Prince’s Estate Faces Major Tax Hits

By Elizabeth BeShears

State and federal tax policies will cost the family of popular musician Prince more than half of his wealth, with state and federal government tax collectors taking about 56 percent of his property after the rock star’s death.

Prince, born Prince Rogers Nelson, died in April. The heirs to the wealth Prince accrued over his decades-long career in popular music, who are yet to be officially determined, will be required to pay 16 percent of the estate’s final evaluation to the Minnesota Department of Revenue and an additional 40 percent of the evaluated amount to the Internal Revenue Service (IRS), the federal government’s tax collection agency.

The estate tax, commonly referred to...
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FCC Expands Cellphone Entitlement, Now Subsidizes Internet Access, Too

By Luke Karnick

The nation’s top telecommunications regulatory agency voted in March to approve expanding an existing entitlement program to provide subsidies to lower-income people purchasing high-speed internet service.

The program is funded by the Universal Service Fund fee, which is collected from taxpayers’ telephone bills. The entitlement expansion moves the Federal Communications Commission’s (FCC) Lifeline telephone program beyond its original goal of providing taxpayer-funded mobile phones to participants in other entitlement programs, such as Medicaid, the Supplemental Nutrition Assistance Program, Head Start, and the Bureau of Indian Affairs General Assistance program.

‘Enhanced Subsidy’

FCC Commissioner Ajit Pai says the program’s vague language allows fraud and waste to continue without adequate oversight.

“A problem with the program is what is called the ‘enhanced subsidy,’” Pai told Budget & Tax News. “Right now, the Lifeline program will provide a $9.25 [per month] subsidy. The FCC has adopted an enhanced subsidy of $25 on top of that, so it’s $34.25, total. The theory was that this was one way to ensure that people who live in really remote areas where there is no telecom service—places like tribal reservations—will receive that enhanced subsidy.

“The problem I’ve found is the FCC treats certain areas like tribal land even if they are not actually tribal lands,” Pai said. “For example, the entire state of Oklahoma is pretty much considered tribal land. As a result, anyone who lives in the state of Oklahoma is eligible for this enhanced subsidy.”

Misdirected Funds

Pai says the entitlement program doesn’t actually benefit people who need assistance.

“The programs are not directed at the people who actually need help,” Pai said. “Under the current program, for example, the median income of a Lifeline household is $38,000. Studies from the nonpartisan Government Accountability Office have suggested that people who are getting Lifeline subsidies would subscribe to broadband anyway, regardless of the subsidy. Therefore, we’re essentially pouring money into the pockets of people who do not actually need the help.”

‘General Lack of Accountability’

James Gattuso, a senior research fellow at The Heritage Foundation, says unelected federal bureaucrats are imposing taxes on the public.

“I think the general lack of accountability in the program is another issue,” Gattuso said. “Congress has the power to tax and the power to spend for a reason ... because the people who are authorizing the spending are accountable to the voters. The FCC, however, cuts that tie between the voter[s] and the bills being imposed on them.”

Gattuso says FCC should be held accountable for its tax hikes and spending sprees.

“Even if you think there is a need for this sort of thing, why not send it through Congress?” Gattuso said. “If you think there is a pressing need to subsidize internet service, then go to Congress, and if it is such a good idea, Congress will vote for it.

“In terms of the FCC, you’re more or less admitting that it doesn’t have enough support nationally to be approved by the people who should be approving this,” Gattuso said.

Luke Karnick (lkarnick@yahoo.com) writes from Indianapolis, Indiana.

IN OTHER WORDS . . .

 “[FCC Chairman Tom] Wheeler acknowledged past abuse of the Lifeline program, and insisted that both administrative costs and opportunities for fraud would be lowered thanks to a new National Eligibility Verifier. . . .

“The National [Governors] Association urged the agency to reject the proposal because it ‘would centralize oversight within the FCC, which has the potential to allow eligible telecommunications carriers to circumvent state scrutiny.’

“This expansion is part of the Obama administration’s goal of bridging the ‘digital divide’ that makes it difficult for low-income Americans to afford Internet subscriptions, which in turn makes it harder for parents to apply for jobs, educate their kids or work from home. More than 95 percent of households with incomes over $150,000 have broadband, while 48 percent of people making less than $25,000 have an Internet connection at home, according to the FCC.”

By Kate Patrick

Lawyers representing the federal government withdrew their request for a court order compelling Apple, a popular consumer electronics company, to provide a method of unlocking an iPhone involved in a New York criminal investigation.

In April, the U.S. Department of Justice withdrew a request, filed with the U.S. District Court for the Eastern District of New York, that sought a court order compelling Apple to create and apply operating system software designed without encryption measures normally included with iPhones so investigators could gain access to a mobile phone involved in a criminal investigation.

According to government lawyers, the Federal Bureau of Investigation (FBI) withdrew its request because agency employees were able to obtain the phone’s passcode through questioning of the phone’s owner.

In February, U.S. government lawyers sought a similar court order from the U.S. District Court for the Central District of California. In that case, the federal government requested the court compel Apple to assist FBI with its investigation into the December 2015 San Bernardino terrorist attack by devising a way to unlock the iPhone of one of the deceased terrorists.

**Cooperation, Not Compulsion**

Andrew McCarthy, a former assistant U.S. attorney for the Southern District of New York and a senior fellow with the National Review Institute, says technology companies should cooperate with law enforcement agencies to “unlock” their products, but the government should not use force to compel them to do so.

In both cases, government lawyers sought rulings expanding the scope of the Judiciary Act of 1789, now called the All Writs Act, a law authorizing federal judges to “issue all writs necessary or appropriate in aid of their respective jurisdictions and agreeable to the usages and principles of law.”

“Whether it’s the courts or the federal government, the federal government should not be allowed to press private people to help the government unless it’s a national emergency,” McCarthy said. “The framers of the Constitution didn’t come at this thinking government was your friend, but a necessary evil. That said, I think Apple should be cooperating with the government in these counter-terrorism cases, but I also think it’s perfectly reasonable as a company that sells very strong privacy products to think that the government is overbearing.”

**‘Difficult Issue’**

Paul Larkin, a senior legal research fellow with The Heritage Foundation, says encryption and privacy of electronic devices benefit millions of people every day, even if they don’t know it.

“It’s a difficult issue to deal with, because any American’s information that travels via the internet is encrypted,” Larkin said. “If it weren’t, people wouldn’t be able to buy over the internet, because other people would be stealing their credit card numbers and personal information. It’s unfair to look at this as evil, rapacious businesses versus an angelic government trying to stop crime.”

**Unlocking the Box**

Larkin says unlocking iPhones and other consumer products is like opening Pandora’s Box.

“It would be impossible to limit encryption access to just the FBI,” Larkin said. “Every state and local law enforcement agency will get it, and it will eventually leak out into the public, and it won’t be any good anymore, because it will make its way to organized crime. They’ll use it to hack into accounts and steal from companies and private individuals. I think it’s not, practically, an option to limit this to just one federal agency or agencies pursuing different types of crime.”

Kate Patrick (katepatrick211@gmail.com) writes from Clarksville, Ohio.

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Jeffrey Miron

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The project’s major report—U.S. Fiscal Imbalance—detailing the true state of the government’s financial health, and how the fiscal situation has been continually deteriorating, is available free online at www.cato.org/fiscalimbalance.

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**IN OTHER WORDS . . .**

“The government backed out of the San Bernardino case on March 28th, after paying for a new method to break into the phone, and on Friday, the government pulled a similar move in New York. Late Friday night, investigators said they had discovered the passcode to the iPhone at the center of the New York case. It was an embarrassing retreat, announced at a time that would generate as little press coverage as possible, and hastily [closed] an appeal that prosecutors had sworn to continue just two weeks earlier.”

