Wisconsin Supreme Court Shuts Down ‘John Doe’ Probe

By Ashley Herzog

The Wisconsin Supreme Court ordered Milwaukee County District Attorney John Chisholm to end his office’s aggressive “John Doe” investigation into political advocacy groups, calling the series of probes “unsupported in either reason or law” and a “fishing expedition into the lives, work, and thoughts of countless citizens.”

Beginning in 2012, Chisholm and other prosecutors began seeking evidence of illegal political coordination between Wisconsin conservative organizations and Gov. Scott Walker (R). State law enforcement agencies raided individuals’ homes and private workplaces, seizing computers, personal financial records, and property.

Scott Walker
Governor - Wisconsin

Sen. Rand Paul Sues IRS Over FATCA

By Amelia Hamilton

United States Sen. Rand Paul (R-KY) is suing the Internal Revenue Service and the Department of the Treasury over the constitutionality of the Foreign Account Tax Compliance Act (FATCA).

Paul and six other plaintiffs argue the Department of the Treasury is using FATCA to bypass the legislative branch of government’s exclusive authority to approve treaties with foreign nations.

Rand Paul
U.S. Senator - Tennessee
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St. Louis Stadium Bill Sacks Taxpayers

By Michael Bates

More than $5 million in taxpayer money has already been spent on the preliminary planning stages of constructing a replacement National Football League (NFL) stadium for the St. Louis Rams.

The team’s owners have threatened to leave St. Louis and move the team to Los Angeles, California if the city does not spend $1 billion in taxpayer funds to completely replace the Edward-Jones Dome, which received taxpayer-funded renovations and upgrades in 2010.

‘Yet More Tax Revenue’

Joseph Miller, a policy analyst for the Show-Me Institute, says Missouri taxpayers are still paying for the Rams’ current stadium, and they’re nowhere near recouping their investment.

“The state, St. Louis, and St. Louis County pay a combined $24 million a year on stadium bond payments, which have not yet been completed,” Miller said. “Furthermore, these entities are responsible for regular upkeep of the stadium, which in the case of the city requires yet more tax revenue.”

Luxury Goods

Miller says subsidizing construction for the Rams, a team whose last winning NFL season was in 2003, is not a good investment of taxpayer money.

“Most St. Louis residents cannot afford to attend, much less regularly attend, a pro football game,” Miller said. “A cost index for a family of four going to a Rams game was about $427, with amenities. It is a luxury good for those who can afford it, and certainly not a public good that the city needs to spend money on.”

‘Reverse Robin Hood’

Dennis Coates, an economics professor at the University of Maryland-Baltimore County, says although team owners often threaten to relocate during stadium subsidy negotiations, they rarely carry out their threats.

“The people of Minnesota know all too well how this threat has played out,” Coates said. “The owner of the Vikings made a great show of going to Los Angeles. He checked out possible stadium venues, [met] with various and sundry Los Angeles movers-and-shakers interested in attracting a team, and ended up staying in Minnesota.”

Coates says stadium subsidies transfer taxpayers’ money to team owners and professional athletes, calling it a “reverse Robin Hood effect.”

“Note that owners have seen franchise values rise dramatically, as have player salaries,” Coates said. “Even a minimum-salary player makes a good deal more than the average income for a year, so one could argue that part of the ‘reverse Robin Hood’ is actually from relatively poor fans to relatively highly paid players and extremely wealthy owners.”

Michael Bates (blog@batesline.com) writes from Tulsa, Oklahoma.

Glendale, Arizona Cancels Sports Subsidy Contract

By Elizabeth BeShears

The City of Glendale, Arizona is canceling the city’s subsidization of the Arizona Coyotes National Hockey League team, ending an agreement to transfer $225 million in taxpayer funds to the sports team’s owners over 15 years.

Kurt Altman, director of national affairs and special counsel for the Goldwater Institute, an Arizona-based think tank, says the contract between Glendale and the Coyotes was always a bad deal for taxpayers.

“Glendale was paying the ownership of the Coyotes, a private enterprise, $15 million a year to have the Coyotes in the city and ‘manage’ the arena,” Altman said. “They were supposed to bring concerts in, and whatever else the arena was used for besides hockey. A comparable management contract otherwise would only be for about $5 million.

“The deal was that the ownership group would give Glendale a share of revenues from parking and the naming of the arena—which they estimated would be $2 million and ended up being only $250,000—to make up the $10 million difference,” Altman said.

“Fast-forward a couple years, and they’ve been short $10 million a year, and the Coyotes are losing about $30 million annually,” Altman said. “It’s not even close.”

Altman says the team’s owners were the only winners in the original deal.

“It’s not a losing proposition for the ownership group,” Altman said. “These guys are private entities that are basically taking subsidies from ... tax dollars and walking away with them. It was a riskless proposition for that ownership group. They had nothing to lose, but the taxpayers do.”

Marc Edelman, an associate professor of law at Baruch College’s Zicklin School of Business, says sports teams hold taxpayers hostage during negotiations.

“The way that sports leagues operate in the United States puts an incredible amount of pressure on local municipalities to fund stadiums, even where in a free market they otherwise wouldn’t,” Edelman said.

“Each of the four premier professional sports leagues operates as a monopoly, meaning that if a city wants to have a professional sports team on the highest level of a given sport they will either have to recruit one of the existing teams to come to their market or convince the league overall to expand,” Edelman said. “They cannot just create their own team and compete in that league.

“As a result, it creates a situation where there is incredibly high demand for professional sports teams and very low supply,” Edelman said. “In this type of situation, sports teams and leagues are able to extract humungous subsidies from municipalities by threatening that if the municipality is not able to pay their demands, the team will play elsewhere.”

Elizabeth BeShears (eb@yellowhammernews.com) writes from Trussville, Alabama.

INTERNET INFO

Road User Fee Based on Mileage Goes for a Test Drive in Oregon

By Jeff Reynolds

The State of Oregon is testing mileage-based user fees to pay for state road infrastructure construction and repairs, replacing the state’s gas tax with a “user pays” system.

The experimental program is the first of its kind in the nation, directly tying how much a taxpayer uses a toll road to how much is paid.

Experimental Idea

Adrian Moore, vice president of the Reason Foundation, says state-level experiments with gas-tax alternatives should be encouraged.

“This is an idea that is still in the trials and pilot project phase,” Moore said. “We don’t fully know if it will work. Things that need to be worked out are ensuring privacy and keeping costs down. If large-scale trials go as well as the small-scale ones have, this should be a big improvement over gas taxes.”

Moore says Oregon’s experiment protects consumer privacy.

“Existing mileage-based user fee systems are predicated on a number of approaches to protecting privacy,” Moore said. “Most important is consumer choice. No one is required to have a tracking device. You may choose a non-tech option like odometer reading or paying a flat fee.

“Even if you choose a technology option, you can choose one in which only your computer knows where you have been, and only information about what you owe in payment is sent outside,” Moore said.

“At the same time, there are additional protections,” Moore said. “In Oregon, the state passed new laws governing the use of data from mileage charges and limiting how long it is kept and how it is used. They have private companies managing all of the technology options, not the state, so it is a private firm that has the data. You have contractual protections, just like you do with your phone, and recourse to the law if your privacy is violated.”

‘The Only Known Solution’

John Charles, president of the Cascade Policy Institute, says mileage-based user fees use free-market ideas to help solve traffic congestion.

