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By Owen Macaulay

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Spending Speeding Up

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By Joe Barnett

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The state government had estimated the carbon emissions reduction targets.

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78% of state legislators read one or more Heartland newspaper

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FDA Seizes E-Cigarette Company’s Records in Youth Vaping Investigation

By Madeline Fry

The U.S. Food and Drug Administration (FDA) is alleging Juul Labs and other e-cigarette manufacturers are illegally marketing products intended for consumption by children.

FDA agents seized more than 1,000 pages of advertising and marketing documents from Juul Labs during an unscheduled October 2 inspection of the company’s San Francisco, California headquarters.

The seizure is part of an FDA campaign initiated in September to crack down on what the agency calls an “epidemic” of illegal e-cigarette use among children.

Cites Concern for Children

Announcing the campaign on September 12, FDA Commissioner Scott Gottlieb said e-cigarette companies may be using advertising and flavored e-cigarette liquid to encourage children to use their products illegally.

“We’re committed to the comprehensive approach to address addiction to nicotine that we announced last year, but at the same time, we see clear signs that youth use of electronic cigarettes has reached an epidemic proportion, and we must adjust certain aspects of our comprehensive strategy to stem this clear and present danger,” Gottlieb said.

“One factor we’re closely evaluating is the availability of characterizing flavors,” Gottlieb said. “We know that the flavors play an important role in driving the youth appeal, and in view of the trends underway, we may take steps to curtail the marketing and selling of flavored products.”

Lack of Evidence

Lindsey Stroud, a state government relations manager for The Heartland Institute, which publishes Budget & Tax News, says the government may be blowing smoke when it claims there is a youth vaping epidemic.

“While the FDA and other media have reported a 75 percent increase in youth vaping, the recently released data from FDA don’t distinguish between those who have used vaping once in the past, perhaps years in the past, and those who just started or have been vaping continuously for many years,” Stroud said. “Data released in previous years show vaping rates decreased in 2016 and plateaued in 2017.”

Says Current Rules Work

Existing rules and regulations sufficiently ensure e-cigarette customers are legally allowed to buy the products, Stroud says.

“Vape shops, which exclusively sell e-cigarettes and vaping devices, have done well to enforce age restrictions, including a two-point process that includes displaying signs with the authorized age and checking all IDs.”

Chris Snowdon, head of lifestyle economics at the Institute of Economic Affairs, says the FDA is holding e-cigarette companies and retailers to an unrealistic standard.

“Clearly, retailers should not be selling to kids, but the FDA’s demand that companies stop making products that appeal to people aged under 18 is unachievable. All products that are aimed at adults have some appeal to some teenagers.”

Sees Lack of Understanding

Stroud says elected officials should make an effort to understand more about vaping.

“Lawmakers should understand that vaping is not smoking,” Stroud said. “The public-health groups that first linked cancer to cigarettes are the same public health groups that have found vaping to be around 95 percent safer than combustible cigarettes. Federal, state, and local governments are regulating these products in the same manner as combustible cigarettes, which they’re not.”

Snowdon says U.S. policymakers should look to Europe for best practices on e-cigarette policy.

“The UK and most European countries have dealt with the issue more sensibly, with health agencies explaining that vaping is much less hazardous than smoking and setting up a regulatory structure that prevents youth access as much as possible while allowing a free market in the devices for adult consumers.”

Madeline Fry (mfry@hillsdale.edu) writes from Hillsdale, Michigan.
persistent federal budget deficits are caused by excessively rapid spending increases, not revenue shortfalls.

“In simplest terms, government budget deficits increase when spending grows at a faster rate than tax revenues are increasing,” Ebeling said. “In the case of the United States, for the Fiscal Year that ended September 30, 2018, Uncle Sam took in approximately $3.33 trillion in tax revenues, while total spending for the fiscal year was around $4.11 trillion, resulting in a budget deficit of about $782 billion.”

Stifling the Economy
Chris Edwards, director of tax policy studies at the Cato Institute, says most government spending consists of handouts to various groups of people and is harmful to the economy.

“The vast majority of federal spending is welfare and subsidy spending, which is negative for the economy,” Edwards said. “It reduces GDP and overall incomes.”

Ebeling says deficit spending in itself slows economic growth.

“The deficit represents that portion paid for through borrowed dollars rather than taxes collected,” Ebeling said. “The government siphoned out of the financial markets $782 billion dollars to cover its own spending that otherwise would and could have been available for consumers and investors to borrow for private sector uses. This means, especially, that private investment essential for long-term general economic growth may be slowed down, reducing improvements in people’s standards of living.”

The Elephant in the Room
Elected officials in both major political parties share the blame for the fiscal mayhem, Ebeling says.

“Government spending and the deficit are bipartisan problems,” Ebeling said. “No politician wants to go before his constituents and tell them that the finances of the federal government are such that some of the government handed-out goods, in the form of programs and spending, are not sustainable in the longer run and require reductions and cuts.”

The deficit-spending mentality assumes other countries will continue lending money to the U.S. government in perpetuity, Edwards says.

“Federal politicians don’t worry about deficits anymore because credit markets are global.” Edwards said. “The U.S. government can seemingly borrow endlessly, so interest rates haven’t risen.”

Owen Macaulay (omacaulay@hillsdale.edu) writes from Hillsdale, Michigan.

By Owen Macaulay
Americans are continuing to return to work and stay employed in 2018, as the U.S. economic machine gained further momentum, according to new statistics released by the U.S. Department of Labor’s Bureau of Labor Statistics (BLS).

Economic conditions continued to improve in September, according to BLS’ October 5 report of indicators from the previous month. The national unemployment rate declined by 0.2 percentage points to 3.7 percent, the lowest rate since December 1969. The average hourly earnings of a U.S. worker increased by 8 cents from August to September, climbing to $27.24. Throughout 2018, the average hourly wage has risen by 73 cents, or 2.8 percent.

Praises Tax, Regulatory Reforms
Charles Baird, an adjunct scholar with the Cato Institute and a policy advisor for The Heartland Institute, which publishes Budget & Tax News, says removing the anchor of big government from business owners has led to the sustained economic improvement observed throughout the year.

“These numbers are a direct result of the removal, or at least the substantial decrease of, two classes of obstacles: regulation and taxation,” Baird said. “The removal of those two classes has been very successful.”

Baird says employment rates and government regulation have an inverse relationship.

“Employment opportunities are something that employers come up with, and if you look at the last 20 years, I think that there have been more and more obstacles to business formation and business expansion,” Baird said. “Making it difficult for employers to generate employment opportunities directly leads to high unemployment.”

Urges Spending Cuts
Ryan Young, a fellow in regulatory studies at the Competitive Enterprise Institute, says the benefits of tax reforms such as the Tax Cuts and Jobs Act, signed by President Donald Trump in 2017, can go sour if not matched with corresponding spending cuts to avoid increasing the federal deficit.

“In the short run, tax cuts are popular and can have short-term benefits, but in the long run, they can cost taxpayers billions of dollars in interest payments, plus the cost of the debt itself,” Young said.

Advice: Keep Out
Baird says government intervention in the marketplace usually creates more problems than it solves.

“No harm,” Baird said. “Usually, when policymakers sit around and try to figure out how to make things better, they make decisions that actually make policies worse.”

Young says elected officials can promote job creation by doing less, instead of doing more.

“Politicians can’t create jobs like entrepreneurs can, but they can pursue addition by subtraction: Reduce trade barriers, lower regulatory barriers, and resist tempting short-term policy fixes,” Young said.

Owen Macaulay (omacaulay@hillsdale.edu) writes from Hillsdale, Michigan.
New Mexico Governor Orders State Agencies to Reform Occupational Licensing Requirements

By Kenneth Artz

Residents of New Mexico will soon be allowed to practice in some occupations without a state license, under an executive order signed by Gov. Susana Martinez.