— Russell Brand, “With Its Retreat in New York, the FBI Has Lost the Encryption Fight,” The Verge, April 25, 2016
By Kimberly Morin

A bill proposing reforms to the way federal agencies issue last-minute regulations took another step toward being voted on by Congress.

House Resolution 4612, the Midnight Rule Relief Act of 2016, was referred in April to the U.S. House Judiciary Committee’s Subcommittee on Regulatory Reform, Commercial and Antitrust Law, where it awaits a vote.

“Midnight regulations” are federal agency rules issued and approved during the lame-duck period between the beginning of a U.S. president’s final year in office and the official start date of the president’s successor.

HR 4612’s sponsor, U.S. Rep. Tim Walberg (R-MI), told Budget & Tax News he has firsthand knowledge of how far federal agencies are willing to go to push their agenda for more regulations.

“I chair the Subcommittee on Workforce Protections, which deals with things like the Fair Labor Standards Act, the Occupational Safety and Health Administration, Mine Safety and Health Administration, wage and hour issues, minimum wage issues, you name it,” said Walberg. “It becomes frustrating to see the lengths the bureaucracy is willing to go to push an agenda.”

Pen and Phone

Walberg says lawmakers have been concerned about President Barack Obama’s 2014 promise to use his “pen and phone” to bypass Congress and enact his agenda through executive actions.

“It’s a real concern that with a pen and a phone this president can do an awful lot with bureaucracy, especially when you get into the area of the [Environmental Protection Agency] and the Department of Labor,” Walberg said.

Other Regulatory Maneuvers

Clyde Wayne Crews Jr., vice president for policy at the Competitive Enterprise Institute, says midnight regulations aren’t the only kind of backdoor presidential maneuver about which lawmakers should worry.

“The thing that’s made this year interesting is that there has been a lot of regulatory debate,” Crews said. “The fact is that Obama isn’t going to be doing anything legislatively, so there’s an interest in doing things through regulation. What I’ve noticed increasingly is it’s not that Congress passes a law, of which there are about 100 a year; it’s not that agencies pass rules, of which there are about 3,500 a year; but there are also agency guidance documents.

“These so-called guidance documents, guidance bulletins, notices, memoranda, circulars—there are all kinds of names for these things by which agencies give interpretations of statutes—they are not supposed to be binding,” said Crews. “However, agencies use these guidance documents to bind.”

Informal Rulemaking

Crews says reining in both kinds of regulations is important.

“The more focus we put on midnight regulations, which is good, we also have to put focus on agency guidance, given that the federal government is so large,” Crews said. “It can regulate with these guidance documents and not issue formal regulations at all, so the midnight regulations, as much as we want to beat that down, become less important, because they can emphasize this guidance on the side.”

Kimberly Morin (kimberlyamorin@gmail.com) writes from Brentwood, New Hampshire.
North Carolina Lawmakers Ditch Occupational Licensing Reform

By Andrea Dillon

After hearing testimony from industry lobbyists, North Carolina lawmakers on the state’s Joint Legislative Administrative Procedure Oversight Committee decided to abandon proposed legislation that would have reformed the state’s occupational licensing rules for acupuncturists and athletic trainers.

Alex Tabarrok, an economics professor at George Mason University and researcher at the Mercatus Center, says governments are making it increasingly difficult to enter many professions.

“Speaking generally about occupational licensing, I think it’s been increasing in the United States,” Tabarrok said. “About 30 percent of occupations now require some kind of license, which is way up. To get into the industry, you have to pay a price. That makes it more difficult to get into the industry. It raises prices and creates a monopoly of power.”

‘Very Little to Do’ with Training

Tabarrok says occupational licensing is often more about increasing the cost of entering the job market and less about actually training people.

“Often what you have to do has very little to do with the actual skills of the job,” Tabarrok said. “So, for example, there’s some famous cases of people who braid hair. You have to get a license for cosmology, and it requires an amount of education; it requires they have training in manipulating chemicals, even though that is not at all what they are doing.”

Little ‘Net Benefit’ in Safety

Jon Sanders, director of regulatory studies at the John Locke Foundation, says there is little empirical correlation between occupational licensing and public safety.

“I think one thing that people don’t consider when they confront the issue is the aspect of safety and quality,” Sanders said. “It doesn’t come through in the research that licensing actually produces a measurable net benefit in terms of safety and quality.”

Discouraging Career Exploration

Sanders says occupational licensing rules often prevent people from changing careers or exploring other occupations.

“Research seems to suggest it is a pretty significant hurdle for people who are switching professions,” Sanders said. “This would affect, for example, women who have decided to get back into the labor market or older workers who have been fired and decide, ‘Well, I’m kind of being forced to look for another job, so maybe I’ll go in this direction,’ or, ‘I’ve always wanted to do this.’”

Sanders says North Carolina’s occupational licensing laws may be stifling the state’s economic growth.

“It could definitely have an effect on people moving to the state,” Sanders said. “We have a strong in-migration in the state compared with many other states in the nation. Depending on the portability of licenses, it could have a significant effect.”

Andrea Dillon (thell1885@gmail.com) writes from Holly Springs, North Carolina.

Wis. Right-to-Work Law Ruled Unconstitutional

By Luke Karnick

A Wisconsin county judge has ruled a state right-to-work law violates labor unions’ legal entitlement to money earned by public workers.

The lawsuit was filed by labor unions looking to overturn Wisconsin’s right-to-work law, which was signed by Gov. Scott Walker (R) in March 2015.

In his April decision, Dane County Circuit Court Judge William Foust, appointed to the court by Gov. Tommy Thompson (R) in 1997, said the state’s prohibition against compulsory membership in labor unions could decrease unions’ budgets and that union revenue, including dues collected from workers against their will, belongs to the union.

Foust says Wisconsin’s right-to-work law represents an illegal seizure of private property by the government.

Playing the Victim Card

Rick Esenberg, president and general counsel of the Wisconsin Institute for Law and Liberty, a nonprofit public-interest law firm, says unions benefit from unfair and unequal treatment under federal law, making right-to-work legislation necessary to put workers and union bosses on equal footing.

“Unions are afforded very valuable privileges under the National Labor Relations Act,” Esenberg said. “They have advantages in organizing and protection in organizing. They can become the exclusive bargaining representative for all the workers so that there is no competition. If you’re in the bargaining unit and you want someone else to bargain for you, you can’t. You have to go along with the exclusive representative that was chosen.”

“[Under right to work] if a worker does not like the web of legal responsibilities and privileges that the statute creates, they are free to walk away from it,” Esenberg said.

“[Unions] do not have to represent employees in a bargaining unit where they don’t think that they can persuade them,” Esenberg said.

Constitutional Confidence

Chris Rochester, communications director for the John K. MacIver Institute for Public Policy, says the ruling will probably be overturned by a higher court.

“We have spoken with the attorney general recently, and Gov. Walker has spoken about this issue,” Rochester said. “They’re deciding which courts they will take the case to. I think they may go straight to the Wisconsin Supreme Court, out of confidence that right to work is constitutional.”

‘Tons of Precedent’

Rochester says Foust’s ruling ignores well-established legal precedents.

“Right to work has tons of precedent to show that this law will make it through,” Rochester said. “The issue is, what will happen in the meantime? Are workers going to have to make that decision to start paying dues again against their will, out of fear of being fired? That’s the unfortunate confusion that results in the meantime until a final decision comes down.”