“I think a bigger concern is traffic congestion in a few places, mostly in Portland, and the only known solution to that is congestion pricing,” Charles said.

He says the current gas tax system allows electric-vehicle drivers to avoid paying for using roads.

“It’s certainly true that a realistic road user charge would raise the cost of driving for people with electric vehicles or some hybrids, but that’s only because they are underpaying,” Charles said.

“The fuel you use has nothing to do with road maintenance or your economic demand for expanded roads. If those people don’t pay their fair share, then everyone else will have to make up the difference.”

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

Sen. Rand Paul Sues IRS Over Overseas Banking Tax Program

Continued from page 1

Andrew Kloster, a legal fellow with The Heritage Foundation, says FATCA affects all Americans, regardless of whether they invest money overseas.

“FATCA represents another attempt by [the Obama] administration to raise revenue through sort of sneaky ways and to attempt to extend the regulatory reach of the IRS ... globally,” Kloster said.

“So, it’s really just a part of a pattern of how this administration has been handling wealth in general.”

Extending American Policies Overseas

Kloster says FATCA improperly oversteps American tax policy into other countries.

“Switzerland and some other countries have been put over a barrel and have started complying with it,” Kloster said. “That’s not because we have anything on them, because we can’t really sue them. It’s not because we have any treaty or international law obligations here, but it’s just because they know the United States is a big player and [our government] can cause a lot of problems with them [using] the laws that are already on the books.”

‘It’s Just Awful’

Veronique de Rugy, a senior research fellow of the Mercatus Center at George Mason University, says FATCA is “just awful.”

She continued, “[Under] the new treaties with the United States, some 100,000 foreign financial institutions in more than 100 countries must report to the Treasury on the accounts of any so-called U.S. person or U.S. citizen, [as well as] anyone with an immigrant card or work permit. This is a clear, credible violation of financial privacy.”

De Rugy says Paul’s constitutional challenge to FATCA should be encouraged.

“I think he’s right to do this,” de Rugy said. “I think it’s just one more attempt by the U.S. government, supported by a lot of international organizations, to destroy financial privacy around the world.”

A Privacy FATCA-tastrophe

“Everyone should care about financial privacy, [even though] this may not affect a majority of people,” de Rugy said. “[It’s another] sign of the lack of respect from our government for financial privacy. It’s not OK because it affects other people. Either you believe in financial privacy, or you don’t.”

Amelia Hamilton (mail@ameliahamilton.com) writes from Traverse City, Michigan.

INTERNET INFO


INTERNET INFO

Obama Proposes Privatizing TVA

By Elizabeth BeShears

As part of his 2016 budget proposal, President Barack Obama is proposing to study privatizing or devolving the operation of the Tennessee Valley Authority (TVA).

TVA is a government-owned electricity production and public works corporation created in 1933 as part of President Franklin Roosevelt’s “New Deal” reforms.

‘A Staid, Federal Ownership’

Bill Newman, a former executive of a similar government monopoly turned private corporation, the Consolidated Rail Corporation, says other presidents have proposed returning the TVA’s functions to the private sector.

“This isn’t the first time the sale of TVA has been proposed,” Newman said. “When Conrail was privatized in 1987, Reagan reportedly thought about it then.”

Newman says there are several options for getting the federal government out of the electric power business. “They could sell it into the private market, they could sell it to another state, [or] they could have the employees own it,” Newman said. “I think, at that point, you begin to see the combination of the market and the imagination and the creativity take over what has been a staid, federal ownership.”

Fighting Progress

Newman says TVA’s history of mismanagement complicates any return to the private sector. “The bottom line [is TVA] keeps very little of the revenue that it raises, it has a pension plan that is underfunded, and it has a workforce that is bloated compared to other utilities,” Newman said. “It is this way because it is a monopoly.”

[TVA’s] management is dead-set against this, and every which way they can, they try to stop discussion about it,” Newman said.

‘A Socialist Joke Gone Bad’

Ken Glozer, a former White House Office of Management and Budget analyst who oversaw the dismantling of several former government-owned companies during his tenure—including Conrail—says TVA is “a socialist joke gone bad.”

“When should the people of Tennessee live off the federal taxpayers?” Glozer asked. “That should end. It should be sold off for whatever you can get for it, and the people of Tennessee [should be allowed to] buy their power ... from private sector, federal-taxpaying companies.”

Glozer says the era of New Deal public works programs such as TVA is nearing its end. “In 2015, why is the federal government in the electricity business at all?” Glozer said. “The technology is developed. It’s something that [should be a] private-sector function.”

“It’s so overhead-laden and pension-burdened that [its] power now costs more than [that of] every other surrounding investor-owned utility that pays federal income taxes and doesn’t get a dime of subsidy,” Glozer said. “If this were in the private sector, people would be locked up for what’s going on.”

Elizabeth BeShears (etb@yellowhammernews.com) writes from Trussville, Alabama.
House Transportation Chairman Proposes Privatization of Air Traffic Control

By D. Brady Nelson

The chairman of the U.S. House of Representatives’ Transportation and Infrastructure Committee is introducing a bill that would privatize air traffic control at the nation’s airports, separating the Federal Aviation Administration’s (FAA) traffic control responsibilities from its role as a regulatory agency.

Rep. Bill Shuster (R-TN) is planning to file a bill spinning off FAA’s operational arm, the Air Traffic Organization, into an independent nonprofit corporation overseen by a board of directors representing airlines, private plane owners, and organized labor associations.

‘Regulators,’ Not ‘Service Providers’

Marc Scribner, a transportation policy research fellow with the Competitive Enterprise Institute, says reforms of the nation’s air traffic control (ATC) system are long overdue.

“The United States is now poised to finally reform air traffic control in a manner similar to what most of the industrialized world has done over the past three decades,” Scribner said. “As they discovered, aviation safety regulators make for poor air navigation service providers.”

ATC systems in Australia, Canada, Germany, New Zealand, and the United Kingdom are either partially or fully privatized.

Scribner says the current system has held back innovations in the industry, such as the Next Generation Air Transportation System (NextGen), a satellite-based air transportation routing system.

“The outdated FAA institutional framework is largely responsible for the ongoing failed rollout of NextGen,” Scribner said. “Moving toward an independent nonprofit model, much like Nav Canada, will enable U.S. aviation to finally inch into the twenty-first century.”

International Potential

Kristian Niemietz, a senior research fellow at the London-based Institute of Economic Affairs, says ATC privatization could catch on in other countries if it proves successful in the United States.

“The privatization of air traffic control, perhaps along the lines of a utility industry, is an idea which, at the very least, deserves serious consideration,” Niemietz said. “In fact, the idea would be even more relevant for the European context than for the United States.

“Interestingly, while the European Union shows centralizing and harmonizing ambitions in areas where individual countries and regions … are perfectly able to manage their own affairs, the management of European airspace, one of the few areas where international coordination really would deliver substantial benefits, remains heavily fragmented,” Niemietz said.

D. Brady Nelson (d.brady.nelson@me.com) writes from Washington, DC.

Berkeley Soda Tax Gives Government Revenue a Sugar High

By Jeff Reynolds

Residents of Berkeley, California are paying more for all sorts of items as a 1-cent-per-ounce sin tax on soda and other sweetened beverages took effect on March 1.

Voters approved the tax in November.