The executive order lists some 34 state boards and commissions that, in addition to other departments, must accept as qualification the out-of-state licenses, military training, or work experience of job-seekers who move to New Mexico.

The order also directs officials to establish processes for “consumer choice,” an alternative to licensing that allows unlicensed professionals to provide services with their customers’ written consent.

The order, signed in October, also reduces barriers to the employment of those with a criminal record by restricting the crimes state officials may consider in evaluating individual license applications to those that “pertain directly to the practice of the occupation or the applicant’s capacity to perform the duties of that occupation.”

State agencies must also “establish clear, concise, and easily understood” appeal procedures for denied license applications, the order states.

Easing Workforce Entry

People who move to New Mexico from other states, such as military families, will be allowed to transfer their licenses to New Mexico or substitute professional experience if they come from a state which does not license the occupation.

The order waives initial license and testing fees for lower-income New Mexicans who are eligible for benefits under the Supplemental Nutrition Assistance Program (popularly known as food stamps), Temporary Assistance to Needy Families, and Medicaid. It also waives fees for National Guard members and members of the Armed Forces who require an occupational license to carry out their official duties.

In addition, the order reduces fees for occupational licenses to 75 percent of the national average and expands the acceptance of online continuing education credits.

Leading the Pack

Martinez has set the standard for states across the nation as well as the New Mexico legislature in terms of how to reform occupational licensing laws, says Paul Gessing, president of the Rio Grande Foundation, a New Mexico think tank.

“New Mexico has consistently been among the most heavily burdened states when it comes to licensing laws, according to the Institute for Justice,” said Gessing. The Institute for Justice (IJ) is a national public interest law firm that has challenged state occupational licensing requirements.

“Martinez’ executive order represented a major step in the right direction, and the Rio Grande Foundation will be working in the 2019 legislature to ensure the reforms are implemented successfully,” Gessing said.

Imposing Heavy Costs

Occupational licensing is the most burdensome way to regulate work, says Lee McGrath, a senior legislative counsel and managing attorney for the Institute for Justice’s Minnesota office.

A new study from IJ reports licensing imposes heavy costs on state and national economies. By shutting out some aspirants, licensing barriers may cost the national economy more than 1.8 million jobs, the report estimates.

Nationwide, an estimated 19 percent of all jobs require some form of occupational licensing. In New Mexico, 18.25 percent of jobs require state licenses.

Licensing barriers cost the U.S. economy $6.2 billion in lost output and $183.9 billion in misallocated resources each year, the IJ report states. Occupational licensing costs New Mexico’s economy $87.7 million in lost output and $1.7 billion in misallocated resources each year, resulting in the loss of more than 16,000 jobs, the IJ report states.

Weighing the Costs

The economic cost of occupational licensing results from reduced competition, McGrath says.

“Occupational licenses restrict competition, effectively giving licensed workers a monopoly, allowing them to command higher economic returns for their services than they could absent licensing,” said McGrath.

“As a result, policymakers should carefully weigh the human and economic costs of occupational licenses and impose them only when necessary to address present, significant, and substantiated harms that cannot be mitigated by less burdensome alternatives.”

Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.
President Urged to Declare ‘War on Waste,’ Government Spending

By Jeff Reynolds

Open The Books, a nonprofit government-spending watchdog organization, called on President Donald Trump to reduce duplicative or excessive spending in executive branch federal agencies and departments, citing the dangers of rapid increases in government deficits and debt.

Open The Books purchased two full pages of advertising space in USA Today and The Wall Street Journal in September and October, calling on Trump to take direct action to fight wastes of taxpayer money.

The advertisements call on the president to post public information detailing White House and executive agency spending, “cut White House expenditures by ten percent as quickly as possible,” and make regular public reports on the progress of the spending reduction campaign.

The campaign lists 100 examples of duplicative or wasteful federal agency spending, including $234 billion in improper Medicaid payments over a 13-year period, $677 million in subsidies the U.S. Department of Education gave to cosmetology schools, and a $5 million National Institutes of Health grant for “hipster parties” in Fiscal Year 2015.

Crowding Out Private Choices
Government spending is never a free lunch, says Jonathan Bydlak, president of the Coalition to Reduce Spending and a policy advisor for The Heartland Institute, which publishes Budget & Tax News.

“Every dollar government spends is money that must be taken out of the private sector from individuals and businesses,” Bydlak said. “We might like that a good or service is provided by government, but no government program is free. When government spends excessively, it is effectively wasting society’s resources, which leaves less for other things we value.”

‘Defend the American Taxpayer’
Adam Andrzejewski, CEO and founder of Open The Books, says Trump has the power to fight against out-of-control spending on behalf of U.S. taxpayers.

“As Commander-in-Chief, President Donald Trump can lead the war on waste,” Andrzejewski said. “America is facing a spending crisis. We are asking the president to defend the American taxpayer and cut the egregious waste, fraud, and taxpayer abuse from executive agency budgets.”

Bad Today, Bad Tomorrow
Today’s deficit spending will be added to tomorrow’s taxes, Bydlak says.

“People with less disposable income are less able to save for their children’s education, put a down payment on a house, or give to charity,” Bydlak said. “Governments can also borrow to finance largesse, but the consequences of doing so can be even worse than raising taxes. Borrowing essentially means passing the buck to future generations, but unsustainable deficits and debt can also slow economic growth today. Economies that are growing healthily, like we see currently, can quickly come to a halt when debt-financed spending comes due, and that’s bad for Americans of all income levels.”

Abundance of Examples
Andrzejewski says it was difficult to pick just 100 examples of government waste to highlight.

“Examples of waste could fill every page of every newspaper in the country,” Andrzejewski said. “For example, 20 federal agencies admitted to spending $1.2 trillion on mistaken and improper payments since 2004. The federal government spends $4.8 billion annually on its army of 35,000 lawyers. Our auditors found $680 million in federal farm subsidies flow to residents of urban areas where there are no farms. “

The Internal Revenue Service (IRS) has spent millions of dollars preparing for violent conflict with taxpayers, Andrzejewski says.

“The IRS spent $15.5 million to stock up on guns, ammunition, and military-style equipment,” Andrzejewski said. “Their special agents can carry AR-15s.”

‘Runaway Government’
The more the federal government spends, the more power it gains over the public, Bydlak says.

“Every American feels the consequences of runaway spending because it enables runaway government,” Bydlak said. “Adjusted for inflation, U.S. government spending has doubled since the 1960s, and with it, so has the role of government in people’s lives. Most elected officials get elected on promises of fiscal responsibility and then do the opposite while in office.”

Unless the federal government begins to spend less, taxpayers not yet born will be the ones paying the bill, Andrzejewski says.

“The financial burden is heavy on every taxpayer,” Andrzejewski said. “In Fiscal Year 2018, the federal debt increased by $1.3 trillion: That’s $138,330 on the shoulders of every working American. Our country’s debt now exceeds $21 trillion, so not only are we feeling the weight of it today, but this money will come out of our children’s pockets for decades to come.”

Jeff Reynolds (jeffreyreynolds@comcast.net) writes from Portland, Oregon.
President Announces New Trade Deal with Canada, Mexico

By Linnea Lueken

President Donald Trump announced the successful renegotiation and rebranding of the North American Free Trade Agreement, now known as the United States-Mexico-Canada Agreement (USMCA).

One provision of USMCA, which has yet to be ratified by Congress and the respective legislative bodies of Canada and Mexico, is a requirement that all automobiles manufactured and sold in the three countries have at least 75 percent of their parts made by businesses within the bloc, and up to 40 percent of all automobile content be produced by individuals earning $16 an hour or more.