Luke Karnick (lkarnick@yahoo.com) writes from Indianapolis, Indiana.
Missouri Gas Tax Referendum Runs Out of Fuel

By Michael Bates

A bill that would have authorized a ballot question asking voters to approve an increase in the state’s gasoline excise tax was approved by Missouri’s state Senate, but it did not receive a vote in the House of Representatives before the state’s legislative session ended.

If lawmakers had approved the legislation, voters would have been asked in November 2016 to approve an increase in the state’s gasoline tax by about 6 cents per gallon, from 17.3 cents per gallon to 22.9 cents per gallon.

‘Imperfect Relationship’ with Road Use

Joseph Miller, a policy analyst with the Show-Me Institute, says gas taxes are indirect and inefficient.

“Fuel use is correlated with road and highway usage, but differences in fuel efficiency make this an imperfect relationship,” Miller said. “For instance, a person who drove exclusively on urban streets, not the highways, would likely be giving a net transfer to a truck that simply hurtled across the state on an interstate highway.”

Miller says Missouri’s highway construction funds are highly dependent on state and national gas taxes.

“The fuel tax is the basis of highway funding in Missouri, as it makes up the largest portion of state funds for highways, about half, which are then used to match federal dollars for highway projects,” Miller said. “Aside from fuel taxes, [the Missouri Department of Transportation (MoDOT)] also collects a motor vehicle sales tax and vehicle and driver’s license fees, which make up most of the remaining state-based revenue for highways. These and federal matching dollars are generally all MoDOT has for highway upgrades and maintenance.”

‘The Benefit Principle’

Mark Brandly, an economics professor at Ferris State University, says gasoline taxes are not the fairest way to pay for road repairs.

“Gasoline taxes that are earmarked for road construction and repairs are based on the benefit principle of taxation: Those who benefit from the spending tend to pay the taxes necessary to fund that spending,” Brandly said. “Given the mileage differences in various vehicles, a cents-per-gallon tax does not fully lead to a benefit-principle tax. Some vehicles that have high mileage may pay a low tax rate relative to the amount of miles driven and relative to the amount of damage done to the roads.”

Toll Roads Are ‘Better Option’

Brandly says the money for building roads should come from the people using roads.

“If you want various vehicles to pay the same rate per mile, in order to possibly match tax payments closer to the benefits of having the roads, a toll road would be a better option than a cents-per-gallon tax,” Brandly said.

Michael Bates (blog@batesline.com) writes from Tulsa, Oklahoma.
Oregon Governor Greenlights Sequel for State Film Tax Program

By Jenni White
Governor Kate Brown (D) approved a bill increasing Oregon’s subsidies for film companies operating in the state, expanding the annual budget of the state government’s tax-credit program from $10 million to $14 million.

“The bill, signed into law in March, increases funding for the Oregon Production Investment Fund, a taxpayer-funded economic incentive program benefiting media companies filming popular television shows such as Grimm and Portlandia in the state.

‘Amounts to Corporate Welfare’
Steve Buckstein, senior policy analyst for the Cascade Policy Institute, says subsidizing Hollywood studios to film in Oregon is not what taxpayers fund the government to do on their behalf.

“Even if the tax-credit program were to generate enough tax revenue to offset costs, it still amounts to corporate welfare, which is not a proper function of government,” Buckstein said.

Cutting Out the Middleman
Buckstein says the film-tax-credit program benefits individuals who don’t need a helping hand from government.

“These tax credits are actually purchased by high-income individual Oregonians at a discount of 5 to 10 percent, which they use to offset their Oregon income tax liability,” Buckstein said. “If supporting the film industry is so important, the state should do it directly and save that 5 to 10 percent, rather than enrich already rich people.”

Vermont Considers Applying Tobacco Tax to E-Cigarettes

By Elizabeth BeShears
Vermont legislators are considering a bill that would tax e-cigarette products as though they are tobacco, increasing excise taxes on e-cigarettes and e-cigarette fluid in the state.

House Bill 879, sponsored by state Rep. George Till (D-Jericho), would redefine the state’s tax on cigarettes and “other tobacco products” to include “products sold as a tobacco substitute, ... including any liquids, whether nicotine based or not, or delivery devices sold separately for use with a tobacco substitute.”

The House of Representatives approved HB 879 in March. A companion bill is now under consideration in the state’s Senate.

Vermont currently levies a 92 percent excise tax on all tobacco products sold in the state, excluding cigarettes. The state government imposes a $3.08 tax on each pack of cigarettes, increasing the price by about 51 percent.

‘A Really Misguided Effort’
Dr. Michael Siegel, a professor of community health sciences at Boston University, says e-cigarette taxes impair the public’s health.

“There’s a really misguided effort going on among many state legislatures to try to reduce the consumption of electronic cigarettes and discourage their use, by essentially giving regular, real tobacco cigarettes a competitive advantage in the marketplace by taxing electronic cigarettes and essentially taking away the price advantage those products have,” Siegel said.

‘Negative Public Health Outcome’
Siegel says the proposed tax will discourage Vermont residents using e-cigarettes from continuing to wean themselves off of tobacco.

“I think this legislation, if it’s enacted, is going to cause an increase in smoking and result in killing people. There’s no question that this is going to have a negative public health outcome.”

Dr. Michael Siegel, Boston University

Shaking Down Smokers
Robert Rober, president of the Ethan Allen Institute, says the proposed tax hike is a cash grab by lawmakers.

“It’s the result of the state having a structural budget deficit,” Rober said. “It will raise about $500,000, so it’s not huge, but there are legislators who are currently shaking the couch cushions for change, and they’re raising this tax because they can raise this tax.”

State ‘Essentially a Drug Dealer’
Rober says Vermont lawmakers would rather keep residents addicted to tobacco, because lawmakers are addicted to spending.

“There’s no good reason to pass a nearly 100 percent increase,” Rober said. “This is what happens when a state becomes, essentially, a drug dealer. They become more attached to the revenue than to what’s actually good for the health of the people they’re trying to serve.”

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.

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INTERNET INFO

By Danedri Herbert

Alaska lawmakers passed a resolution calling for Congress to convene a national convention for the purpose of drafting an amendment to the U.S. Constitution and authorizing the state to participate.

The resolution, approved in April, calls for Congress to convene a convention of the states to draft a constitutional amendment creating a “countermand veto” power for state legislatures. If 33 other states call for a convention and 38 states ratify the amendment, states will be able to override federal legislation, executive orders, or court orders whenever 30 states agree to such a veto.

**Restoring Balance of Power**

The resolution’s sponsor, state Rep. Shelley Hughes (R-Palmer), says the federal government has taken too much power away from the states.

“I think this is something that could help bring back the pendulum and the proper balance between the state and federal government,” Hughes said. “It’s gotten to the point where the states aren’t always being regarded the way they were in the first 100 years of our nation. Sometimes, the federal government just goes above and beyond and definitely crosses over the line, as far as states’ rights, and overreaches and oversteps its bounds.”

Hughes says state lawmakers know their states’ needs better than federal lawmakers and bureaucrats in Washington, DC.

“Sometimes they simply don’t know what’s best,” Hughes said. “They don’t know what states need. It’s not left or right, or conservative or liberal. It’s really about the intended balance of power. I don’t believe there’s a state in the union that hasn’t come up against a barrier of the federal government.”

**Increasingly Popular Idea**

Kyle Maichle, project manager for the Center for Constitutional Reform at The Heartland Institute, which publishes Budget & Tax News, says state lawmakers are considering a variety of constitutional reform proposals as a way to do what Washington, DC lawmakers will not do.