Instead of passing the tax along to consumers as a price increase, local retailers are offsetting the added cost by raising prices on other products, an unintended consequence of the sin tax.

The effects of the tax on consumer purchasing decisions are negated by the fact it’s not being passed along directly to consumers, says William Shughart II, an economics professor at Utah State University and policy advisor for the Independent Institute.

“It looks like the revenue projections are on track, but it’s all being paid by retailers,” Shughart said. “Retail sales of soft drinks, which you can buy pretty much anywhere, is a pretty darned competitive industry. Sellers find it very difficult to pass on any of the tax to the consumers in the form of a higher price.”

‘Kind of a Smokescreen’

Shughart says sin taxes are a sweet deal for boosting government revenue and little else.

“It’s kind of a smokescreen,” Shughart said. “Supporters of these kinds of taxes say they’re going to cure Type II diabetes or prevent tooth decay, but they aren’t doing that. They’re using those arguments as smoke screens for sin taxes ... to generate revenue.”

Consumer Responses

Julian Moore, vice president of research at the Reason Foundation, says Berkeley’s use of tax policy to improve public health is unlikely to succeed even if the tax could be passed on to consumers directly.

“It seems likely that this is a result of two different responses,” Moore said. “First, some consumers continue to consume the same amount of the same brand of sugary beverage because they are loyal to that brand and are willing to pay a little more. Second, some consumers switch to a lower-price brand while continuing to consume the same amount.”

Substituting for Sugar

Moore says consumers respond to sin taxes by replacing discouraged drinks or snacks with other sugary treats.

“It is not clear that such taxes are actually a good thing even from a health perspective,” Moore said. “The Danish tax on fat almost certainly reduced demand for Danish butter, but Danes substituted other caloric foods, including foods produced in neighboring countries, so it didn’t have much impact on rates of obesity.

“The same is likely to happen with taxes on sugary beverages,” Moore said. “Consumers are likely to substitute other products that provide them with similar amounts of energy.”

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

Supporters of these kinds of taxes say they’re going to cure Type II diabetes or prevent tooth decay, but they aren’t doing that. They’re using those arguments as smoke screens for sin taxes ... to generate revenue.”

WILLIAM SHUGHART II
UTAH STATE UNIVERSITY

INTERNET INFO

Celebrity residents of East Hampton, New York, a resort town located in the Hamptons region on Long Island, took to social media to announce their displeasure over new taxicab regulations that have forced ridesharing company Uber to cease service in the area.

“I am trying to be a responsible citizen,” East Hampton resident and Bravo talk-show host Andy Cohen posted on Twitter. “I don’t drink & drive. Plz don’t ban my designated driver in EHampton.”

The new regulations, enacted this summer, require all transportation companies or transportation company drivers to maintain a physical office and address within the city’s municipal boundaries.

‘Insulated from Competition’

Jared Meyer, a fellow at the Manhattan Institute for Policy Research, says consumers are the real losers when the taxi industry doesn’t have to compete for consumers.

“Ridesharing companies such as Uber and Lyft continue to inject some much-needed competition into the taxi industry,” Meyer said. “For too long, taxi companies in many cities have been insulated from competition and have functioned as cartels.”

Meyer says government regulation of the taxi industry has led to poorer outcomes for consumers, not better services.

“Their level of customer service has noticeably suffered, which is one reason for the widespread embrace of ridesharing by the public,” Meyer said. “Before state and local lawmakers consider passing laws that would curtail the growth of ridesharing, they need to ask themselves whether it is the public or the established taxi industry that would be protected.”

Fighting the Future

Matthew Mitchell, a senior research fellow with the Mercatus Center, says companies such as Uber and Airbnb are part of the peer-to-peer economy, a revolutionary economic model operating without reliance on government bureaucracies.

“Think of where you live,” Mitchell said. “You’re probably surrounded by thousands of cars that are just lying there idle. So, a huge value added to the sharing economy is that it takes this capital and puts it to work. This is obviously not just cars, but it’s kitchens, tools, airplanes, bedrooms—all kinds of things are now being shared with one another.”

Captured Industries and Regulators

“Because there are these industries where the incumbent firms have managed to wield so much political power over the regulators, consumers have been underserved for a long time.”

‘Permissionless Innovation’

The rise of the peer-to-peer economy is the next step in “permissionless innovation,” says Mitchell.

“Society progresses when entrepreneurs are allowed to innovate without having to ask [governments] for permission, and this is a perfect example of an innovative technology that can serve consumers and producers,” Mitchell said. “Those places that allow permissionless innovation are going to do well. Consumers and producers are going to see value in that.

“Those that don’t, are not going to do so well,” Mitchell said.

Amelia Hamilton (mail@ameliahamilton.com) writes from Traverse City, Michigan.
Federal Tech Spending Is Inefficient, Wasteful

By Jessica Cross

The federal government’s annual expenditure of more than $80 billion for information technology is plagued by rampant waste and inefficiency, according to a June report by the Government Accountability Office (GAO).

Despite widespread inefficiencies in tech spending, President Barack Obama’s 2016 budget, released in February, calls for a $2.3 billion increase in spending on hardware and software, up to $86.4 billion.

According to the GAO report, federal spending on obsolete technology has also increased over the past six years.

‘Improve and Modernize’

Deborah Collier, director of technology and telecommunications policy at Citizens Against Government Waste, says too many taxpayer dollars are going toward legacy systems that need to be replaced.

“That increases risk, like what we just saw at [the Office of Personnel Management],” Collier said. “[Some of the] data security breach that occurred at the Office of Personnel Management ... was [caused by] running on legacy systems. Obviously we need to improve and modernize many of these systems.

“We can’t have agencies spending money on failing projects over and over and over again,” said Collier. “These projects need oversight, they need accountability, [and] they need transparency.”

Government agencies lack motivation to encourage efficiency, Collier says.

“If the federal government operated more like a business and needed to worry about the bottom line, I’m sure agencies would be operating a lot differently,” Collier said.

Failing Without Consequences

David Williams, president of the Taxpayers Protection Alliance, agrees the government lacks incentives to do things right, which leads to lower quality of service at higher cost to taxpayers.

“There don’t seem to be any incentives for people to do their jobs ... quickly [or] correctly, because the government is an entity that embraces paperwork,” Williams said.

“[The government] embraces layers of management, but [it doesn’t] embrace accomplishment and getting things done,” Williams said. “I think the problem is that there are no incentives for the agencies to get these problems fixed.”

‘A Bunch of Keystone Cops’

Williams says taxpayers are frustrated with the government’s failure to serve the people efficiently.

“Taxpayers don’t understand why the private sector can build software, advanced smartphones, and do things like that, but the federal government can’t do simple accounting software,” Williams said. “I think that’s the frustration; people see it in the private sector being done every day. They see the unleashing [of] the power of technology, and ... federal government [bureaucrats] acting like they’re a bunch of Keystone Cops when it comes to trying to figure out how to build one simple website.’

Jessica Cross (jacross.sc@gmail.com) writes from Cayce, South Carolina.

Wisconsin Supreme Court Shuts Down ‘John Doe’ Probe

Continued from page 1

Eric O’Keefe, director of the Wisconsin Club for Growth, one of the organizations targeted by Chisholm’s probes, says the criminal investigations were intended to punish people for being involved in the political process.