Since March 1, 2018, the U.S. government has imposed a 25 percent levy on the cost of steel and a 10 percent fee on aluminum imported from foreign countries. Imports originating in Canada, the European Union, and Mexico were initially exempt from the tariffs, but Trump signed a May 31 order subjecting the European Union, and Mexico were to tariffs. Barriers to Canadian- and Mexican-produced aluminum and steel will remain in effect despite the trade deal.

If approved, USMCA will take effect in 2020 and be reviewed in 2036.

Says Accord Resolves Disagreements

Clifford Thies, an economics professor at Shenandoah University and a policy advisor for The Heartland Institute, which publishes *Budget & Tax News*, says USMCA resolves several long-simmering trade disputes among the bloc’s members.

“One of the top things, from a regulatory standpoint, is actually having an online database where all where rules are housed,” Thies said. “It is a very good step for two reasons. First, it addresses a couple of immediate concerns, two little irritants that percolated up in the last several years between the United States and Canada, and China. The potential concern that China will set up factories in Mexico to bypass our tariffs.”

Thies says USMCA’s restrictions on the origins of parts used in automobile manufacturing will ultimately benefit U.S. business owners and consumers. “It is a very good step for two reasons,” Thies said. “First, it addresses a couple of immediate concerns, two little irritants that percolated up in the last several years between the United States and Canada, and China. The potential concern that China will set up factories in Mexico to bypass our tariffs. It addresses those concerns, and it affirms that Trump is for free trade, so long as it’s fair trade.”

Linnea Lueken (linnea.heartland@gmail.com) writes from Laramie, Wyoming.

Reduces Some Export Costs

Christine McDaniel, a senior research fellow at the Mercatus Center, says increasing the ‘de minimis’ threshold, the value below which duties and taxes on incoming goods are not charged, will help promote American small businesses’ growth.

“Raising the de minimis will help to facilitate e-commerce, particularly from small businesses in the United States,” McDaniel said. “Think of digital platforms with new, innovative financial technologies like eBay or Etsy that might use PayPal or some other easy form of digital payment. Direct business-to-consumer, cross-border trade is increasingly popular, and small businesses take advantage of that.”

Disagreeing Over Origin Rules

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Arkansas Lawmakers Consider Housecleaning for State Rulebook

By Owen Macaulay

Arkansas Gov. Asa Hutchinson announced the rollback of more than 800 outdated or unnecessary regulations, including unenforceable rules, regulations enacted by commissions no longer existing, and other duplicative codes.

As provided for in Act 781, state agencies proposed 800 rules for deletion by the Arkansas Legislative Council (ALC), a joint legislative committee responsible for executive-branch oversight.

The ALC referred the proposals to legislative subcommittees, which approved the recommendations. The rules will be gone after the changes are formally approved by the ALC. The 800 rules represent 15,000 pages of regulations, or 25 percent of all state rules, said Hutchinson in September.

Making a List

Taking stock of existing regulations was a necessary first step to determine which were unneeded, says Arkansas state rep. Jim Dotson (R-Bentonville), sponsor of Act 781 and a co-vice chairperson of ALC.

“The original idea was to have the governor divide all of these rules in the state into six roughly equal-sized groups, with one group every four years coming up for review,” Dotson said. “Without finding out what the baseline was, the governor couldn’t practically divide them into groups like that. Working backwards from that point was the end goal: We had to first establish the baseline.”

One-Stop Rules Shop

Dotson says he wants to create a central online clearinghouse for Arkansas regulations so members of the public can read the code for themselves.

“One of the top things, from a regulatory standpoint, is actually having an online database where all agency rules and regulations are housed,” Dotson said. “Regardless of what agency you are subject to, you [should be able to] go to one location and find a universal storehouse. If someone is subject to multiple agency jurisdictions, they should just have one area to go to find out what rules they are subject to.

“Arkansas is one of the few states that does not have an online rules registry, so there is no one place to define what our current status is,” Dotson said.

Owen Macaulay (omacaulay@hillsdale.edu) writes from Hillsdale, Michigan.

Official Connections:
Arkansas Gov. Asa Hutchinson: https://governor.arkansas.gov
Washington State Voters Reject Carbon Dioxide Tax, Again

Continued from page 1

dioxide tax would generate $2.2 billion in revenue in the first five years.

Slush Fund for Activists?
In contrast to California’s “cap and trade” scheme, which allows emitters to buy and sell unused credits for reducing emissions, Initiative 1631 would have imposed a tax on emissions of carbon dioxide, methane, and other greenhouse gases emitted by select utilities and manufacturers and through transportation.

Technically, the proposed imposition would have been a fee under state law, because the revenue would not have been returned to taxpayers or funded general state operations. Instead, the initiative would have created a board to spend the revenue on a variety of “clean energy” projects, mass transit, and so-called environmental justice programs.

One reason the measure failed is voters do not trust politicians or environmental activists to spend the money wisely, says Todd Myers, director of the Center for the Environment at the Washington Policy Center and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“In a year where voters in Washington State gave Democrats increased majorities, they also solidly rejected a big-government carbon tax,” Myers said. “Even in Washington State, the voters made it clear they don’t trust politicians or the environmental community to spend money wisely.”

Big Support from Activists
The tax initiative was widely supported by well-funded environmental activist groups, including the Natural Resources Defense Council, the Sierra Club, and the Union of Concerned Scientists.

The united support of environmental organizations increased the percentage of yes votes for the 2018 measure by only 4 percentage points over the 2016 measure, which lost by 60 percent to 40 percent.

The failed 2016 ballot proposal would have imposed a supposedly revenue-neutral tax on carbon dioxide emissions, with the money returned to businesses and individual taxpayers through reductions in various state taxes.

National and local environmental organizations opposed legislation proposed by Gov. Jay Inslee (D) in early 2018 to impose a tax on carbon dioxide emissions and send the revenues to the state’s general fund.

environmental policy is clear: continue to fixate on big-government programs the voters reject, or allow the free market to do more with less, creating prosperity and protecting the environment,” said Myers.

By Joe Barnett

Colorado voters also rejected Amendment 74, which would have required state and local governments to pay “just compensation” to property owners for any loss in the “fair market value” of their property caused by government regulations or laws. The proposition did not define “just” or “fair.”

Regulations restricting the development or use of property, such as farmland, do not require compensation under current state law.

Fraught with Uncertainties
Amendment 73 would have created a board to decide how to spend the tax revenues dedicated to a Quality Public Education Fund. Voters were not told how the money would be spent, state Rep. James Wilson (R-Salida) says.

“Amendment 73 sounds good on the surface, but it’s a bait-and-switch,” Wilson said. “With an overall education budget of $7 billion, we have to ask, ‘Where is this money really going?’”

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TODD MYERS
DIRECTOR OF THE CENTER FOR THE ENVIRONMENT
WASHINGTON POLICY CENTER

“In a year where voters in Washington State gave Democrats increased majorities, they also solidly rejected a big-government carbon tax. Even in Washington State, the voters made it clear they don’t trust politicians or the environmental community to spend money wisely.”

By Joe Barnett

Colorado voters rejected state ballot proposals to raise income taxes and to broaden the right to compensation for property value lost due to government action.

Amendment 73 on the November ballot proposed to replace the state’s flat-rate personal income tax with higher, progressive rates, raise the state’s corporate income tax rate, and exempt public education spending from limits in the state’s Taxpayers’ Bill of Rights (TABOR).

Amendment 74 would have added language to the Colorado Constitution requiring compensation to property owners for any decrease in the market value of their property caused by government regulations or laws.

Teachers’ unions backed Amendment 73, and the Colorado Farm Bureau backed Amendment 74.