“We’re starting to see more people latch on and support this idea of an Article V convention,” Maichle said. “If we’re successful in getting a single-subject convention for a balanced budget amendment, I would not be surprised to see a big push for a single-subject congressional term limits convention as well. You could see this done for a variety of other amendments as well, such as a federal school choice amendment.”

Danedri Herbert (danedri.herbert@gmail.com) writes from Kansas City, Kansas.

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**INTERNET INFO**

Utah Lawmaker Ditches Plan that Would Tax Out-of-State Businesses

By Andrea Dillon

With only three days to go in the state’s legislative calendar, a Utah lawmaker abandoned a plan to allow the state to collect sales taxes from businesses not located in the state.

Rep. Mike McKell (R-Spanish Fork) withdrew his sponsorship of the House of Representatives’ version of Senate Bill 182 in March, after an outcry from “mommy bloggers,” individuals writing about parenting issues or sharing parenting anecdotes on personal or group blogs in the state, potentially affected by the bill’s changes to online companies’ advertising affiliate programs.

The bill, approved by the state Senate earlier in March, would have redefined Utah’s tax laws to allow taxing online businesses, including those located in other states that sell products or services to Utahns.

Defining Terms
Nicole Kaeding, an economist with the Tax Foundation, says the mommy-bloggers’ relationship with online businesses complicates interpretations of tax policy.

“There was a Supreme Court case called Quill; this was a case in the early 1990s, and it defined what the term is,” Kaeding said. “It’s the ‘nexus,’ and it’s whether or not a firm is connected to the state [and] what is the standard for determining if a business is connected to the state. The Supreme Court basically tried to deal with what is a ‘nexus,’ and they said that a firm had to have significant personnel or property in the state. This worked for a while, but now, with the advent of the internet, there’s a lot of issues of how do you determine what is nexus for a firm that is not based in the state,” Kaeding said.

Kaeding says the question revolves around whether or not the bloggers are extensions of the online business.

“No, the issue with the mommy-bloggers is that [the government] is going after affiliates,” Kaeding said. “If you have an in-state affiliate for a retailer, then the large retailer would have to pay sales tax.”

Kaeding says she’s pleased the mommy-bloggers were able to stop the legislation.

“Revenue Neutral”
Josh Daniels, a policy advisor with the Libertas Institute, says the bill would have cut sales taxes.

“One of the things that is interesting about this bill is it’s supposed to be revenue-neutral,” Daniels said. “They were going to pair the internet sales tax with a reduction in the overall sales tax rate. In fact, there’s a law on the books in Utah that requires any imposition of an internet sales tax to be revenue-neutral.”

Daniels says the mommy-bloggers’ victory may be short-lived.

“I do think [lawmakers] will take another bite at the apple down the road,” Daniels said.

Andrea Dillon (thell1885@gmail.com) writes from Holly Springs, North Carolina.

Maryland Gov. Hogan Reform Measure

By Andy Torbett

The Maryland Senate unanimously approved a bill that would reduce the amount of money spent on housing prisoners, by focusing correctional spending on serious and violent criminals and opting for rehabilitation over retribution.

Senate Bill 1005, the Justice Reinvestment Act, was approved with no dissenting votes by Maryland senators in April, after being approved by the House of Representatives earlier that month.

Signed by Gov. Larry Hogan (R) in May, the new law diverts individuals convicted of nonviolent drug crimes into treatment programs and limits the amount of jail time for individuals who violate the terms of their parole.

‘Data-Driven’ Policy
Ronnie Lampard, director of the American Legislative Exchange Council’s Criminal Justice Reform Task Force, says it’s important to ensure the criminal justice system is efficient and fair to everyone, including taxpayers.

“Criminal justice reform involves using data-driven reforms and evidence-based practices, supported by scientific research, to enact solutions to existing criminal justice policies,” Lampard said. “The overall goal is to reduce incarceration rates and recidivism rates without compromising public safety. There have been dangerous people roaming the Earth since the beginning of time, and the U.S. criminal justice system is effective and fair in dealing with those who pose a danger to society. However, there are better alternatives to incarceration for nonviolent, low-risk offenders.”

Lampard says criminal justice reform does not necessarily mean being soft on crime.

“The public should understand that ‘reform’ does not mean opening up the prison gates and letting everyone out,” Lampard said. “They should understand that these reforms are for those who are not a threat to public safety. Violent individuals deserve significant prison time, as they pose a serious risk to public safety.”

Not ‘Smart on Crime’
Lauren Krisai, director of criminal justice reform for the Reason Foundation, says lawmakers across the country are taking a fresh look at criminal justice policies.

“Legislators are starting to realize that the draconian ‘tough on crime,’ one-size-fits-all policies haven’t exactly been smart on crime,” Krisai said. “Many strict sentencing laws that were enacted in the past several decades have led to an explosion in the prison population—a good percentage of inmates being nonviolent offenders—and there’s little evidence that suggests tougher sentences for nonviolent offenders have added public safety benefits.

“Many states have begun to reexamine these polices and have passed reforms similar to Maryland’s,” Krisai said. “In many states that have enacted reforms, crime and prison populations decreased at the same time, which shows the two can go hand in hand.”

Andy Torbett (meconservative voice@gmail.com) writes from Atkinson, Maine.
Chicago Pension Reforms Ruled Unconstitutional

By Luke Karnick

Public pension reforms enacted in Illinois in 2014 by former Gov. Pat Quinn (D) violated retired Chicago government employees’ constitutional rights, the Illinois Supreme Court has ruled.

In March, judges on the Illinois Supreme Court unanimously ruled Public Act 98-641 violated the state’s constitution “because it diminished pension benefits” by attempting to reduce automatic cost-of-living increases for current retirees, increase the retirement age, and revise the salary amounts used in calculating benefits for future retirees.

The case reached Illinois’ highest court after lawyers representing the City of Chicago appealed a lower court’s July 2014 decision, in which Cook County Circuit Court Judge Rita Novak determined Quinn’s pension reform law to be unconstitutional because it “diminished or impaired” pension agreements offered to workers when they were first hired.

‘Uncharted Territory’

Sheila Weinberg, founder and chief executive officer of the nonpartisan watchdog group Truth in Accounting, says Chicago taxpayers realize major tax hikes lie in the future and some are leaving the city or state to avoid them.

“We are in uncharted territory,” Weinberg said. “It’s not like we can say this has happened in ‘X’ place before, so therefore ‘Y’ is going to happen now. We know it is doom and gloom, but we’re not exactly sure what it is.

“In the Chicago area specifically, I tell people there are only two ways out of this,” Weinberg said. “Either you bring more money in, increasing contributions, which probably means increasing taxes, or you have to take less money out, which means cutting benefits. Option number two is off the table, as far as the Illinois Supreme Court is concerned.”

SHEILA WEINBERG, CHIEF EXECUTIVE OFFICER, TRUTH IN ACCOUNTING

“It’s a Death Spiral”

Rachel Grezler, a senior policy analyst for economics and entitlements at The Heritage Foundation, says Chicago lawmakers have created a financial “death spiral” for the city.

“They are raising taxes because their taxes are already extremely high, and it comes to the point where you’re worried about people and businesses leaving the city, and then it’s a death spiral, because at that point you don’t even have a tax base to keep raising tax rates,” Grezler said. “All that does is reduce tax revenues, because people and businesses are leaving.”

Blame for Unions, Courts

Grezler says government unions’ unwillingness to compromise with lawmakers is leading them and the state toward disaster.

“The fear is that the unions and the court decision are just going to lead to this death spiral in both Chicago and in Illinois,” Grezler said. “The unions not being willing to compromise and reduce benefits at all, ... ultimately that could be to their detriment, because there is only so much money there.”