“The sweeping abuse here is unprecedented in Wisconsin,” O’Keefe said. “In the first phase of this John Doe, often called John Doe I, there was no serious pushback from targets. Several of us took a very different approach when they targeted us, though.

‘[This] is just one instance of a spreading national ailment [that] threatens the republic,” O’Keefe said.

“Authoritarians are using the power of government to destroy their political enemies. By continuing to expose the evils of this particular fight, I hope to send a warning to people across the country.’

‘Speech Regulators’ Control Public

O’Keefe says elected officials use political speech rules, such as the ones he and other “John Doe” victims were accused of breaking, to control the public.

“It may well serve as a case study in why government cannot be trusted to regulate campaign debates,” O’Keefe said. “The [use of] speech regulators inverts the proper relationship of a self-governing people: A self-governing people uses campaigns, policy debates, and elections to regulate the people. If the government regulates who can participate and how they participate in these debates, then who is sovereign?”

‘Designed to Intimidate’

Bradley Smith, a law professor at Capital University and former Federal Election Commission member, says the John Doe probe was “designed to intimidate” the public into silence.

“I don’t know of any case in which the tactics used by the government have been so nasty and designed to intimidate,” Smith said.

Smith says political speech laws such as the ones used in the John Doe investigations are vague by design.

“Virtually anyone who would want to be involved in a campaign also is involved in fighting for or against legislation, or is otherwise trying to shape public opinion on matters of public importance,” Smith said.

“And if they’re meeting, maybe they’re ‘coordinating.’ And if there is no restriction on what type of communications can count as ‘coordinated communications’ that are treated as [campaign] ‘contributions,’ then you’ve got your complaint.’

[jacross.sc@gmail.com] writes from Avon Lake, Ohio.

Positive Precedent

Smith says courts should follow the precedent set by the Wisconsin decision in deciding future cases regarding political speech laws.

“If courts follow Wisconsin, this will be a major victory for free speech,” Smith said.
Permanent Internet Access Tax Freedom ‘Clicks’

By Rudy Takala

The U.S. House of Representatives has approved the Permanent Internet Tax Freedom Act, a bill that would make permanent the current temporary moratorium on state and local taxes on Internet access. The current moratorium, included in a continuing resolution and omnibus spending bill passed late in 2014, expires in October.

The original temporary moratorium on Internet access taxes, the Internet Tax Freedom Act, has been extended four times since being first signed into law by President Bill Clinton in 1998. Andrew Lundeen, director of federal projects at the Tax Foundation, says there are no good reasons to tax Internet access.

“There doesn’t really seem to be a good reason to tax Internet access,” Lundeen said. “Taxes should start with a principle. The reason we have taxes is to fund government services, so a good principle for tax policy is that those who receive a benefit or service from the government should pay for that service.”

Lundeen says Internet access taxes are about increasing government revenues rather than offsetting benefits of government services. “In the case of Internet access, there doesn’t appear to be a specific service that the government needs to pay for through taxes,” Lundeen said.

‘Counterproductive’ Taxation

“Allowing the taxation of Internet access could have a negative impact on the Internet economy, and the economy at large,” Lundeen said. “With the Internet economy growing rapidly and the rest of the economy relatively sluggish, taxing Internet access may be counterproductive.”

Katie McAuliffe, executive director for Digital Liberty, a nonprofit organization advocating for a consumer-driven technology and media market, says Internet access taxes will be passed on to consumers, discouraging low-income households from getting online.

“If states were allowed to tax your Internet access, you would see your cable bill go up and your mobile phone bill go up,” McAuliffe said. “It’s a regressive tax.”

McAuliffe says promoting economic opportunity and making it easier to get online go hand in hand.

“If we’re trying to promote innovation, then we probably shouldn’t tax one of the most innovative parts of the economy that we have,” McAuliffe said.

Rudy Takala (rudytakala@yahoo.com) writes from Washington, DC.


By Elizabeth BeShears

U.S. Sen. Rand Paul (KY), a candidate for the 2016 Republican presidential nomination, is proposing to “blow up the tax code and start over,” recording a campaign advertisement in which he uses chainsaws, wood chippers, and fire to “kill” the 70,000-page United States Tax Code.

Paul’s proposal, which features a 14.5 percent flat tax, would also eliminate federal estate and gift taxes, telecommunications taxes, and payroll taxes.

Economic Expansion Predicted

Ross Kaminsky, a senior fellow for The Heartland Institute, which publishes Budget & Tax News, says Paul’s plan would have positive short- and long-term effects for taxpayers and the economy.

“The visible short-term effect of Sen. Paul’s plan would be to lower the amount of tax paid by the vast majority of businesses, entrepreneurs, and individuals,” Kaminsky said. “The long-term effect is what must be foreseen, and it’s what is really important about the plan.

“It’s not just existing businesses that would be impacted,” Kaminsky said. “Simplifying and lowering taxes will cause the creation of new businesses that are being restrained right now by the daunting cost of paying and complying with this tax code.”

‘Bold Plan’

Robert Genetski, founder of the global economic and financial consulting service ClassicalPrinciples.com, says Paul’s proposal is a “bold plan” with huge positive potential.

“It’s a bold plan that has the potential of not just getting us back to where we were historically in terms of real growth and wages, but actually allowing for a catch-up for the opportunities that we missed over the past decade or so,” Genetski said.

Flat taxes allow people to allocate limited resources more efficiently, Genetski says.

“With the very, very high marginal tax rates that we have—relative to what we had some years ago—resources get reallocated away from their most productive uses,” Genetski said. “For example, I spend a great deal of money having a tax accountant go over my very extensive tax forms each year, because I cannot simply comprehend them.”

Elizabeth BeShears (etb@yellowhammernews.com) writes from Trussville, Alabama.

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Unintended Consequences

Villareal says policymakers like using sin taxes to increase revenue, but they often fail to consider the full consequences of their decisions.

“Policymakers tend to assume that taxing vices is an easy way to raise tax revenue, but they often forget about the unintended consequences,” Villarreal said.

Chris Snowdon, director of lifestyle economics at the Institute of Economic Affairs, says sin taxes are often used to pad government revenues instead of being put toward their stated purposes.

“Taxes are rarely ever set aside for their intended purpose, in practice,” Snowdon said. “Drinkers pay more than enough taxes on alcohol to fund world-class rehab services. If that’s what the government wants to spend money on, they should use existing alcohol taxes and let the general taxpayer pay for general services.”

‘Almost Invariably Negative’

Snowdon says sin taxes have a long history of unintended economic consequences.

“The most famous recent example of a tax failing is Denmark’s tax on saturated fat in 2012 and 2013,” Snowdon said. “The economic effects of the fat tax were almost invariably negative. It was blamed for helping inflation rise to 4.7 percent in a year in which real wages fell by 0.8 percent. Many Danes switched to cheaper brands [of foods with saturated fats] or went over the border to Sweden and Germany to do their shopping.”

Rational Reactions

“People respond to [sin taxes] either by crossing borders or, as some [research] work shows, by smoking cigarettes harder with deeper inhalations,” DeCicca said. “In other words, smokers are rational and respond to incentives when they can.

“If the tax difference is high enough and enough people live closely [to another state with lower taxes], as is the case in [Kansas City, Kansas], one could imagine that Kansas will not gain as much revenue as it expected,” DeCicca said. “In general, cigarettes remain fresh for about three months, so a pack-a-day smoker could go and buy 90 packs, or nine cartons, for the price differential minus the cost of driving and how [much the] individual values his or her time. In some states a single trip like this could easily save $100.”