Uncompensated Takings Remain
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“Amendment 73 sounds good on the surface, but it’s a bait-and-switch,” Wilson said. “With an overall education budget of $7 billion, we have to ask, ‘Where is this money really going?’”

Opponents of Amendment 74 emphasized the possibility of unintended consequences from its broad language, says David Kopel, research director at the Independence Institute, a Colorado think tank.

“The opponents of the initiative successfully presented the problems of a similar initiative that had been enacted in Oregon, caused unforeseen consequences, and was thereafter repealed by the voters,” said Kopel. “Something with more narrow language might stand a better chance in the future.”

Joe Barnett (jbarnett@heartland.org) is a research fellow with The Heartland Institute.

Internet Info


Official Connections:
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The U.S. Supreme Court recently recognized the First Amendment rights of teachers and other public-sector employees to choose whether to subsidize their unions’ political activities.

Visit WorkersChoose.org to learn about your newly-protected rights!

**MS Officials Return Property Seized After Forfeiture Law Sunset**

By Kenneth Artz

Mississippi officials will return property improperly seized under the state’s now-defunct civil asset forfeiture law.

The Mississippi Bureau of Narcotics notified eight individuals in September they could retrieve their property, worth more than $100,000, because officials had seized the items after their authority to do so had expired.

Mississippi law previously allowed the state to take property suspected of being the proceeds of a crime if it was worth less than $20,000. In June 2018, lawmakers ended civil asset forfeiture through administrative action by allowing the law to sunset.

Current law requires Mississippi officials to obtain a search warrant issued by a judge before seizing property, and all forfeitures are to be posted on a publicly accessible website.

**Undermining Government’s Credibility**

Brett Kittredge, director of marketing and communications for the Mississippi Center for Public Policy, says Mississippi state law still allows government officials to seize assets without charges against the owner.

“In many cases, property is forfeited even if an individual has not been charged with a crime, much less convicted of a crime,” Kittredge said.

Kittredge says civil forfeiture undermines the legitimacy of government.

“The process of civil forfeiture challenges and jeopardizes the basic American principles of fairness and justice,” Kittredge said.

**Feds Incentivize Forfeiture**

The federal government has encouraged state and local officials to use civil asset forfeiture, says Adrian Moore, vice president of policy at the Reason Foundation, by sharing the proceeds of forfeitures in federal cases with local authorities.

“The problem is the feds really sort of drive the train,” Moore said. “They incentivize local police departments to seize assets by sharing the gains with them, so it cuts across the whole country. Asset forfeiture is going on everywhere state legislatures haven’t rolled it back.”

**Calls for More Reforms**

Matthew Glans, a senior policy analyst for The Heartland Institute, which publishes Budget & Tax News, says civil asset forfeiture corrupts law enforcement.

“Lax forfeiture rules give law enforcement officials an economic incentive to seize property, corrupting law enforcement agencies and penalizing innocent property owners,” Glans said. “Far too many states impose no penalties on law enforcement for wrongful seizures, and when property is deemed to have been taken illegally, taxpayers usually have to pay for the returned assets.”

The procedures for redress for individuals whose property is seized are limited, says Glans, and recovering the assets can require expensive litigation.

“In many states, property owners are often given very little opportunity to challenge the seizures,” said Glans. “When given the opportunity, the process is expensive for those whose property is seized.”

Recently, state legislatures have been instituting stricter requirements for property to be legally seized, says Glans.

“Mississippi’s efforts to end these abuses and return the seized property should be commended, and other states should follow its lead,” Glans said. “At a minimum, states should increase the standard of proof for seizure to require clear and convincing evidence of a crime, move the burden of proof to the government, and make the tracking of seized assets more transparent.”

Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.
District of Columbia Council Votes to Restrict Homesharing

By Sarah Quinlan

The District of Columbia Council, the legislative body of the city of Washington, DC, voted unanimously to restrict short-term room and house rentals.

The ordinance would ban property owners from offering more than one home for short-term rentals lasting less than 90 days. It would also limit homeowners from renting space in their primary residence more than a total of 90 nights a year unless the owner is present on the property at the time of the rentals.

In addition, homeowners would have to register their property with the city government and obtain a license for the rentals. The license would have to be displayed in any advertising, including on cell phone software applications. There are also recordkeeping and inspection requirements on the homeowner.

Mayor to Decide

The ordinance was sent to DC Mayor Muriel Bowser for her signature or a veto, which can be overridden by a two-thirds vote of the council. The proposed law would then go into effect on October 1, 2019. Bowser had not yet signed the bill at press time.

Technically, under current zoning regulations, rentals are not allowed in residentially zoned neighborhoods, where 80 percent to 90 percent of homesharing occurs. The DC Zoning Commission could modify the regulations to conform to the new law.

The final draft of the ordinance, passed in November, includes hardship exemptions for military and foreign service personnel, and those facing medical crises, who aren’t able to be physically present on their property during the rentals. The exemptions were added after the Council held a preliminary vote on the ordinance in October.

High Costs to City

Washington, DC Chief Financial Officer Jeffrey DeWitt says the regulations would cost the city government $21.7 million in fiscal year 2019, or $104.1 million over four years.

Over four years, the city would lose $96 million in occupancy tax revenue and incur $8 million in increased costs to hire 20 additional officers to administer and enforce the ordinance, DeWitt told the City Council in October.

Online booking services such as Airbnb pay the city’s 14.8 percent occupancy tax on behalf of the property owners. The tax applies to the rental price, including any cleaning fees and guest fees for reservations.

The bill passed by the City Council does not appropriate additional funds or implement budget cuts to offset the anticipated loss of revenue and added enforcement costs.

Campaign Against Homesharing

The new regulations were passed after a $500,000 advertising campaign supporting restrictions on short-term rentals began in September. The campaign was backed by the short-term rental opposition organization It’s Time D.C. with the support of AirbnbWATCH, a project of American Family Voices, an advocacy group. The hotel industry and hospitality worker unions also supported the proposed restrictions.

Dina Michels, cochair of the DC Short Term Rental Alliance, which opposes the regulations, says the ordinance resulted from concerns about a growing shortage of affordable housing in the city.

“What we have now is people buying apartment buildings and converting the apartment building into Airbnb,” Michels said. “Everyone is opposed to that. It takes too much housing off the market. It changes the whole flavor of the neighborhood. And it provides profit to people who don’t live in the city and don’t care about the city.”

“You also have a bunch of people, investors, who will come in and buy up 20 houses,” Michels added. “You can only do that if you’re part of an investor group and turn them all into Airbnbs.”

Cites Homesharing Benefits

The legislation overlooks the ways short-term rentals benefit local communities, and it will ultimately do more harm than good, says Michels.

“Putting a home on Airbnb encourages homeowners to maintain their property, Michels says.

“Every Airbnb house is incredibly maintained, Michels said. “When you're in a situation when every single person is going to rate your house, you keep your house in immaculate condition.”

Michels says Airbnbs attract people to different areas of local communities, bring in revenue, and create employment.

“The hotels are all located on commercial tracks, and all the revenue—the grocery stores and the coffee shops and the newstands that people go to—are surrounding these hotels in a handful of commercial districts,” Michels said. “But the Airbnb houses are all over the city. They’re in all eight wards. Ward Eight is the one with the lowest income per capita, and there’s not one hotel in that ward. But there are a bunch of Airbnbs. And those Airbnbs introduced people to areas they’d otherwise never see and bring money into local coffee shops and local restaurants.”

‘Embrace the Sharing Economy’

Nick Zaiac, commercial freedom fellow at the R Street Institute, says banning peer-to-peer economy services like Airbnb reduces the income of people who depend on it.