Luke Karnick (lkarnick@yahoo.com) writes from Indianapolis, Indiana.

Time Runs Out for Kentucky Public Pension Transparency Bill

By Andrea Dillon

A bill to reform Kentucky’s pensions by providing greater transparency for taxpayers was halted after it failed to make it to the floor of the state’s House of Representatives.

After being approved by the state’s Senate and a state House of Representatives committee, Senate Bill 2 did not receive consideration by the full assembly before the legislative session ended in April.

SB 2, sponsored by state Sen. Joe Bowen (R-Owensboro), would have required the state government’s public pension program to disclose fees and contracts for goods and services purchased by the pension boards. The bill also would have made appointment of pension board trustees and executive directors subject to confirmation by lawmakers.

‘People Want Transparency’

Bowen says the proposed reforms would have helped relieve taxpayers’ concerns about state pensions and make pension program managers more accountable to the people funding those plans.

“Unfortunately, the transparency bill did not make it through the process,” Bowen said. “People want transparency. You know, you’ve got a $30 billion to $40 billion pension liability, and you don’t have transparency, people are concerned. They want to know what is going on. They want to know what these investments are, what the contracts look like, what the fees are.”

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“The fear is that the unions and the court decision are just going to lead to this death spiral in both Chicago and in Illinois,” Grezler said. “The unions not being willing to compromise and reduce benefits at all, ... ultimately that could be to their detriment, because there is only so much money there.”

Joe Bowen

STATE SENATOR

OWENSBORO, KENTUCKY

“People want transparency. You know, when you’ve got a $30 billion to $40 billion pension liability, and you don’t have transparency, people are concerned. They want to know what is going on. They want to know what these investments are, what the contracts look like, what the fees are.”

Andrea Dillon (thell1885@gmail.com) writes from Holly Springs, North Carolina.
Tennessee Lawmakers Lop Tax

Continued from page 1

Tennessee, because he doesn’t want to have to pay 6 percent to Tennessee. So, we get more startups in Tennessee with it gone.”

Green says the Hall tax discourages “angel investors,” individuals who invest large amounts of capital in entrepreneurs’ fledging businesses in return for a share of the businesses’ profits.

“There are only 400 angel investors in Tennessee,” Green said. “A comparably sized state with no Hall tax has 12 times as many, meaning access to startup capital is very light in Tennessee.”

Bringing Back Job Creators

Justin Owen, president of the Beacon Center of Tennessee, says the Hall tax has chased investors and business owners out of the state since its enactment in 1929.

“We have talked to numerous investors and job creators who have moved out of Tennessee because of the Hall tax,” Owen said. “By eliminating it, we hope to bring those Tennesseans home, while also encouraging others to move into our state. By taxing savings and investments, Tennessee was getting less of both.”

Everybody Is a Winner

Owen says encouraging investment by improving the state’s business climate will have positive effects on government, too.

“State and local governments, on average, rely on the Hall tax for barely 2 percent of their revenue,” Owen said. “They will have six years to adjust, and during the phase-out, they will likely see revenues from other sources increase.”

Owen says the tax’s repeal will be a win-win situation for all Tennesseans, including people working for the government.

“With more Tennesseans moving into and investing in our state, property tax revenue will increase when those Tennesseans buy homes,” Owen said. “Sales tax revenue will increase when they buy cars and other products. You don’t face a dollar-for-dollar loss in revenue when you cut dynamic taxes like the Hall tax.”

Ben Johnson (therightswriter@gmail.com) writes from Stockport, Ohio.

IN OTHER WORDS . . .

“Here’s the most significant thing you need to know about the Tennessee legislature’s decision to repeal the Hall Income Tax: More than half of the people who are paying this punitive tax make less than $75,000 a year. In other words, it’s not just the rich. This matters because now that the bill to repeal a 6 percent tax on income derived from stocks and bonds is heading to the governor’s desk for consideration, it is absolutely important that we remember that those paying for the Hall Tax include retirees, hardworking families and budding entrepreneurs who all call the Volunteer State home.”

New Orleans Considers New Airbnb Regulations

By Jenni White

New Orleans lawmakers are considering a new ordinance targeting Airbnb, a peer-to-peer economy company connecting tourists seeking short-term housing and hosts who provide places to stay.

In April, the New Orleans Community Development Committee, a city government committee tasked with reviewing city housing laws, recommended a new ordinance that would allow taxpayers to participate in short-term home-sharing under a framework of regulations and tax rules.

Short-term housing services such as Airbnb are currently illegal in the city, but existing restrictions on housing arrangements are rarely enforced by the government.

Questions Enforceability

Kevin Kane, president of the Pelican Institute for Public Policy, says lawmakers should focus on government’s core functions instead of trying to crack down on innovative businesses.

“It is hard to imagine the city will ever be able to effectively enforce regulations and taxes on Airbnb participants,” Kane said. “The city struggles to provide and regulate some very basic services. It seems unlikely it can keep a lid on something like the vacation rental business.

“While there may be some reasonable role for the city to play in supervising the vacation rental market, the fact is that people want to stay in authentic New Orleans properties when visiting the city, and online marketplaces like Airbnb provide a valuable and necessary service,” Kane said. “An aggressive approach to taxing and regulating such a vibrant market is likely to fail.”

Spurring Urban Revitalization

Kane says taking a hands-off approach toward peer-to-peer economy housing services will encourage homeowners to improve their neighborhoods, because it ties curb appeal to homeowners’ bottom lines.

“New Orleans has thousands of dormant properties in need of renovation,” Kane said. “This activity could spur an increase in renovations that would benefit the city as a whole.”

‘Unfair to Tax Them’

John McGinnis, a constitutional law professor at Northwestern University, says governments should not treat Airbnb like commercial hotels.

“It would seem to be unfair to tax them, in my view,” McGinnis said. “I generally agree with the impulse that it’s wrong.”

McGinnis says city lawmakers would better accomplish the goal of improving housing by allowing the short-term housing market to encourage homeowners to make their neighborhoods more beautiful.

“Cities should focus on the real quality of life,” McGinnis said. “That’s better than prohibiting the rentals. Allowing the rentals will give the owners incentives to fix up the properties.”

Pennsylvania Gov. Wolf Signs Bill Raising Hotel Tax Cap

By Danedri Herbert

Pennsylvania Gov. Tom Wolf (D) approved a bill allowing counties to increase hotel tax rates beyond the current 3 percent cap.

County governments can now tax up to 5 percent of the cost of hotel rooms.

Hotel occupancy taxes are excise taxes added to the cost of renting a room or space in a hotel.

Government tourism agency officials in York County, one of the governments expecting to benefit from the tax hike, which was signed into law in April, expect to receive more than $1 million a year in additional revenue, which county officials say will be used to subsidize government-sponsored tourism programs.

‘Taxing Tourists’

Bob Dick, a policy analyst with the Commonwealth Foundation, says using taxpayer money to promote private businesses may sound good in theory, but it doesn’t work in practice.

“Taxes and fees can be used to subsidize government-sponsored tourism programs. ‘Better Alternative’ Suggested

Dick says using economic reforms to make it more attractive to do business in the state is more effective than creating taxpayer-funded handouts.

“Improving the business climate is a better alternative than raising taxes,” Dick said. “York County needs to create and sustain a thriving restaurant and entertainment industry to attract tourists. The best way to accomplish this is by removing undue burdens on entrepreneurs capable of making York County a great place to visit.

“Ultimately, the job of promoting York businesses and venues should be left to the private sector,” Dick said. “Hotel employees and tourists should not have to bear the burden of funding government promotion efforts.”

