it may not stand the test, relative to the state constitution,” Williamson said. “It also creates a real issue with the U.S. Constitution.

“My biggest concern is, let’s assume that it passes; then we’re tied up in courts all the time,” Williamson said. “Then, we have expenses for the state.”

Questioning Benefits

Smith says he doubts people would really use donor disclosure even if they say they want it.

“The question is, what difference does it really make?” Smith said. “How much does it matter? The second part of the question is, what are the harms of this type of disclosure versus the benefits?

“I think we see, when you really do a serious cost-benefit analysis and when you ask most people, they say, ‘We want disclosure,’” Smith said. “When you look at the record, the fact is people do not generally use that information.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.
Treasury Calls for Public Comments on Volcker Rule Reforms

By S. M. Chavey

The U.S. Department of the Treasury called for public comments on potential revisions to the Volcker Rule, a provision of the Dodd–Frank Wall Street Reform and Consumer Protection Act of 2010 (Dodd-Frank).

Between August 7 and September 21, the Office of the Comptroller of the Currency (OCC), a division of the U.S. Treasury, accepted public comments on possible revisions to the rule.

President Barack Obama signed Dodd-Frank's financial restrictions, including the Volcker Rule, into law in 2010 in response to the 2008 economic crisis. The Volcker Rule provisions took effect in 2015.

The rule prohibits commercial banks from owning investment firms or using their own money to invest, as opposed to using depositors' money.

Limiting Options

Had the Volcker Rule been in place before the economic crisis began, the damage would have been even worse, says Jay Richards, an assistant research professor in Catholic University's Busch School of Business and Economics.

“At the peak of the crisis, Bank of America bought Merrill Lynch,” Richards said. “It was an investment bank, and a commercial bank bought it and kept it from failing. Bear Stearns, the first one to get in trouble, was bought out by JP Morgan Chase. Stearns is an investment bank, JPMorgan is commercial, so that would have failed under the rule.

“Those two things could not have happened under the Volcker Rule, and would have made the crisis even more catastrophic,” Richards said.

It's unclear what problems the Volcker Rule prevents or solves, Richards says.

“No one can provide a single example of a crisis that was caused because of [mixing between] commercial and investment banking,” Richards said.

Unequal Enforcement

Daniel Press, a policy analyst for the Competitive Enterprise Institute, says the Volcker Rule is confusing and leads to arbitrary decisions.

“The Volcker Rule isn’t very easily enforced,” Press said. “It’s almost impossible to tell the difference between what legitimate proprietary trading is and what they consider illegitimate. As long as you have that wishy-washy definition, you’re going to have this.”

Burden Benefits Big Banks

The cost of regulatory compliance benefits big banks and hurts their smaller competitors, Press says.

“Bigger banks can deal better than smaller banks,” Press said. “A smaller bank that does a little bit of trading can’t risk a regulator coming back and saying [a particular investment] might not have been okay.

“It’s trickle-down compliance, where small banks are impacted a lot worse,” Press said.

Merely reforming the Volcker Rule won’t fix the problems with Dodd-Frank, Press says.

“It’s definitely a good thing to try to ease regulation, but we’re going to run into the same problems,” Press said. “Even easing Volcker is still not as good as full repeal.”

S. M. Chavey (sarahchavey@gmail.com) writes from St. Paul, Minnesota.

Rhode Island Senate Committee Ignores E-Cigarette Bill

By Brandi Wielgopolski

The Rhode Island Senate Committee on Health and Human Services met in September without considering a bill to add e-cigarettes to the state’s tobacco ban.

Senate Bill 466 (SB 446) would prohibit the use of e-cigarettes in bars and restaurants, privately owned businesses, government-owned buildings, and other designated locations.

SB 446, sponsored by state Sen. Dominick J. Ruggerio (D-Providence), was approved by the Rhode Island House of Representatives on June 21. Instead of scheduling the bill for a floor vote, the Senate voted on June 28 to resend SB 446 to the Committee on Health and Human Services, just six days before the state’s General Assembly adjourned for the summer.

SB 446 had already been approved by the Senate committee in May.

The state Senate Committee on Health and Human Services scheduled a September 14 meeting, but SB 446 was not listed on the agenda at press time.

Similar but Safer

Justin Katz, research director for the Rhode Island Center for Freedom and Prosperity, says discouraging vaping, or use of e-cigarettes, means many people will use tobacco instead.