“People have been renting rooms at their houses for as long as there were houses,” said Zaiac. “Now you just have online platforms that make it easy. By banning that, you ban easy-to-find money for people who don’t have time to search for a part-time job.”

Governments should embrace the peer-to-peer economy, Michels says.

“DC is trying to position itself as an innovative, business-friendly, exciting place,” Michels said. “Well, if you don’t embrace the sharing economy, you’re not any of those things.

“If you’ve got a situation where the rich get richer and the poor get poorer, that’s what the sharing economy addresses,” Michels said. “The sharing economy allows a small person to be an entrepreneur. It allows money to be distributed. It helps society to become more productive and share the wealth.”

DIA MICHELs
COCHAIR
DC SHORT TERM RENTAL ALLIANCE

By Sarah Quinlan (think@heartland.org) writes from New York City, New York.
U.S. Supreme Court Urged to Consider NYC Second Amendment Lawsuit

By Sarah Quinlan

Atorneys General from 15 states and two governors signed a legal brief asking the U.S. Supreme Court to hear arguments in a federal lawsuit challenging a New York City ordinance restricting the transportation of firearms in the city.

A New York City ordinance enacted in 2001 requires anyone who wants to take their government-licensed firearm out of their home to obtain a separate “carry” license, in addition to having permission to keep the firearm in the residence.

The New York State Rifle & Pistol Association, a Second Amendment advocacy group, filed a federal lawsuit against the city in the U.S. District Court Southern District of New York in 2013 on behalf of Romolo Colantone, a New York City resident and licensed firearm owner affected by the ordinance.


Louisiana Attorney General Jeff Landry filed an amicus brief on October 9, 2018 calling on the U.S. Supreme Court to consider the case. Attorneys General from Alabama, Arizona, Arkansas, Georgia, Idaho, Kansas, Michigan, Montana, Oklahoma, South Carolina, Texas, Utah, West Virginia, and Wisconsin cosigned the brief, as did the governors of Mississippi and Kentucky.

Heller Case Affirmed Rights

The Supreme Court’s 2008 decision in District of Columbia v. Heller negates the New York City ordinance, says Joyce Lee Malcolm, a law professor at George Mason University’s Antonin Scalia Law School.

“In Heller, the justices made clear that there was an individual right to keep and bear arms—not just to keep, but also to bear,” Malcolm said. “In Heller, apart from clarifying the right was an individual right to keep and bear, the Court said that people had the right to keep and bear those weapons in common use for self-defense. Obviously, keeping people from taking their handguns out of their homes or having them ready to protect themselves is in violation of the Supreme Court’s clear interpretation of the law. The ban apparently was in place before Heller in 2008, and the Heller case overturned the Washington, DC ban on residents having handguns in their homes.”

Defying the Court

Malcolm says there is a pattern of city and state elected officials, and federal justices, ignoring Supreme Court rulings on Second Amendment issues.

“There have been many cases within different circuits, particularly circuits that have very strict gun laws, to ignore Heller.” Malcolm said. “That’s happened in Illinois, it’s happened in California, and now in New York.”

“I’m really disturbed by the fact that the Second Circuit and some of these other jurisdictions have basically allowed tremendous inroads into what the Supreme Court mandated with Heller.”

Not Just Militias

The right to bear firearms extends to all citizens, not just militias as gun rights opponents argue, says Kopel. “The Second Amendment ‘right of the people’ is not limited to only the people who are in the militia,” Kopel said. “Instead, the Second Amendment ‘right of the people’ belongs to all Americans.”

If the authors of the Bill of Rights intended for firearms ownership to be restricted to members of a militia, they would have said so, says Malcolm. “They could have said ‘the right of the militia to keep and bear arms,’” Malcolm said. “They didn’t.”

Sarah Quinlan (think@heartland.org) writes from New York City, New York.

INTERNET INFO

Virginia Considers Taxing Online Sales by Out-of-State Retailers

By Owen Macaulay

Virginia Gov. Ralph Northam is calling for legislation that would apply the state’s sales and use taxes to goods sold over the internet by out-of-state retailers.

Virginia Secretary of Finance Aubrey L. Layne Jr. told of the governor’s intention in response to questions during testimony before the Virginia House Appropriations Committee in October.

Layne said the governor would present his plan in January. The proposed tax could begin after June 30, 2019, Layne told the legislators, and would include an exemption for small retailers.

The governor’s proposed internet sales tax could raise up to $250 million per year in new revenue for the state government, Layne told the committee. However, many online retailers already remit the sales tax, Layne said.

Wayfair or Foul?

Earlier this year, the U.S. Supreme Court, in the case of South Dakota v. Wayfair, ruled South Dakota has the authority to tax sales to its residents from out-of-state retailers with no property or employees in the state, overturning a longstanding prior ruling.

The Court ruled the law would not be a significant liability to interstate commerce, given the simplicity of South Dakota’s sales tax, says Caleb Taylor, policy director at the Virginia Institute for Public Policy.

“The Supreme Court was really straightforward about the reason that this is okay, that being South Dakota’s very simplified sales tax system doesn’t create a major burden on interstate commerce,” Taylor said.

In contrast to the situation in South Dakota, Virginia’s sales tax system is complex and businesses’ compliance costs are high, Taylor says.

“Virginia would actually have to change their sales tax system and simplify it and streamline it in order for Northam to get away with this without being sued by every out-of-state business around,” said Taylor.

‘They Will Buy Less’

Taxing internet sales would damage Virginia’s economy, says Charles N. Steele, an associate professor of economics at Hillsdale College and a policy advisor to The Heartland Institute, which publishes Budget & Tax News.

“If we raise taxes on an activity, we get less of it,” said Steele. “There’s no doubt that an internet sales tax will reduce commerce. The primary effect for people in Virginia will be on those who have been making purchases from outside the state.”

CHARLES N. STEELE
ASSOCIATE PROFESSOR OF ECONOMICS
HILLSDALE COLLEGE

“If we raise taxes on an activity, we get less of it.”

Virginia will be on those who have been making purchases from outside the state,” Steele said.

Burdens on Small Business

The proposed tax would affect smaller out-of-state online businesses the most, Steele says.

“The tax would disproportionately harm small internet businesses,” said Steele. “Very large firms have staff accountants and attorneys. For them, compliance is easier.

“On the other hand, small entrepreneurs find it much harder to follow the various state laws,” Steele said. “Even though the governor proposes to exempt smaller businesses, a business owner must study the law to determine whether she or he is exempt, and also correctly forecast the extent of her or his business.”

Steele says the tax would undermine all of Virginia’s economy.

“If passed, the tax would raise the cost of living and the cost of doing business for Virginians,” said Steele. “That’s not a formula for economic growth.”

Owen Macaulay (omacaulay@hillsdale.edu) writes from Hillsdale, Michigan.
By Joe Barnett

The Federal Communications Commission (FCC) has approved regulations to speed the deployment of 5G broadband phone service.

The FCC’s action reconciles conflicting interpretations of federal telecommunications law by various federal courts and sets standards local governments must meet in considering applications by telecommunications companies to build the local infrastructure for 5G service. Five-gigahertz (5G) is a higher broadband frequency that can carry data faster and uses many unobtrusive small-cell antennas rather than tall towers.

The agency’s ruling and order document was released on September 27, 2018 and went into effect immediately.

‘Inhibiting the Buildout’

Over the next few years, telecommunications companies will install some 800,000 5G small-cell antennas on existing light and electricity poles in utility rights-of-way, on new signal towers, and attached to buildings.

Twenty states have adopted rules governing the approval of applications by municipalities to lease utility easements. The Commission’s order explains, “we have heard from a number of local officials that the excessive fees or other costs associated with deploying small scale wireless infrastructure in large or otherwise ‘must serve’ cities are materially inhibiting the buildout of wireless services in their own communities.”