‘Almost Crony Capitalism’

Clark Packard, a government affairs manager at the National Taxpayers Union, says tourism taxes are an example of government playing favorites with businesses.

“It essentially boils down to almost crony capitalism,” Packard said. “By and large, this kind of legislation is not successful. It’s almost a Field of Dreams idea that, ‘If you build it, they will come.’ “The interesting thing is the way most businesses and organizations work, they meet demand. They don’t create supply to hopefully create some demand that may or may not exist.”

Danedri Herbert (danedri.herbert@gmail.com) writes from Oklahoma City, Oklahoma.
Newark, New Jersey Cabbies Uber-Mad Over Uber Deal

By Jenni White

Newark, New Jersey taxi companies are protesting a deal reached between city lawmakers and Uber, a popular transportation network company connecting drivers and riders.

City lawmakers have been fighting the peer-to-peer economy transportation company for months, seeking to force Uber drivers to pay an annual $500 licensing fee and an additional $1,000 fee to do business at the city’s airport. Taxi companies, by comparison, pay $300 in license fees and are not required to pay additional fees to pick up customers at the airport.

In exchange for being allowed to do business in the city, Uber will under a new agreement pay $1 million per year for the next 10 years.

On April 20, taxi drivers rallied outside the entrance of city hall, protesting the deal and yelling “corruption” as Newark Mayor Ras Baraka was seen exiting the building.

Keeping People Out of Work

Manhattan Institute Fellow Jared Meyer says a proposed ordinance, which the city council scrapped in favor of the compromise, would have erected massive barriers to employment for low-income earners.

“We might charge $1,000 here and $500 there may not seem like a lot, for a single mother who wants to drive while her young children are in school or for a college student who needs to drive in between classes to pay rent, every additional dollar counts,” Meyer said.

“Charging these companies a massive fee and demanding they jump through hoops won’t help New Jersey consumers looking for an affordable ride, but it will hamper many would-be rideshare operators from finding employment,” Jadynak said.

Stopping Competition

Erica Jadynak, state director for the New Jersey chapter of Americans for Prosperity, says taxi companies should market themselves to consumers instead of lawmakers.

“If taxis wanted to improve their product, demand that Trenton get off their backs and beat ridesharing into the ground by providing a better service to commuters,” said Jadynak.

“We would cheer them on. What’s unacceptable is one business using government to stop another business from providing a better service to consumers.”

Jadynak says adding new regulations will discourage people from joining the peer-to-peer economy revolution.

“Charging these companies a massive fee and demanding they jump through hoops won’t help New Jersey consumers looking for an affordable ride, but it will hamper many would-be rideshare operators from finding employment,” Jadynak said.

Jared Meyer, fellow, Manhattan Institute

“One of the main benefits of ridesharing is that people can join relatively quickly and at a fairly low cost. Because of these low barriers to entry, many people choose to drive part-time instead of making a profession out of it, but raising barriers to entry through additional licensing fees would make working part-time too costly for many workers.”

Princeton’s Estate Faces Major Taxes

Continued from page 1

as the “death tax,” is the only wealth tax levied by the federal government. Estate taxes are charged to individuals inheriting money, on top of taxes already collected on that money during the original earner’s life.

‘There Would Be Outrage’

Grover Norquist, president of Americans for Tax Reform, says the estate tax involves the government effectively stealing from the dead.

“If it was reported on television that thugs had broken into Prince’s house and stolen 56 percent of his stuff, there would be outrage,” Norquist said. “They would be demanding that the police went after these people, and [they would] be saying, ‘How could anyone possibly do this? The guy just died, and some criminals come and take 56 percent of his property?’

“Well, the government of Minnesota is going to take 16 percent, and the federal government is going to take 40 percent, and people act as if nothing happened,” Norquist said. “It’s an outrage. It should not happen; not to Prince, not to farmers, not to small businessmen and businesswomen.”

‘Offensive and Invasive’ Process

Pat Soldono, founder of the Policy and Taxation Group, an advocacy organization calling for repeal of the death tax, says federal and state tax policies place a huge additional burden on families at an already trying time.

“What is happening to him, what happened to Michael Jackson, and what happens to anyone who has a sizable estate or assets is that everything is being valued: every piece of furniture, every piece of clothing,” Soldono said. “It’s a pretty offensive and invasive process that the IRS goes for and that the family or heirs are required to do within nine months of the date of death.”

Impact on Farmers

Soldono says the death tax can destroy farms and other small businesses.

“The families it really hurts are the families who can’t afford it,” Soldono said. “They might … have an illiquid farm with farming equipment and crops. Trying to come up with a 40 percent payment, in cash, to pay that tax nine months after date of death is a pretty difficult thing for family businesses and farms.”

INTERNET INFO

Scott Wallsten, “The Competitive Effects of the Sharing Economy: How is Uber Changing Taxis?”

Technology Policy Institute, June 1, 2015: https://www.heartland.org/policy-documents/competitive-effects-sharing-economy-how-uber-changing-taxis/

Elizabeth BeShears (liz.erob@gmail.com) writes from Trussville, Alabama.
Missouri Judge Overturns Policing for Profit Reforms

By Danedri Herbert

A Missouri county judge overturned a state law passed in 2015 placing restrictions on the proportion of revenue city and county governments can collect from traffic enforcement and capping the total amount of fines and penalties charged to taxpayers for traffic violations.

In April, Cole County Circuit Judge Jon Beetem ruled in favor of several city governments in St. Louis County suing the state. Lawyers representing the city governments argued the legislation unfairly targeted their cities with more restrictions than other cities.

The law, which went into effect in August 2015, also included consequences for local governments refusing to comply with the reform measures. The state government is appealing the Cole County decision.

Capping Traffic Fine Revenue

Rachel Payton, deputy director of the Missouri chapter of Americans for Prosperity, says a Missouri law already restricts policing for profit, but enforcement of the law, called the Macks Creek Law, has been sporadic.

In 1995, law enforcement officers in Macks Creek, Missouri ticketed a state lawmaker, inspiring him to sponsor legislation capping the proportion of revenue that can come from traffic fines. Every dollar exceeding the 30 percent “Macks Creek Law” cap is transferred to the state to help pay for education expenses.

“Missouri has … the Macks Creek Law,” Payton said. “This little town down by the Lake of the Ozarks literally got 90 percent of its revenue from ticketing people.”

Payton says using police as tax collectors endangers public safety.

“Police [now] aren’t in the position of law enforcement or making sure there’s peace on the street. They’re revenue generators. They have to go out and make money for the city, and that’s a really difficult position to be in.”

RACHEL PAYTON, DEPUTY DIRECTOR
AMERICANS FOR PROSPERITY-MISSOURI

Missouri Lawmakers Halt Constitutional Reform Effort

By Michael Bates

After lawmakers in Missouri’s House of Representatives overwhelmingly approved a resolution calling for a national convention to consider an amendment to the U.S. Constitution, lawmakers in the state’s Senate halted the effort by withdrawing consideration of the resolution.

Seven states have officially called on Congress to convene a convention to draft an amendment proposed by the Convention of States, a project backed by Citizens for Self-Governance, a nonprofit organization advocating for the restoration of state and local authority across the United States.

If approved by 27 more state legislatures, the resolution would require Congress to call a national convention of the states, and the states would then take over control of the amendment process, including the drafting and enactment of an amendment that would require a federal balanced budget, imposition of term limits on members of Congress, and creation of reforms reducing federal regulations.

Valves of Power

State Rep. Eric Burlison (R-Springfield), the Missouri resolution’s sponsor in the House, says the Constitution provides two ways to change the balance of power between states and the federal government.