“The durability of smoking, as a habit, proves that it fills some psychological and cultural needs,” Katz said. “Vaping has come closer than anything else to filling those needs in a safer way, so discouraging vaping has the effect of propping up tobacco products and continuing their feasibility.”

Harm Reduction and Health

Jeff Stier, a senior fellow at the National Center for Public Policy Research, says e-cigarettes are a much better choice than tobacco cigarettes.

“E-cigarettes significantly reduce the harm and risk of tobacco-related products and disease,” Stier said. “We just do not know whether it is by 95 percent, or more.

“However, we do know that the use of e-cigarettes as a replacement for smoking is significantly advantageous to health,” Stier said. “The reason is that we have long known that smoking is dangerous because of the chemicals that are produced from the combustion of the tobacco. With e-cigarettes, not only is there no tobacco, most importantly, there is no combustion.”

Bad for Public Health

Making it more difficult to use e-cigarettes is contrary to governments’ stated public-health goals, Stier says.

“Ultimately, the consequence of this legislation is that there will be fewer incentives for people to do the right thing and stop smoking with the aid of these products,” Stier said. “So not only will a public-place vaping ban be inconsistent with the facts, but it is also inconsistent with the overall public health mission.”

Brandi Wielgopolski (brandi.wielgopolski@gmail.com) writes from Columbus, Ohio.

INTERNET INFO

IMF, CBO: Deficits, Entitlement Spending Slowing Economic Recovery

By Hayley Sledge

The International Monetary Fund (IMF), an organization promoting global financial cooperation, predicts U.S. economic growth will be sluggish for the rest of 2017 and 2018, a forecast echoed by an official U.S. government forecast.

IMF analysts lowered expectations in a July 23 report, citing “uncertainty about the timing and nature of U.S. fiscal policy changes.”

IMF predicts the U.S. annual gross domestic product will grow by 2.1 percent by the end of 2017, downgrading from the April report’s predicted 2.3 percent 2017 growth rate.

IMF’s lowered expectations track with a June 29 Congressional Budget Office (CBO) report updating the nation’s economic outlook for the next 10 years. CBO—a nonpartisan, independent government agency responsible for providing economic and budgetary analyses—predicted U.S. GDP growth will be “slightly above 2.0 percent through 2018 and averaging somewhat below that rate for the rest of the period through 2027,” settling at about 1.9 percent over the next decade.

The CBO report says the “pattern of generally rising [government budget] deficits over the coming decade is similar to that reported in CBO’s previous projections,” but actual cumulative deficits and interest debt payments have exceeded predictions.

The Cost of Spending

Dwight Lee, a senior fellow at the O’Neil Center in the Cox School of Business at Southern Methodist University, says excessive government spending is constricting economic growth.

“The cost of having the government spend more money or borrow more money is the foregone value that money would generate if left in the private economy,” Lee said. “It really doesn’t make much difference what the debt is or how much they’re borrowing. It makes some difference, but it’s how much they’re spending that is really important.”

Ignoring the deficit will only make things worse in the future, Lee says. “We’re approaching, if we haven’t already passed, 100 percent of the expected GDP—which is how much the federal government is in debt. When you get to 100 percent, you’ve got a problem. It’s not necessarily insurmountable, but it gets nastier and nastier in terms of how you’re going to pay it off.”

“Relatively simple things need to be done,” Cebula said. “I would include among them, perhaps at the very top of the list, cutting the corporate tax rate in the United States, which is ludicrous. I think we also could focus a great deal toward attracting businesses to the United States, keeping business in the United States.”

Cebula says President Donald Trump’s tax reform proposal, released in May, would help boost economic growth.

“There are three new tax rates in the Trump budget: 15, 25, and 35 percent,” Cebula said. “I definitely believe the 15 and 25 [percent rates] certainly should be undertaken. I think if we did at least the first two tax cuts, that would have a number of benefits. Number one, [it would] raise disposable income for the middle class and for lower-income people, increase their purchases of goods and services, [and create] more jobs. In stimulating more jobs and more production, it could start to generate tax revenues to replace the tax revenues lost in the tax cuts.”

Hayley Sledge (hayley@sledges.us) writes from Dayton, Ohio.


**By Jay Lehr**

In his travels across the country, U.S. Senator Ben Sasse (R-NE) has met many Americans from varied backgrounds and walks of life, all expressing, in their own words and ways, a common fear for the nation’s future.

Sasse’s book, *The Vanishing American Adult: Our Coming-of-Age Crisis—and How to Rebuild a Culture of Self-Reliance*, draws upon his personal experiences and conversations with everyday Americans to synthesize and explain this widespread concern for the next generation’s well-being.