For example, “AT&T identified an instance in which it took a locality in California 800 days to process an application,” FCC reports.

The new rules allow 60 days for local governments to review each application for attachment of a small wireless facility using an existing structure and 90 days to review an application to build a new structure.

The rules also require state and local governments to limit fees to “reasonable costs” for processing applications and managing rights-of-way.

Unleashing Jobs and Money

The FCC projects wireless service providers will invest an estimated $275 billion over the next decade in next-generation wireless infrastructure deployment, which should generate three million new jobs and boost U.S. gross domestic product by half a trillion dollars.

“5G can enable increased competition for a range of services—including broadband—support new healthcare and Internet of Things applications, speed the transition to life-saving connected car technologies, and create jobs,” the FCC’s report states.

“Moving quickly to enable this transition is important, as a new report forecasts that speeding 5G infrastructure deployment by even one year would unleash an additional $100 billion to the U.S. economy,” the report states.

States, Cities Challenging Rule

The National Governors Association, National League of Cities, National Conference of State Legislatures, and some other groups oppose the FCC’s new rule. More than 20 cities and municipalities are challenging the FCC’s action in federal courts for preempting local regulations and limiting government fees.

The FCC’s action is aimed at removing unreasonable restrictions in the 30 states that have been slow to act on 5G broadband, says Bartlett D. Cleland, a research fellow with The Heartland Institute.

‘Preserves State Legislation’

The FCC’s action recognizes states’ authority, says Cleland.

“The structure of the FCC provision preserves state legislation in states where they are actually moving forward on deployment,” said Cleland.

“The FCC has learned from those states—those states have been the laboratory of democracy, the laboratories of policy innovation—and has crafted its proposal accordingly.

“Ultimately, the intent is to give a fair shot to smaller and medium communities to gain broadband advantages even while large communities continue to benefit as the country moves along a clear path for the national adoption of 5G,” Cleland said. “Such a move is of great value to the nation.”

Joe Barnett (jbarnett@heartland.org) is a research fellow with The Heartland Institute.
Judge Rules Tennessee Can’t Revoke Driver’s Licenses for Failure to Pay Fines

By Kenneth Artz

The state may not revoke a person’s driver’s license because he or she can’t pay a traffic fine, a federal judge in Tennessee ruled.

The judge’s ruling could open the door to reinstating the licenses of about 291,000 Tennesseans. U.S. District Court Judge Aleta Trauger ruled in October in response to a class-action lawsuit challenging a Tennessee state law allowing officials to revoke a driver’s license if its owner does not pay a fine for a traffic violation.

Trauger’s order prevents the state from revoking licenses while the suit is pending.

In response, the Tennessee attorney general’s office released a statement saying the traffic fine ruling would be reviewed “to determine the appropriate next steps.”

In July, in a separate case, Judge Trauger ruled Tennessee could not revoke driver’s licenses for unpaid court fees. The state is appealing Trauger’s July order, though the Department of Safety has already begun reinstating licenses revoked for unpaid court fees.

‘Driving Is Imperative’

Josh Spickler, executive director of Just City, a Memphis public-interest law firm that filed both lawsuits, says the judge’s rulings are important because Tennessee’s transportation and transit system is mostly car-based.

“In a place like Memphis, we have a ring of logistics jobs—warehouse jobs—around the city, often at the extremes of public transportation,” Spickler said. “Driving is imperative, and the judge has found multiple times now Tennessee is definitely a place where a driver’s license is almost as important as a pair of shoes.”

The state obviously has the authority to revoke driving privileges, says Spickler, but it must do so with the utmost care and not in a way that affects one group of people more than another.

“The judge said we were unduly impacting people living in poverty differently than people who are not, and it’s not OK,” said Spickler.

“I think this is insightful and accurate, and it’s a wrongheaded policy to suspend the chief means of earning an income from someone when we want some of their income,” Spickler said. “It doesn’t make much sense.”

Questions Effectiveness

The threat of losing one’s driver license is an incentive to pay fines owed, says Spickler, but there’s no indication the policy has worked.

“What we do know, because we’ve suspended hundreds of thousands of driver’s licenses, is a lot of people are no longer free to move legally around the state because their right and privilege was taken from them without any determination of why they didn’t pay,” Spickler said.

“The ability to pay was not determined before the license was suspended, and that’s not OK,” he said. “You can suspend it after you determine or consider their ability to pay, or if you find they are willfully not paying, but you can’t just automatically suspend it without this very important legal procedure in place.”

Revoking licenses is just another example of the government becoming a huge burden on people’s freedom and ability to move about in the mainstream economy, Spickler says.

“Government has an interest in keeping its roads and streets safe by having drivers duly licensed, but this is the government sort of flexing a muscle it shouldn’t flex,” Spickler said.

‘You Have to Have a Car’

Ron Schultis, a policy advisor for The Beacon Center of Tennessee, says he supports Trauger’s ruling.

“If we want people to get right with the criminal justice system and pay their fines and fees so they don’t wind up back in jail, then we can’t take away their ability to get to work and earn the money so they can pay them off,” Schultis said.

“In a place like New York City, I imagine driving is kind of like a luxury—it’s great to be able to, but it’s not necessary,” said Schultis. “Whereas down here in the South, even in an urban area like Nashville, you have to have a car to get to work and survive. I guess the government thought this would motivate people, but it actually had the perverse incentive of making it more difficult for them to pay their fines.”

RON SCHULTIS
POLICY ADVISOR
THE BEACON CENTER OF TENNESSEE

‘Very Counterproductive’

Adrian Moore, vice president of policy at the Reason Foundation, says suspending someone’s driver’s license takes away their ability to work and remove the suspension.

“When you take away someone’s driver’s license, you’re not just punishing them, you are dramatically reducing the likelihood they can pay their fines,” Moore said. “This is a really weird punishment for not being able to pay their fines, because you are increasing the likelihood they won’t be able to pay them or continue to work.”

There are other bad side effects to the policy, says Moore.

“People who lose their jobs are more likely to engage in crime,” Moore said. “So, if you’re trying to do something about crime, the punishment system here is kind of designed to put people in a situation where they’re more likely to commit other crimes. This is a very counterproductive system.”

Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.
United States to Withdraw from Universal Postal Union

By Jim Lakely

The U.S. government has started the process of withdrawing from the Universal Postal Union (UPU).

The UPU is a 193-member international body established in 1874 to facilitate mail delivery between countries. The organization also oversees the rates national postal services charge for handling each other’s mail.

The UPU requires the U.S. Postal Service (USPS) to charge other nations’ postal services less than its standard handling fees, called “terminal dues,” for shipments to the United States from certain foreign countries, including China. The discounted fees give foreign companies shipping goods from those countries an unfair cost advantage over U.S. companies that ship goods, White House Press Secretary Sarah Sanders stated on October 17. The subsidized rates also hurt the U.S. Postal Service because it costs USPS more to handle the packages than the fees the UPU allows it to charge, Sanders said.

During the year-long withdrawal process, the Trump administration will seek to renegotiate those UPU rules, said Sanders.

‘This Outdated Mandate’
The problem is the UPU requires the U.S. Postal Service (USPS) to subsidize certain types of packages sent from China into the United States, placing American businesses at a disadvantage in their own market and contributing to the fiscal problems of the USPS, says Edward Hudgins, research director for The Heartland Institute, which publishes Budget & Tax News.

“Decades ago, UPU adopted a system mandating postal services in developed countries like the United States charge postal services in the poorest countries lower terminal dues, which often do not cover their costs, as a way for the former to help the latter,” said Hudgins.