‘Taxpayers Are Not Sheep’

Michael LaFake, director of the Morey Fiscal Policy Initiative at the Mackinac Center for Public Policy, says the outflow of Kansas sin tax revenue was expected.

“This was very clearly an expected outcome,” LaFake said. “Taxpayers are not sheep lining up to be sheared. Consumers of many products, most specifically cigarettes, have long crossed borders to obtain lower prices.

“If they can find an equal or better product at a lower price, they’re going to seek it out,” LaFake said.

Amelia Hamilton (mail@ameliahamilton.com) writes from Traverse City, Michigan.

By Amelia Hamilton

New “sin tax” hikes approved by Kansas lawmakers in June are prompting residents to buy tobacco in nearby states with lower tax rates.

Lawmakers approved increasing the excise tax on cigarettes from 79 cents per pack to $1.29 a pack, a 63 percent hike. A new 20-cents-per-milliliter tax on e-cigarette fluid was also approved and is scheduled to take effect in 2016.

The tax hike on cigarettes has Kansas stores near the border noticing a decline in sales as customers are driving to Missouri and Oklahoma to buy less expensive cigarettes.

The new taxes were supposed to patch the state’s $400 million deficit. Philip DeCicca, associate professor of economics at McMaster University, says sin tax increases are an unreliable way to raise revenue.

“Many states count on cigarette revenues to fund public health and other programs, as well as to bolster the general fund,” DiCicca said. “It is likely their revenues will not match their expectations.”

DeCicca says higher sin taxes can backfire in several ways.

By Ashley Herzog

The Boston City Council is proposing increasing excise taxes on alcohol sold in the city to pay for more health care services.

The council is considering a 2 percent sales tax that it expects will generate $20 million per year in additional tax revenue.

Pam Villareal, a policy analyst for the National Center for Policy Analysis, says the sin tax is unlikely to meet its revenue goals.

“As the economic effects of the sin tax are very high, of course—much higher than anything proposed on food—and they have had a negative effect on the poor in particular, as well as boosting the black market.”

Ashley Herzog (aebristow85@gmail.com) writes from Avon Lake, Ohio.
Chicago Suburb PartiallyPrivatizes Fire Department

By Amelia Hamilton

Highwood, a Chicago suburb, is supplementing its public fire department and paramedic services with private contractors. The Highwood City Council voted to approve a contract with Paramedic Services of Illinois to supply the city’s fire department with two firefighter paramedics for each duty shift. At all times, at least half of all firefighters in the city will be private contractors, in addition to the pool of existing full-time and part-time public employees.

Same Service, Less Cost

Ted Dabrowski, vice president of policy for the Illinois Policy Institute, says Highwood’s partial privatization helps protect taxpayers in more than one way. “Many ... of the hundreds of fire department pension plans across the State of Illinois are very underfunded,” Dabrowski said. “What’s happening is that many municipalities are being forced to cut city services in order to handle the problem without diminishing the service quality for a municipality.” Privatization allows local governments to maintain quality service without cutting pension benefits or wages.

“It certainly has to be an option,” Dabrowski said. “If the unions don’t want to negotiate lower costs, if the government doesn’t want to provide a way for cities and municipalities to manage their skyrocketing pension costs, then privatization has to be a viable option to find a way to continue to provide the service at a cost that’s manageable and predictable for city government.”

‘Much More Efficient’

Walter Block, an economics professor at Loyola University, says it is important for elected officials to understand the value of privatization. “The market is much more efficient than government because of the weed-out process,” Block said. “If private enterprise does a bad job, it loses money and eventually goes broke. If the government does a bad job, it just keeps going. It raises taxes.”

Collecting Evidence

Block says more local governments should experiment with privatization. “The more things get privatized, then we have test cases,” he said. “We already have some test cases, like the government delivers mail and FedEx delivers mail, different kinds of mail, but they do overlap, not on first-class mail but on packages.”

“Governing least’ means privatizing things,” Block said. “You need fire protection, you need sanitation, you need police ... and if government is to govern least it has to allow private enterprise to take over so it can get out of the way.”

Asset Forfeiture Reform Bill Offered in Pennsylvania House

By Warner Todd Huston

The Pennsylvania House of Representatives is considering a bill requiring law enforcement agencies to obtain a criminal conviction before seizing private property or cash.

If the bill becomes law, proceeds from seized property would be deposited into the state’s general fund instead of being transferred directly to a police department’s budget.

The bill’s sponsor, state Sen. Mike Folmer (R-Lebanon), says he wants to help protect due process rights and private property rights.

“My bill says that while law enforcement can take the assets, they can’t do anything with those assets until after there are convictions,” said Folmer. “If they’re not convicted those assets [are returned] without ... having to go through the whole rigmarole of hiring an attorney.”

Protecting Rights

Folmer says the bill reforming civil asset forfeiture is not about punishing police officers but protecting constitutional rights.

“I’m not anti-cop,” said Folmer. “I’m for law enforcement, but I am also for the Constitution. I think we need to strike a balance here. If they convict the person, then they can keep it. And if the person is innocent, just give it back to them. I think what has happened is that we’re turning this into a creative way to raise revenues rather than having to raise taxes.”

Marian Williams, a professor at Appalachian State University, says the prevalence of civil asset forfeiture seizures in the United States has increased in the past 40 years.

Proliferation of Forfeitures

“Forfeiture is a longstanding practice,” Williams said. “It has been around for a long time, of course. We saw forfeiture used on the high seas in colonial times, but more recently with the RICO laws in the 1970s and the drug laws in the 1980s we began to see forfeiture more and more.”

Williams says it’s easier to violate constitutional rights in a civil asset forfeiture case than in a normal courtroom.

“The forfeiture proceedings are totally separate, and what we’re seeing is that very few states require an underlying criminal conviction before a seizure and forfeiture will take place,” Williams said. “Because it’s a civil action, you have fewer due process protections and that sort of thing, and so it’s easier for the government and police and federal prosecutors to engage in seizures and forfeitures due to those lower standards and not having to have an underlying criminal conviction.”

“I’m for law enforcement, but I am also for the Constitution. I think we need to strike a balance here.”

MIKE FOLMER
STATE SENATOR
LEBANON, PENNSYLVANIA

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Atlantic City Resident Fights Private Taking of Home

By Tony Corvo

A retired piano tuner Charlie Birnbaum, 68, has been fighting the state economic development agency’s plan to use eminent domain to condemn property, says arguments supporting private takings aren’t backed by evidence.

“Although some of the states passed strong laws limiting or banning transfers of property from one private individual to another for economic development, in other states, including New Jersey, the laws are still fairly weak,” Somin said.

“The issue that arises in this case is somewhat different from the issue in Kelo,” Somin said, referring to the 2005 Supreme Court case Kelo v. City of New London. In that famous case, the Supreme Court ruled governments could take private property for “private benefit” in addition to “public use” as originally set forth in the Fifth Amendment to the U.S. Constitution.

“The [New Jersey] government doesn’t actually have a clear plan as to what it is going to do with the condemned property,” said Somin. “Some courts in other states have said if you condemn property, you have to at least have some sort of plan [for] what’s going to go on that land.”