Drawing on the time-honored wisdom of philosophers such as Thomas Aquinas and many other well-known thinkers in the canon, Sasse argues the American values of self-reliance and hard work have been largely forgotten, and he offers concrete prescriptions for reviving the American spirit.

**Unready to Lead?**

Many people sense something is currently wrong with our society, but Sasse’s laser-focused diagnosis of the root cause hits home: The generation tasked with picking up their elders’ mantle and leading the nation is ill-prepared to do so.

The kids are not all right, and something is very wrong with America, Sasse writes. “Our kids are not ready for the world they are soon going to inherit,” Sasse writes. “We don’t even know how to talk about the daunting tasks of becoming resilient enough to navigate a world with much shorter job durations. Everywhere I go across the country, I hear from people who share an ominous sense that something is very wrong with our kids, but they don’t always have hooks or labels or a mental framework to discuss it.”

**Philosophy, Not Politics**

The dimming of the American spirit is not rooted in politics, Sasse writes, nor will politics provide the spark to reignite it among the people.

“Some pretend for a moment that the grand fights are political, that what they’re really worried about is right versus left, but mostly they know it isn’t true,” Sasse writes. “They know that almost all of our kids seem to be distracted and drifting. They yearn for the rising generation of American teens to be grittier, more self-possessed, more self-sufficient, more ready to serve.”

**Defying Adversity**

A common theme in *The Vanishing American Adult* is the necessity of instilling resilience in the hearts of the people.

Learning to survive and thrive in difficult or uncomfortable situations builds self-esteem, teaching one how to defy the tempest instead of feeling disenfranchised by short-term setbacks, Sasse writes.

“Much of our stress now flows not from deprivation, but, oddly, from surplus,” Sasse writes. “It’s too easy to be pampered, and being pampered is the opposite of growing muscle—and character. Both of these come from scar tissue. One antidote for the pampered life is a taste of stoicism.”

“I reject the notion that stoic is ‘indifferent’: rather, the stoic is strong enough and long-term-focused enough to not be tossed about by short-term changes beyond his or her control,” Sasse writes. “Someone who is stoic appears calm under stressful circumstances—the man or woman whose internal equipoise is not dominated by external conditions.”

**Apolitical Answers**

Another key value lacking in today’s culture is an understanding of the principles on which America was built, and the history of those principles.

In a particularly engaging section, Sasse explains the value of the information to which people today have access, identifying Johannes Gutenberg as one of the most important individuals in human history.

According to Sasse, the democratization of information, a “bloodless revolution” sparked by Gutenberg’s moveable-type printing press in 1440, facilitated the American Revolution by allowing the Founding Fathers to take their case for self-rule directly to the people.

A series of radically unprecedented events and people, such as Gutenberg and his invention, contributed to America’s formation, Sasse writes, and allowed the American ideal of self-government to be just such a significant outlier in human history.

“For our emerging adults to understand America’s place in world history—and to participate fully as inheritors in this project of self-government and resilient citizenship—they must first comprehend what an outlier it is, across the sweep of human experience, for every single one of us to have cheap and easy access to books,” Sasse writes. “The origins and perpetuation of this experiment in self-rule are simply not understandable without grasping how unprecedented it was for our Founders to be able to make the argument for the universal engagement of a people in deliberation about their own self-governance.”

**America, Unprecedented**

The Vanishing American Adult is not a traditional book about policy, instead striking expertly at the cultural core of the nation’s problems. Instead of pitting “right” ideas versus “left” ideas or Republican Party proposals against Democratic Party policies, Sasse argues for refreshing and rekindling the nation’s soul.

A simple, earnest yearning for cultural greatness emerges from every word of Sasse’s book, making it an easy and enjoyable read.

Curing the sickness plaguing the country’s culture requires not a political effort but a cultural one. *The Vanishing American Adult* is a thought-provoking, philosophical diagnosis and treatment regimen for readers of all ages and backgrounds. It is just what the doctor ordered for today’s divided times.

Jay Lehr, Ph.D. ([jlehr@heartland.org](mailto:jlehr@heartland.org)) is science director at The Heartland Institute.

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Please join us for The Heartland Institute’s America First Energy Conference, taking place at the J.W. Marriott Hotel in Houston, Texas on Thursday, November 9, 2017.

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For more information and to register, visit americafirstenergy.org or, contact The Heartland Institute’s Events Manager Nikki Comerford at nikki@heartland.org or call 312/377-4000.