In addition, low charges to ship products to the United States facilitate trade in counterfeit products from China, says Hudgins.

“American companies are often undersold by Chinese companies selling counterfeit American products in violation of patent and copyright protections,” said Hudgins. “Furthermore, if American consumers need to return defective products purchased from China, the shipping costs might be ten times the cost of the product.”

The Trump administration has tried to negotiate a rule change with the UPU, says Hudgins.

“The UPU has a one-country, one-vote policy, and other members would not play fair with the United States,” said Hudgins. “Thus, the Trump administration gave the UPU notice. It has one year to fix its obsolete and unfair regulations or the United States will go its own way, and China can see what it’s like to fare in a truly fair market.”

Jim Lakely (jlakely@heartland.org) is director of communications for The Heartland Institute.
Wisconsin School Choice Students Outperform Government School Peers

By Ashley Herzog

Children in the Wisconsin Parental Choice Program (WPCP) performed better on the ACT standardized test this year than those in government schools, Wisconsin’s Department of Public Instruction (DPI) reports.

In 2018, WPCP students earned an average composite score of 21 out of a possible 36 points on the ACT, 1.3 points higher than the statewide average of 19.7, an October report from DPI states.

WPCP is a statewide school choice program. Two other state choice programs are limited to Milwaukee and Racine.

Objections ‘Just Not True’

Lennie Jarratt, project manager for the Center for Transforming Education at The Heartland Institute, which publishes Budget & Tax News, says there is a clear link between educational freedom and student performance.

“When students can choose the education that best fits their learning styles and goals, they will do better,” Jarratt said.

Ola Lisowski, research director at the MacIver Institute, says DPI’s data have consistently demonstrated school choice benefits students.

“I’m not surprised by the data,” Lisowski said. “It’s the third year in a row that school choice students have outperformed their public-school peers. You’ll hear people say that no data show stronger results for school choice students, and that it’s a failed experiment. That is, simply put, just not true.”

Calls for Universal Choice

Participation in WPCP is restricted to children in households earning up to 220 percent of the federal poverty level. As of October 2018, there were 7,140 students in WPCP. Including the Milwaukee and Racine programs, a total of 39,381 students participated in school choice in the state.

Jarratt says the state should universalize WPCP to make education freedom available to all students, not just those in low-income households.

“School choice should not be limited,” Jarratt said. “It should be universal. Every child deserves access to the education that meets their individual needs.

“Students should also be provided more freedom than just selecting another school,” Jarratt said. “They should be able to choose courses at multiple schools, online, or even self-study, to ensure each class fits their academic skills and goals. In other words, they should be able to pick from a menu of choices.”

Promoting Selfish Interests?

Jarratt says school choice is necessary because many government school administrators neglect students’ needs in order to promote their own economic interests and political causes.

“The hostility to school choice comes because losing students is a loss of control and of ‘hostages to the cause,’ as Horace Mann once wrote,” Jarratt said. “Government schools can no longer indoctrinate students into their current social-justice cause. In addition, far too often, public school districts have become more focused on being local jobs programs for friends and family, instead of education.”

Ashley Herzog (aehristow85@gmail.com) writes from Avon Lake, Ohio.

North Carolina Voters Lower Cap on Income Tax Rates

By Joe Barnett

North Carolina voters have lowered the limit on state personal and corporate income tax rates.

Voters in November approved a constitutional amendment to reduce the state’s tax cap from 10 percent to 7 percent.

North Carolina’s current personal income tax rate is 5.499 percent, which is 33 percent less than the new cap.

The new cap is below historical tax rates in the state. Before 2014, North Carolina had a progressive personal income tax system with tax rates of 6 percent, 7 percent, and 7.75 percent.

The state’s income tax cap was set at 10 percent in 1936 for both personal and corporate income taxes.

A Series of Tax Cuts

In 2014, North Carolina replaced its progressive personal income tax with a flat income tax. The single tax rate was initially 5.8 percent. In 2017, the rate was automatically reduced to 5.5 percent because the state met several revenue triggers.

The state also reduced the corporate income tax rate from 4 percent to 3 percent as of January 1, 2017. North Carolina now has the lowest corporate tax rate of any state that imposes such a tax, according to the Tax Foundation.

The tax rates will fall further on Jan. 1, 2019, to 5.25 percent on personal income and 2.5 percent on corporate income.

Limiting Government Growth

In 2017, the North Carolina Senate voted to propose lowering the income tax cap to 5.5 percent, matching the current personal income tax rate, but the legislation did not pass in the state House of Representatives. The legislature then voted to present a modified version with a cap of 7 percent.

By lowering the state’s tax cap, voters indicated they want to limit the growth of state government, says Bob Luebke, director of policy at the Civitas Institute.

“North Carolina voters sent a strong message,” said Luebke. “The electorate said they don’t want state government to keep growing. They want government to prioritize and live within its means, just like all households in North Carolina must do.”

‘A Nonpartisan Issue’

North Carolina voters view the tax cap as a nonpartisan issue, says Luebke.

“The October Civitas Poll found 69 percent of registered Republicans, 52 percent of ‘Unaffiliated,’ and 37 percent of Democrats supported the tax cap amendment,” said Luebke.

Voters approved the November measure by 57 percent to 42 percent.

Though the tax cap is not as low as the state Senate originally proposed, approval of the 7 percent cap was a positive development, says Luebke.

“Overall, the amendment is good news for North Carolina,” Luebke said. “It provides a check on state government and tells businesses and working families why North Carolina remains a great place to live and work.”

Joe Barnett (jebarnett@heartland.org) is a research fellow with The Heartland Institute.

“Students should also be provided more freedom than just selecting another school. They should be able to choose courses at multiple schools, online, or even self-study, to ensure each class fits their academic skills and goals.”

Lennie Jarratt

Project Manager

Center for Transforming Education

The Heartland Institute

By Ashley Herzog

A teenager and his Washougal, Washington teammates are benefiting from a state law requiring government schools to allow homeschooling families access to resources children attending government schools get.

Sophomore running back Peter Boylan plays for his local high school’s football team while receiving his education from his parents. The family moved to the area in 2001.

Washington enacted legislation in 1985 requiring school districts to extend access to taxpayer-funded educational services and resources, including extracurricular activities, to homeschooling families.

The state’s rules for homeschooling families allowed Boylan to help the Panthers defeat their conference rivals, the Ridgefield Spudders, in September.

Leader in Homeschooling Laws

Jen Garrison Stuber, an advocacy chair with the Washington Homeschool Organization, a nonprofit group representing the interests of home-based education, says the state has been a leader in accommodating homeschooling families.

“Washington is almost entirely unique among the states in that our part-time attendance and ancillary-services law predates homeschooling by 16 years,” Stuber says. “In 1969, Washington State passed a law allowing part-time attendance and access to ancillary services for students enrolled in private schools. When our homeschool law was passed in 1985, that was amended to also include homeschooled students.”

Homeschoolers on Home Field

Jonathan Butcher, a senior policy analyst at The Heritage Foundation, says homeschool access policies are sometimes referred to as Tebow laws, after former Denver Broncos quarterback Tim Tebow, a beneficiary of a 1996 law enacted in Florida.

“A so-called Tim Tebow law is one that allows a homeschool or charter school student to participate in extracurricular activities at a traditional district school or private school while the student is still learning at home.”

Opting for Options

Butcher says increasing educational options is better for everyone, especially the children.

“Every child is different, and parents should have the freedom to choose how and where their child learns, no matter what school they are assigned to according to their ZIP code,” Butcher said. “So, just as every family should be able to educate their child at home if they choose to, and as efforts continue around the country to make charter schools available to every child, along with education savings accounts and other private learning opportunities, those homeschool options should include the option to participate in district school services such as sports or extracurricular activities.