“If you turn one valve, the first part of Article V, that’s for Congress to use if they decide they need to gain more power and authority, and then the states have to approve it,” Burlison said.

“The second valve is for the states to use if they feel the federal government has become too powerful. The states have the second part of Article V to use, in order to rein in the federal government.”

‘Familiar’ Process

Burlison says fears of a “runaway convention,” in which delegates would offer additional, unrelated amendments to the U.S. Constitution, are unrealistic.

“When the governor calls a special session, there are many times that a lawmaker will try to file bills that are not germane to the governor’s call, and therefore we can’t take up those subjects,” Burlison said.

“Every lawmaker is familiar with that process, and that’s exactly what would happen in an Article V convention.”

Keith Carmichael, the Missouri state director for Convention of States, says people should not fear constitutional reform. “No one is suggesting today that this president needs another term or that 18-year-olds shouldn’t vote,” Carmichael said. “No one is suggesting that women shouldn’t vote. When we look historically, amendments are followed very closely because of the political will that’s required to ratify them.”

‘State-Led Process’

Carmichael says the Constitution’s writers intended for states to use Article V to rein in the federal government’s excesses.

“Those who oppose Article V today are opposing the very state-led process that our framers not only inserted into the Constitution, but—after it was taken out in a committee—they put it back in, unanimously,” Carmichael said.

When the governor calls a special session, there are many times that a lawmaker will try to file bills that are not germane to the governor’s call, and therefore we can’t take up those subjects. Every lawmaker is familiar with that process, and that’s exactly what would happen in an Article V convention.”

ERIC BURLISON
STATE REPRESENTATIVE
SPRINGFIELD, MISSOURI

Danedri Herbert (danedri.herbert@gmail.com) writes from Kansas City, Kansas.
California Lawmaker’s Soda Tax Proposal Goes ‘Pop’

By Andy Torbett

A California lawmaker withdrew a proposed bill to tax soda and other beverages containing sugar prior to the bill’s first hearing, which was scheduled before the California State Assembly’s Committee on Health.

If passed into law, Assembly Bill 2782, sponsored by state Assemblyman Richard Bloom (D-Santa Monica), would have added 2 cents per fluid ounce to the price of bottled juice and soda drinks sold in the state.

According to media reports, Bloom withdrew the bill in April because too few Assembly lawmakers supported the proposal.

Taxes and Morality

Joe Carter, a senior editor with the Acton Institute for the Study of Religion and Liberty, says most Americans oppose using tax policy to influence people’s behavior.

“The public understands, at least intuitively, that the tax isn’t merely about health costs to the state but is intended to make a moral judgment about what people should or shouldn’t consume,” Carter said. “Sin taxes are a form of a sumptuary law, a law that attempts to regulate permitted consumption of particular goods and services.”

Carter says lawmakers have historically used this kind of tax to influence social behavior.

“Throughout history, sumptuary laws have been used to reinforce social hierarchies or class-based discrimination,” Carter said. “Normally this would be done by prohibiting certain social classes from being able to purchase a good, like the sixteenth century French law that banned anyone but princes from wearing velvet. Modern sin taxes try to express the same types of social disapproval, but in more subtle ways.”

Carter says lawmakers should stop trying to restrict voluntary behaviors.

“What lawmakers should do is stop using taxes to control the consumption patterns of citizens,” Carter said. “We should not rely on the state to use its tax code to intervene in discouraging legal types of consumption.”

‘Created a Fiscal Problem’

Craig Eyermann, a research fellow at the Independent Institute, says California is addicted to health-related taxes, and the prognosis is not good.

“As the consumption of tobacco products in the state fell sharply, so did its tobacco tax collections, which created a fiscal problem for the state government because they had other priorities which they were counting on that money to support—most notably the pensions of state government employees,” Eyermann said.

“Elections come and go, legislative leaders rise and fall, but one constant remains in Sacramento: Soda taxes can’t get traction.

“A bill to impose a two-cents-per-ounce tax on sugary beverages was pulled by its author ahead of its scheduled first committee vote on Tuesday, with Assemblyman Richard Bloom (D-Santa Monica) concluding he lacked the votes. Assembly Bill 2782 is likely done for the year, the latest setback for a protracted but largely unsuccessful public health campaign.

“Citing soaring obesity and diabetes rates, public health officials and physicians call the ubiquity of sugary drinks a leading menace to healthy living. Many evoke battles against the tobacco industry in warning that beverage companies are concealing the risk of their product.

“Year after year, that campaign has met defeat in Sacramento. Bills to tax soft drinks have repeatedly failed, as have efforts to label drinks with warnings of health hazards. On the local level, Davis recently rejected a soda tax push. …

“The California Chamber of Commerce also attacked AB 2782 on the grounds that it ‘threatens jobs in the beverage, retail and restaurant industries,’ joining the California Restaurant Association in criticizing the bill.”


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Calif. Taxpayer-Funded Internet Program Doesn’t Provide Internet Access

By Jenni White

Investigations made by a local newspaper found a regional government program in California tasked with the installation and operation of municipal Wi-Fi networks in cities with low-income households between Long Beach and Pasadena failed to provide Wi-Fi access after receiving nearly $500,000 in taxpayer funds from the state’s public utility regulatory agency.

In March 2015, the South Bay Regional Broadband Consortium, part of the state’s Rural and Urban Regional Broadband Consortia, reported 24 taxpayer-funded Wi-Fi internet access “hotspots”—locations with hardware equipment allowing open internet access to anyone wishing to connect—had been installed and activated between 2012 and 2014.

Investigations led by The Los Angeles Times over the past year checked the 24 locations for Wi-Fi availability, including in eight government parks, and found none of the purported hotspots actually worked.

No Need for Intervention

Craig Eyermann, a research fellow with the Independent Institute, says private groups of individuals or businesses can increase Wi-Fi availability more efficiently than taxpayer-funded government initiatives.

“There’s no need for any government intervention or subsidies here,” Eyermann said. “One way to overcome that problem would be for a potential customer to get with one of their friends or neighbors to share the cost of their service. Once again, there is no need for the government to be involved, because the people who really desire the service are able to get it at a cost they find affordable. Everybody agrees to the arrangement, everybody wins, which is something that anyone who ever had a roommate to share living expenses with or went in with a friend to buy something together knows.”

Eyermann says the government should not be providing taxpayer-funded internet and instead should ensure public money is not wasted.

“The only proper role of the government in this situation is to criminally prosecute those who contributed to the waste of the public’s money and trust as they exploited the poor,” Eyermann said.

‘They Think It’s Going to Be Easy’

Steven Titch, a telecommunications policy analyst for The Heartland Institute, which publishes Budget & Tax News, says municipal Wi-Fi programs such as the Rural and Urban Regional Broadband Consortia are often doomed from the start.

“This is what happens when government gets involved in high-tech industries,” Titch said. “Municipal broadband... they think it’s going to be easy, but when the rubber hits the road, they find out it’s not easy and they’re in over their heads. That’s what’s happened here.”

Repeating Past Failures

Titch says lawmakers should stop repeating the mistakes of past taxpayer-funded internet programs.

“I don’t know why this idea persists, because there are really only maybe a handful of systems that have been completed and that are operating,” Titch said.

Jenni White (jlwplusdmw@gmail.com) writes from Oklahoma City, Oklahoma.

INTERNET INFO


Louisiana Lawmakers’ Vote Curdles Hopes for Raw Milk Bill

By Jenni White

Louisiana lawmakers rejected a bill that would have made it legal for consumers to purchase raw milk from farmers, after legislators in one chamber of the General Assembly approved the proposal.

