



AMERICANS *for* TAX REFORM

June 23, 2009

Rhode Island House of Representatives
Rhode Island State Senate

RE: Opposition to House Bill 5983 Substitute A

Dear Members of the Rhode Island Legislature,

I write strongly opposed to the tax increases proposed in the House budget package. The budget is a \$7.8 billion spending plan that relies on higher gas taxes, capital gains taxes, and an unconstitutional tax on out-of-state online retailers.

Firstly, this budget irresponsibly grows Rhode Island government by 12% in one year. After factoring in inflation, state government expenditures between 2003 and 2007 have increased 14.7% while population has declined 1.38%. This budget package represents significant overspending and places an exponentially growing tax burden onto a shrinking population. Overspending caused Rhode Island's current budget crisis and spending restraint – not tax increases – is the solution.

The \$9 million gas tax hike not only directly impacts drivers and businesses, it also raises the price of transporting goods and will have a serious impact on the broader economy. This tax is eventually passed onto consumers in the price of nearly every good sold in the state – from groceries to school supplies.

Taxing capital gains as ordinary income is a massive \$23.6 million tax increase on Rhode Island companies that will discourage future investment and business expansion. This proposal is also in stark contrast to Governor Carcieri's reform package that would gradually eliminate the corporate income tax to help businesses create jobs, lift wages, and expand operations.

Finally, the budget includes an unconstitutional "affiliate nexus tax" that requires out-of-state retailers to collect and remit taxes for Rhode Island. Even the House Finance Committee, recognizing that the tax is currently undergoing significantly legal challenge in New York, determined that it would be unenforceable and thus provide no increase in revenue for Rhode Island. Having an unconstitutional law on the state's books could also result in costly litigation for Rhode Island in future years.

As you continue to weigh options to rectify the state's overspending problem, I urge you to stand up for taxpayers and oppose all tax increases. In the face of a slowing economy, tax hikes will hit hardworking Rhode Island families, consumers, and businesses the hardest and further diminish the state's economic growth. If you have any questions, please contact Kelly Cobb, ATR state affairs manager, at (202) 785-0266.

Onward,

Grover Norquist
President, Americans for Tax Reform

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