Economic-Benefit Claims Disproven

Dean Stansel, an associate professor of economics at Florida Gulf Coast University, says arguments supporting private takings aren’t backed by evidence.

“For a 2014 study, Stansel and his colleagues studied data from all 50 states to determine the validity of the proponents’ claim of economic benefits.

“The arguments proponents of eminent domain make are that it expands the economy, creates jobs, increases income, and so on,” Stansel said. “If these arguments were valid, we [should] see increases in government revenue. So we examined the available data in all 50 states, did the regression analysis, and checked for robustness in the data, but [we] couldn’t find any consistent positive relationship to support the argument.

“In fact, when we looked at the growth of revenue, we found some pretty solid evidence of negative relationships, slower growth in the future that contradicts what proponents argue,” Stansel said.

“In Kelo, there was a plan in place, and it still failed,” Stansel said. “It seems like in the New Jersey case, because they don’t have a definite plan, there is a greater likelihood of failure.”

Stansel says entrepreneurship depends on government respecting property rights.

“When you don’t have security in property rights, you don’t get entrepreneurship,” Stansel said. “You don’t get people taking risks with their efforts or money, because it might be taken the next day. Property rights are fundamentally important for economic development and prosperity.”

Tony Corvo (tcorvo54@gmail.com) writes from Beavercreek, Ohio.
Congress May Raise Airport User Fee Cap

By Mark Ramsey

Congressional lawmakers are considering increasing a cap on user fees added to air travelers’ ticket prices to help fund airport maintenance and improvement projects.

The passenger facility charge (PFC), a fee authorized by Congress in 1990 and included in President Barack Obama’s fiscal year 2016 budget proposal, allows airports to collect per-passenger fees to offset airport facilities and infrastructure costs. PFCs are collected and used locally, with no federal involvement.

Users Pay for Infrastructure

The current charge is limited to $4.50 per passenger, a cap instituted in 2000. PFC revenues can be used only for specific kinds of airport improvements and are charged only to passengers using the airport’s facilities and services to travel.

Stephen Van Beek, a former member of the Federal Aviation Administration’s (FAA) Management Advisory Council and president of ICF International, says PFCs help enable airports’ self-sufficiency.

“In the long run, new capacity-enhancing projects would allow for new terminals, gates, and airside infrastructure,” Van Beek said. “In congested markets, this enables the entry of competitors and will reduce airfares. This occurred at airports such as Minneapolis-St. Paul Airport and San Francisco International Airport, where low-cost carriers entered the market after facilities were built using PFCs.”

Not every airport would be allowed to increase fees, Van Beek says.

“It is important to recognize that not every airport would raise the fee,” Van Beek said. “It would only be for federally authorized capacity, safety, and noise-mitigation projects. FAA reviews any application to ensure conformity with eligibility.”

“The effect on travel costs is in dispute,” Van Beek said. “Airlines say it would raise the cost of travel, but in the same breath, they say it hurts profitability because they cannot pass on costs to flyers.”

Locally Sourced, Locally Used

Brian Garst, director of policy for the Center for Freedom and Prosperity, says the use of PFCs is entirely local.

“PFCs are entirely for local improvement projects,” Garst said. “And unlike taxes, they aren’t first laundered through Washington, DC before a fraction of it gets back somewhere useful. They stay at the airport where they are collected.”

“User fees are [fairer than other kinds of taxes], because they place the costs on those who benefit from the service, and [are] more visible and responsive to market conditions [compared to] political conditions,” Garst said.

Sens. Rubio, Graham Propose Online Poker Ban

By Jen Kuznicki

U.S. Senators Lindsey Graham (R-SC) and Marco Rubio (R-FL) are introducing the Senate’s version of the Restoring America’s Wire Act (RAWA), which would make online poker and gambling a federal crime.

In February, RAWA was introduced in the House by Rep. Jason Chaffetz (R-UT).

RAWA would overrule the U.S. Department of Justice’s official interpretation of anti-wagering laws by reworking federal law and expanding the Wire Act of 1961’s scope to include online poker.

Michelle Minton, a consumer policy fellow at the Competitive Enterprise Institute, says the bill’s sponsors are curtailing economic freedoms.

Bootleggers and Baptists

“I think this is an example of the ‘bootleggers and Baptists’ coalition at work,” said Minton. [Politicians] can look like they are doing something for the public good while [they really are doing] a favor for politically connected donors. I think that’s worse than it just being the heavy hand of government: … [They say they] are doing something for the good of the people when they are really hiding it, wrapping it up in all this other stuff, such as protection from terrorism and states’ rights.”

Christine Hurt, a law professor at Brigham Young University, says RAWA expands another restriction on Americans’ economic freedoms, the Unlawful Internet Gambling Enforcement Act of 2006 (UIGEA).

“The UIGEA, which was passed in the mid-2000s, says it’s illegal to conduct unlawful Internet gambling,” Hurt said.

UIGEA specifically exempts intrastate gambling and state lotteries, and does not address horse track racing.

“So now we have three states in the country that have intrastate online gambling: New Jersey, Delaware, and Nevada,” said Hurt. “The new Rubio bill would make all that illegal overnight.”

Raising Trade Barriers

Hurt says anti-gambling laws such as UIGEA have historically been used to restrict international trade.

“With the passage of UIGEA and some prosecutions that have gone on before and after, the United States has been found in violation of … the General Agreement on Tariffs and Trade,” Hurt said. “Under the General Agreement on Tariffs and Trade, you are not supposed to ban trade with other parties to [the agreement].”

“In the early 2000s, Antigua said, ‘Hey, if the United States is banning gambling that is originating in Antigua, they are in violation of [the General Agreement on Tariffs and Trade],’” said Hurt. “[And the United States] in reply said, ‘Well, we are sort of violating [the agreement], but it’s okay because there is a ‘special morals’ clause, and we can deny services that we think have an immoral effect.’

“The United States has a reputation problem now … because it is in violation of [the General Agreement on Tariffs and Trade] for apparently economic protectionist reasons,” Hurt said.

Jen Kuznicki (jenkuznicki@gmail.com) writes from Hawks, Michigan.

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Domestic Govt. Spy Program Jeopardizes Rights

By Amelia Hamilton

Amateur “plane spotters”—hobbyists using radio equipment and visual observation to track and record air traffic above their neighborhood—discovered a fleet of small airplanes owned by the Federal Bureau of Investigation (FBI) and U.S. Department of Justice operating as aerial government surveillance platforms in Baltimore, Northern Virginia, Los Angeles, and other regions.

Airplanes fitted for the aerial surveillance program were spotted circling the skies in Baltimore during widespread street demonstrations in April. In addition to visual and infrared cameras, these spy planes can be equipped with electronic surveillance equipment for capturing and logging mobile phone data.

Enabling ‘Mass Surveillance’

What once might have been considered science fiction is now reality, says Hanni Fakhoury, a senior staff attorney for the Electronic Frontier Foundation. “In the 1980s, the Supreme Court ruled people don’t have an expectation of privacy from overhead visual aerial surveillance, but [it] reserved the right to consider situations in the future where airplanes were equipped with other sophisticated equipment, like cameras, that would enable mass surveillance,” Fakhoury said.

“With this program, it appears that time has come,” Fakhoury said. “The fact these planes are equipped with powerful technologies like precise cameras or [international mobile subscriber identity] catchers requires a reexamination of those earlier cases.”