In April, lawmakers in the Louisiana Senate approved Senate Bill 29, sponsored by state Sen. Eric LaFleur (D-Ville Platte), which would have allowed Louisianans to purchase unpasteurized milk from farmers in the state.

In May, the House Committee on Agriculture, Forestry, Aquaculture, and Rural Development rejected the bill.

Promoting Local Farmers

Pete Kennedy, attorney with the Farm to Consumer Legal Defense Fund, a nonprofit organization dedicated to protecting “the rights of farmers and consumers to engage in direct commerce,” says the bill would have helped the state’s farmers by encouraging consumers to buy more locally grown foods.

“I just think raw milk is a local food,” Kennedy said. “It’s kind of the gateway to small-farm prosperity, in a sense. It’s what gets the customer on the farm in the first place, and once there, they tend to buy other things like meat and eggs, for example.”

Kennedy says lawmakers across the nation are becoming more open to getting the government out of the way of voluntary exchanges between farmers and consumers.

“Overall, despite Louisiana right now, the resistance is coming down,” Kennedy said. “Forty-two or 43 states have legal access to raw milk, in one manner or another. States like Louisiana are the minority now, and in time, Louisiana will be part of the majority.”

Moo-ing Government Out of the Way

Baylen Linnekin, an adjunct professor of law at George Mason University, says getting government out of the way would increase consumer safety.

“Allowing farmers to sell milk directly to consumers is a great idea. Legal, regulated sales are far safer than ones that are made on the black market.”

BAYLEN LINNEKIN
GEORGE MASON UNIVERSITY

‘Just Another Food’

Linnekin says people should be allowed to choose what kinds of foods they eat.

“It’s just another food,” Linnekin said. “I mean, as with any fight over food choices, it comes down to freedom of choice. People have a right to make their own food choices. That’s the very essence of food freedom. It doesn’t make that food any better or worse than other foods, whether it is raw milk or soda or foie gras or Egg Beaters. People have a right to make their own food choices.”

Jenni White (jlwplusdmw@gmail.com) writes from Oklahoma City, Oklahoma.
Book Offers Common-Sense Solutions for the Nation’s Complex Problems

By Jay Lehr

Reviving America: How Repealing Obamacare, Replacing the Tax Code and Reforming the Fed will Restore Hope and Prosperity, written by Steve Forbes and Elizabeth Ames, concentrates on three major problems facing the nation and offers three ways these issues can be addressed using free-market solutions.

The authors argue that if the United States were to adopt free-market health care reforms, a flat national tax, and a return to the gold standard—the system by which the value of a currency is defined in terms of fixed quantities of gold—the country would return to its historical status as a growing, stable economic powerhouse.

The book can arouse a sense of frustration, because as one realizes how sure and simple the solutions to our problems are, it becomes clear the primary reason for poor policymaking by U.S. lawmakers is tied to their constant pandering to myriad special interests.

The Doctor Is In
For example, the Affordable Care Act (ACA) was sold to voters as the answer to the ailments of the nation’s health care system. In practice, ACA fixed nothing and made matters worse. ACA-created or ACA-mandated third-party payer systems and the significant volume of related government rules and regulations have distorted the delivery of health care and driven costs ever-higher, Forbes and Ames write.

Forbes and Ames describe a health care facility in San Diego that answers to 39 government agencies and seven nongovernmental bodies, as well as being responsible for filing 65 separate reports on a regular basis. As the authors explain, any business subject to these burdensome rules would struggle to operate efficiently.

In contrast to the increasingly expensive hospital system in which insurance companies operate, the cost to consumers for procedures not covered by insurance plans, such as Lasik eye surgery and cosmetic plastic surgery, has tumbled because of free-market competition.

The creation of a consumer-driven health care market with price transparency, tax deductions for health care expenses, and the expansion of health savings accounts would right the nation’s sinking health care industry, saving consumers from drowning in a sea of red tape and government control.

A Taxing Issue
The authors’ explanation of the flat tax is so simple and captivating one will wonder why it was never adopted. The current system, they write, is such a bureaucratic monstrosity it is dragging down the U.S. economy and preventing Americans from improving their lot in life.

Instead of being neutral toward taxpayers, the current system is stacked in favor of those who can afford tax lawyers to navigate the system or lobbyists tasked with winning carve-outs for their pet causes, the authors note. A flat tax, by contrast, could be implemented in such a way that citizens would be able to fill out their tax paperwork on a postcard, and the agency responsible for processing that paperwork—currently the Internal Revenue Service—could be replaced by a smaller agency with less political power.

This idea is far from a pipedream. Readers may be amazed to learn 40 nations—including Hong Kong, Lithuania, Romania, and Russia—have adopted this tax system to help revive their stagnant economies, and many other countries formerly weighed down by government oppression have used the flat tax to become players in the global economy.

Money Manipulation
Despite the other sections’ great value, the most important part of Reviving America is the authors’ explanation of the Federal Reserve’s failings and why returning to the gold standard is necessary for stabilizing the country’s money supply.

By facilitating commerce, money allows society to achieve and advance, the authors explain. By buying and selling, people are able to meet each other’s needs, and money makes the transactions simpler and more efficient than traditional barter systems. When money is irresponsibly manipulated by the government, as it is now, the entire economy is at risk.

The authors say the current economic disarray in which Americans find themselves today has been caused by the dollar’s wild fluctuations, which began when President Richard Nixon (R) took the nation’s currency off of the gold standard in 1971. Since its creation in 1913, the Fed has become a Soviet-style, centrally planned bureaucracy that tries to control the direction of the economy by raising and lowering interest rates and adjusting other economic knobs.

Forbes and Ames explain the effects the Fed has on the economic universe, by suggesting the reader consider what life would be like if other measures of reality—such as the minute, the pound, or the gallon—varied from day to day in the same way the dollar does. The absurdity of such a situation demonstrates the need for the nation to return to a monetary system based on a reliable, constant dollar.

Instead of continually rejiggering the flow of money to meet the Fed’s goals, Forbes and Ames explain, the Federal Reserve System was intended to be a source of emergency liquidity for the private sector’s banking system. It was meant to be used in times of last resort. The authors suggest the nation would benefit greatly if the Fed were returned to that mission and the dollar were stabilized by tying it to gold.

At a brief 224 pages, Reviving America is an entertaining and educational primer on the causes of the country’s economic maladies. The authors offer readers many simple solutions to those far-reaching problems that are worth careful consideration.

Jay Lehr, Ph.D. (jlehr@heartland.org) is science director of The Heartland Institute.
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At each of these events we will look to the future and explore emerging issues in state public policy in the areas of energy, the economy, education, health care, and more.

The Emerging Issues Forum brings together elected officials, policy analysts, and government affairs professionals from across the country. You will hear from leading free-market experts as we explore innovative solutions to the top public policy issues that will face the states in 2017 and beyond. This year we’ve added workshops with tips and advice for more effective messaging through social media and other outlets.

Admission is free for elected officials and their staff. Tickets for others to attend are $100. The Heartland Institute also offers free accommodations at the host hotel and a limited number of $350 travel scholarships for members of its Legislative Forum.

To reserve your place at this event or learn more about how you can join the Legislative Forum, contact Lindsey Stroud, Heartland’s government relations coordinator, at 312/377-4000 or email lstroud@heartland.org. You can also register for the event online at eif.heartland.org.

Sponsorship opportunities are also available.

The Heartland Institute is a 32-year-old national nonprofit organization based in Arlington Heights, Illinois. Its mission is to discover, develop, and promote free-market solutions to social and economic problems. For more information, visit our website at www.heartland.org or call 312/377-4000.
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