“Those activities, from concert band to football, are experiences that can enrich a child’s life and be an important part of their academic and personal growth,” Butcher said.

Extracurricular activities can promote a well-rounded education, Butcher says.

“These are lessons for life that cannot always be taught inside a classroom,” Butcher said.

Reform Obstacles and Objectives

Stuber says the National Education Association (NEA), a nationwide public-sector labor union representing government school teachers and staff, is a vocal opponent of expanding extracurricular access to homeschooled children, and homeschooling itself. In 1988, the NEA passed a resolution stating its opposition to the participation of homeschool students in extracurricular activities, which it reaffirmed in 2006.

NEA’s opposition has influenced policies preventing homeschooled students from participating in extracurricular activities sponsored by government schools, says Stuber. “I think this resolution is one of the reasons so many states don’t have Tebow laws,” Stuber said. “Many states’ homeschool laws were enacted after 1988, the year the NEA began issuing this resolution against homeschooling.”

Butcher says lawmakers should work to increase access and flexibility for homeschooling parents and their children.

“Homeschool students should be able to take classes at district and charter schools, even if it requires purchasing the class or paying an hourly rate,” Butcher said.

This access should come with no strings attached, Butcher says.

“Homeschool students should not be required to take end-of-year state tests that are required of district and charter students,” Butcher said.

Ashley Herzog (aebristow85@gmail.com) writes from Avon Lake, Ohio.
San Francisco Voters Approve Tax Hike

By Kenneth Artz

San Francisco voters approved the largest tax increase in the history of the city, to double spending on the city’s growing homeless population.

November ballot Proposition C, placed through a petition by citizens, raises the city’s gross receipts tax on companies with more than $50 million in revenues by an average of 0.5 percentage points. The new tax rates will vary by business sector and will be levied on top of previous gross receipts taxes ranging from 0.16 to 0.65 percent.

The tax is expected to raise up to $300 million per year in additional revenues, enough to provide housing for 5,000 people, 1,000 shelter beds, and mental health services, according to supporters of the law. The city currently spends more than $380 million a year to address homelessness, more than $50,000 for each of the estimated 7,500 homeless people in the city.

Continual Cost Increases

Chris Talgo, an editor for The Heartland Institute, which publishes Budget & Tax News, says Prop C is a misguided policy which is going to make the city’s homeless situation worse, not better.

“The people of San Francisco should have considered other options to provide a social safety net for those people who are truly in need, as opposed to incentivizing more homeless people to come to their city,” Talgo said.

Since San Francisco began tracking the local homeless population in 2005, the city has increased its budget for services to the homeless almost every year, says Talgo.

“Over the last 10 years, San Francisco has increased spending on the homeless every single year, and the problem has gotten worse,” Talgo said. “I’d like to know how doubling the amount of money spent is going to solve this problem.”

Stagnant Housing Supply

Adam B. Summers, a research fellow at the Independent Institute, says homelessness is a serious problem which the San Francisco city government has been making worse.

“There is no doubt homelessness is a serious issue in San Francisco, and has negatively affected the quality of life in the city,” said Summers. “But throwing substantially more money at the problem might not be the best solution.”

The homeless problem is worsened when local governments restrict the supply of affordable housing, says Summers.

“The growth of high-paying jobs in the city can certainly raise housing costs, but this is mitigated when supply is allowed to rise to meet the increased demand,” said Summers. “San Francisco has notoriously restricted housing supply through stringent rent control and other anti-development policies, however.

“Between 2010 and 2015, San Francisco added only one home for every eight new jobs created, while average rents increased 43 percent,” Summers says.

Allowing the market to function would help alleviate San Francisco’s housing affordability problem, says Summers.

“Getting the government out of the way and merely allowing supply and demand to function unhindered in a free market would do much more to create affordable housing than hundreds of millions of taxpayer dollars,” Summers said.

Mayor Opposed It

San Francisco Mayor London Breed opposed Prop C, saying the taxes would damage the local economy, the additional services and housing would attract homeless people from neighboring cities, and the measure lacked accountability for the funds spent.

“New taxes will decidedly harm our local economy,” said Breed. “The City Economist’s report estimates that Prop C will cause up to a $240 million loss from our city’s GDP every year for the next 20 years.”

Proponents of Prop C claimed the tax would be paid by only the top 1 percent of companies, but they failed to acknowledge those employers provide a much larger percentage of the jobs in the city, says Summers.

“City Controller Ben Rosenfield’s analysis of the measure noted the 300 to 400 businesses affected by the tax “comprise approximately 15 to 20 percent of the city’s job base and pay approximately 40 percent of the city’s business taxes,” said Summers.

The city’s Office of Economic Analysis notes the businesses affected already pay close to $2,500 per employee per year in business taxes to the city, which will increase to more than $3,700 per employee with the new homeless tax. This, the agency said, will “make business taxes nearly as big an impediment to growth as housing and transportation already are.”

Kenneth Artz (kennethcharlesartz@gmx.com) writes from Dallas, Texas.
Penn. Lawmakers Consider Property-Tax Swap Bill

By Jeff Reynolds

The Pennsylvania House of Representatives’ Finance Committee is considering a bill that would amend the state’s Taxpayer Relief Act of 2006 to eliminate the property tax collected by school districts on residential properties and farms.

An amendment to the Pennsylvania Constitution approved by voters in 2017 increased the allowable exclusion to 100 percent of the assessed value, if the revenue that would be lost to school districts is replaced by the state legislature. If fully funded, this change would allow school districts to eliminate property taxes on homesteads and farms.

House Bill 2329 (H.B. 2329), proposed by Pennsylvania state Rep. Marcia Hahn (R-Northampton), would swap the property taxes for schools for a 1.72 percentage-point increase in the state’s personal income tax rate to fund education.

‘People Are Losing Their Homes’

Hahn says the property tax burden is becoming too much for some Pennsylvanians.

“The problem is people are losing their homes,” Hahn said. “When that property tax bill comes in August, it’s a huge hit. We’re trying to alleviate that so you can be in your own home, you can buy property, have your own house, without worrying about it being taken for taxes.”

‘Spending Is the Real Culprit’

The tax hikes are a symptom of out-of-control government spending, says Bob Dick, a senior policy analyst for the Commonwealth Foundation.

“The solution to this problem isn’t to reshuffle the tax burden,” Dick said. “Spending is the real culprit. It continues to drive taxes higher and higher each year, and until the state and local governments address overspending, high taxes will persist.”

Hahn says one reason for skyrocketing property tax rates are legal provisions in the school funding formula that gives some school districts money that doesn’t serve students.

“We have what’s called ‘hold harmless,’” Hahn said. “If you’re a school district and you’re losing population, the hold-harmless clause says you cannot receive less than you previously received from that point on. You could lose half your students and still get the same amount of money. Those of us in growing districts, because of the funding formula, aren’t getting the increased revenue that we should be getting.”

‘Winners and Losers’

H.B. 2329 would favor retired homeowners at the expense of small business owners and renters, Dick says.

“As with all tax shifts, there will be winners and losers,” Dick said. “Property owners who don’t currently pay a state income tax stand to gain from the legislation. Those who don’t directly pay property taxes now, or small businesses that pay the state personal income tax, will likely see their tax bills rise.”

BOB DICK
SENIOR POLICY ANALYST
COMMONWEALTH FOUNDATION

Making Houses Affordable Again

Hahn says H.B. 2329 would encourage more people to become homeowners.

“If you’re a renter, if you don’t have a property tax bill to pay, it’s going to make home ownership more affordable,” Hahn said. “More people will be buying homes.”

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

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Take advantage of the last great tax break with your Charitable IRA Rollover

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