Fakhoury says more safeguards on citizens’ rights to privacy are needed to compensate for advances in technology. “We think a warrant should be required for this kind of surveillance, as well as sensible-use guidelines, so that this form of aerial surveillance isn’t targeted toward low-income or minority communities or individuals engaging in First Amendment-protected activity,” Fakhoury said.

Misleading Judges

Adam Bates, a policy analyst at the Cato Institute’s Project on Criminal Justice, says FBI’s private spy fleet proves current safeguards against government snooping are ineffective.

“Some of the aircraft can also be equipped with technology that can identify thousands of people below through the cellphones they carry, even if they’re not making a call or in public. Officials said that practice, which mimics cell towers and gets phones to reveal basic subscriber information, is used in only limited situations.

“These are not your grandparents’ surveillance aircraft,” said Jay Stanley, a senior policy analyst with the American Civil Liberties Union. Stanley said the flights are significant ‘if the federal government is maintaining a fleet of aircraft whose purpose is to circle over American cities, especially with the technology we know can be attached to those aircraft.”’

“People have this attitude that ‘I’m not doing anything wrong, what difference does it really make?’ I think if people had a better understanding of the full breadth of what electronic devices are hanging out in the ether, they would be more appreciative of the danger [to their liberties],” Bates said.

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Chicago Hits Taxpayers with New ‘Netflix Tax’

By Elizabeth BeShears

The City of Chicago is expanding an existing excise tax on movie and theater tickets to include streaming online video and music services, such as Netflix and Spotify, in order to generate additional revenue.

Titch, a telecommunications policy analyst with the R Street Institute, says Chicago’s expansion of the tax is arbitrary and "an incredible over-reach."

Undefined Terms

"Chicago made the announcement that startups would be exempt from collecting the tax," Titch said. "Well, that raises [the issue of] equal protection right away. ... Which is a small business, which is a startup, and which is an established business? It will have to be legislated.

"We’re getting into arbitrary taxation, and it’s ultimately going to get challenged in court, and there are so many ways that this can get thrown out," Titch said. “One hopes it will happen soon, but it’s only going to last as long as it’s tolerated, and I think it’s going to be very difficult to collect and enforce because it is so diverse.”

Titch says the new tax will be nearly unenforceable. "It’s going to come down to where the address is," Titch said. “If their mailing address is in Chicago, they will get taxed. Now, that raises all sorts of interesting questions. If your parents live in Schaumburg, and you use their address when you sign up for services, will you get taxed? How are they going to ensure the person being taxed actually lives in Chicago or prove they don’t live in Chicago? It’s another aspect of this that hasn’t been thought out very well.”

Falling on Deaf Ears

Carol Portman, president of the Taxpayers Federation of Illinois, says Chicago is administering the new digital tax in a heavy-handed manner.

“Unfortunately, I am not surprised by Gov. Kasich’s Medicaid expansion program is costing state taxpayers $1.4 billion per year—about $258.14 per taxpayer—more than budget projections predicted, causing the program to exceed its budget by about 63 percent.

Shift and Spend

Matt Mayer, president of Opportunity Ohio, says the ballooning of Ohio’s budget under Kasich was predictable...

“Ohio’s economy is growing, but the state’s budget is growing even faster than Ohio’s economy is growing,” Mayer said.

Ohio Gov. Kasich Signs Expanded Budget

By Matt Hurley

The new budget for the State of Ohio for fiscal years 2016 and 2017 was signed into law by Gov. John Kasich (R), reducing the income tax rates on individuals by 6.3 percent across all income tax brackets and shifting the tax burden by raising consumption taxes, sin taxes, and business taxes for some small business owners.

Government spending will increase by 11 percent, compared to the previous biennial budget, most of which comes from Kasich’s continued support for increasing entitlement spending, such as Medicaid.

Kasich’s Medicaid expansion program is costing state taxpayers $1.14 billion per year—about $258.14 per taxpayer—more than budget projections predicted, causing the program to exceed its budget by about 63 percent.

Schil and Spend

Matt Mayer, president of Opportunity Ohio, says the ballooning of Ohio’s budget under Kasich was predictable...

“Unfortunately, I am not surprised by Gov. Kasich’s higher spending and tax-shifting approach to governing,” Mayer said. “Similar to the approach in balancing the federal budget during the technology boom in the 1990s, he is riding a post-Great Recession revenue wave to keep spending high. When the wave crashes, as they always do, taxpayers will face tax hikes and/or service cuts.”

Bad Decisions

Mayer says Kasich’s fiscal policies are a bad deal for taxpayers.

“Without a doubt, Medicaid expansion should never have happened,” Mayer said. “Along with instituting the state income tax and allowing public workers to collectively bargain, it will go down in Ohio history as one of the worst decisions made by a governor, I believe.”

‘Larger and Larger’ Budgets

Nicole Kaeding, a budget analyst for the Cato Institute, says Kasich has worked hard to expand the size and power of government.

“Since taking office, Gov. Kasich has pushed for larger and larger state budgets,” Kaeding said. “From fiscal year 2012 to fiscal year 2015, state spending grew by 18 percent in Ohio, well above the national average. He called for even higher spending in the state’s new budget. Kasich has a reputation for cutting spending, based on his time in Congress, but that penchant for lowering spending hasn’t continued.”

Kasich’s push for expanded entitlement spending is consuming increasingly large portions of the state’s budgets, crowding out revenue for other government programs.

“: A large reason for Ohio’s growing spending is Kasich’s support for Medicaid expansion,” Kaeding said. “Kasich expanded Medicaid unilaterally in 2013 over strong legislative objections. Just 18 months into the program, expenditures are 63 percent over budget, and enrollment is double initial estimates.”

Matt Hurley (wmdtvMatt@yahoo.com) writes from Cincinnati, Ohio.
Missouri Law Restricts Policing for Profit

By Andrea Dillon

Missouri Gov. Jay Nixon (D) signed a bill capping the proportion of revenue cities and counties can collect from traffic enforcement and the total amount of fines and penalties on traffic violations.

The new law, effective August 28, also includes provisions for the dissolution of local governments refusing to comply with the reform measures.

Revenue Enhancers

The bill’s sponsor, state Sen. Eric Schmitt (R-Glendale), says towns in his district were using traffic enforcement to bolster flagging revenues.

“After [the unrest in] Ferguson, sometime last fall, there was an inventory taken that people took around the state, but particularly in St. Louis County, and [they] found that in St. Louis County alone there were 14 municipalities where traffic tickets and fines were the biggest source of revenue,” Schmitt said.

Schmitt says the problem of policing for profit seems to be concentrated in and around the St. Louis metropolitan area. “There were 81 municipal courts in St. Louis County, which is 61 more than any other circuit, and some circuits include multiple counties,” Schmitt said. “We saw a real concentration of the problem. [As someone] who grew up in St. Louis County and represents a large chunk of St. Louis County, it’s important for the public to have the maximum amount of reform they could have.”

Speed Traps and Fine Caps

Schmitt says the bill removes cities’ ability to maximize fine revenue by capping the amount of fines a person can be charged.

“Speed traps were paying for most municipality budget holes, and we’ll have to compare them down the road,” Schmitt said. “The $300 cap is important when you consider that for a $100 fine, usually set with a night court date so people have trouble getting there or are forced to choose between paying a fine or paying for child care—since no kids are allowed at court—this situation often ended in a failure to appear charge being added on. Suddenly, you have a $100 fine turn into an $800 one.

“Basically, people were being used as ATMs,” said Schmitt. “Citizens and [people passing by became] revenue generators.”

Policing for Safety, Not Profit

Sarah Rossi, director of advocacy and policy with the Missouri chapter of the American Civil Liberties Union, says the new law makes needed changes to the cities’ fiscal and judicial systems.

“Revenues should not be the goal of law enforcement under any circumstance,” Rossi said. “Law enforcement should be tasked with public safety, not paying their own salaries or providing general operating funds. That is what public safety levies and other levies are for.”

Rossi says people should be empowered to fight back against abusive governments.

“The government works for its people, not the other way around,” Rossi said. “If a municipality continues to take advantage of its populace to fill its coffers, then that populace should be allowed recourse.

“Generally, that manifests in voting for or against public officials,” Rossi said. “In this case, that recourse happens to be disincorporation.”

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

IN OTHER WORDS . . .

“The legislation establishes a cap on fines and court costs for minor traffic offenses, requires courts to consider the ability of defendants to pay those fines, and prohibits sentencing people to jail for failing to pay. Courts will no longer be able to suspend drivers’ licenses for failure to appear in court or failure to pay a fine for a minor traffic violation.

“The new law ‘reflects the resolve of everyday, hardworking Missourians from all walks of life, Republicans and Democrats, rich and poor, black and white, rural and urban, to bend the arc of history toward justice,’ Gov. Nixon said Thursday, according to prepared remarks.”

MFA, RTPA Called ‘Taxation Without Representation’

By Matt Hurley

Rep. Jason Chaffetz (R-UT) is reviving a version of the failed Marketplace Fairness Act (MFA), a bill that would have provided state governments the authority to tax consumers outside of their political jurisdictions by applying sales taxes to purchases made online.

The Heartland Institute, which publishes Budget & Tax News, and 18 other organizations urged lawmakers to oppose Chaffetz’s Remote Transaction Parity Act (RTPA) and instead to promote pro-growth tax policies that make sense in the twenty-first century.

Taxation Without Representation

Douglas Kellogg, communications manager for the National Taxpayers Union, says RTPA is even more flawed than MFA.

“RTPA is ‘MFA 2.0,’” Melugin said. “The destination-based tax model for online remote sellers that’s in both the MFA and the RTPA is clearly discriminatory, which is why traditional sales in treated as if they were out-of-state businesses to do their dirty work for them and place an unprecedented burden of complying with nearly 10,000 taxing jurisdictions ...” Kellogg said.

[TN Gov. Haslam Campaigns for Gas Tax Hike]

By D. Brady Nelson

Tennessee Gov. Bill Haslam (R) is campaigning across the state for the first gasoline tax increase in 25 years.

The tax would raise money for proposed increases in state infrastructure spending.

In March, Haslam proposed spending $120 million in surplus revenue on a new state museum.

Jonathan Williams, vice president of the American Legislative Exchange Council’s Center for State Fiscal Reform, says state governments should set spending priorities before seeking tax hikes.

Setting Spending Priorities

“We recognize the necessity for states to maintain their roads,” Williams said. “However, we believe certain best practices can lead to sufficient funding without the need for higher taxes. One of these recommendations ... is to adopt priority-based budgeting, where states are free to fund core functions of government, [such as] transportation and infrastructure adequately.

“We also believe states should adopt the benefit principle, that revenue coming from road taxes and fees should be spent exclusively on road expenses,” Williams said.

Putting ‘Roads Last’

Grover Norquist, president of Americans for Tax Reform, says Haslam has displayed poor stewardship of taxpayer money, hurting the people who elected him to protect their interests.

“The politicians decided to put roads last on their priority list,” Norquist said. “They can always change the priorities and reduce spending in other areas to finance roads, unless this is just another excuse to raise taxes and continue the longstanding priorities of the politicians.”

Norquist says lawmakers should maximize efficient use of existing funds before seeking more of other people’s money.

“Elected officials have to choose between reforming government to cost less and raising taxes—forcing taxpayers to pay for the refusal/failure of the politicians to reform government,” Norquist said. “Promises to build roads with new tax money raise the question, ‘What have you done with the billions you taxed and spent in recent years?’”

D. Brady Nelson (d.brady.nelson@me.com) writes from Washington, DC.

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American freedom is being threatened. Whether we are trying to run a business, practice a vocation, or just raise our families, we continually run afoul of the government, not because we are doing anything wrong but because the government thinks it knows better. Our families, we continually run afoul of the government, not because we are doing anything wrong but because the government thinks it knows better.

In his provocative book *By the People: Rebuilding Liberty Without Permission*, political scientist Charles Murray explains why we may not be able to reduce the federal government’s power by normal political processes and how the irreparably broken U.S. political system can be fixed by an army of Davids banding together against the Goliath of Washington, DC.

Murray says the way to fix the seemingly unfixable is to use the legal system to siphon power away from the federal government and into the hands of individuals and communities.

Tracing the history of the U.S. concept of freedom, Murray refers to those fighting for the ideals that built our nation and inspired Alexis de Tocqueville as “Madisonians,” named in honor of James Madison. The federal government has co-opted roles traditionally belonging to state governments and community organizations through the creation of new cabinet-level departments and hundreds of unneeded government agencies and boards.

Murray says the national government binds state and local governments with strings attached to federal grant money, and it interferes with the economy through billions of dollars in crony-capitalist contracts with for-profit corporations.

Saving the Future

The description of America’s current state in *By the People* may strike some as depressing, but Murray explains how freedom’s future can be saved by everyday people banding together. Through nonviolent and unthreatening civil disobedience against overly burdensome regulations, the people can force a reversal of past trends and put the country back on track.

The majority of the general public believes the federal government has become an entity acting to preserve its self-interest instead of pursuing the interests of the electorate, Murray says. Capitalizing on this understanding of the beast’s behavior is the key to the success of Murray’s plan.

Murray says if the public peacefully resists the federal government’s mountains of laws and regulations, the national government would lose its power over our lives, because it lacks the resources needed to enforce mass compliance.

“What looks like Goliath is actually the Wizard of Oz,” Murray wrote. “Let’s have a private-sector counterweight that pulls back the curtain and exposes the Wizard’s weakness.”

Banding Together

By creating a private legal defense organization, hypothetically called the “Madison Fund,” to defend individuals accused of violating federal regulations and educate the public about regulatory harassment, the pressure of public opinion would be applied against lawmakers and regulatory agencies’ staff to remove Washington, DC’s boot from the people’s neck.

Speaking of the Madison Fund’s ends, Murray writes, “We do not need anyone’s permission to achieve them—not the permission of a sympathetic president, Congress, or the Supreme Court.”

Renaissance Within Reach

By banding together and disobeying the old, dysfunctional machine, a new American renaissance is within reach, Murray says. “A by-product of systematic civil disobedience can be a reinvigoration of civil society,” Murray writes. “A society in which a central government tries to surveil everyone is on its way to tyranny.”

*By the People: Rebuilding Liberty Without Permission* is an engaging and thought-provoking analysis of our government’s daily fight against the American people’s interests, and it offers a novel roadmap to returning the country to the ideals that once made America great and can make the country great again.
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