



AMERICANS for TAX REFORM

March 8, 2016

To: Members of the Alabama Legislature

From: Americans for Tax Reform

Re: The 2016 Session

Dear Members of the Alabama Legislature,

On behalf of Americans for Tax Reform and our supporters across the state, I write today to urge you to keep taxpayers in mind as you consider a vast number of important policy issues this legislative session. **In just the last six years, your constituents have endured a historically sluggish economic recovery during which they have been hit with over 20 federal tax increases.** While there are numerous pro-growth reform ideas that can make the state more attractive to future job creators and investors, keeping the tax burden as low as possible is the most conducive environment for economic growth. As such, it's vital that lawmakers in the Yellowhammer State protect its citizens from job-killing tax increases at the state level in 2016.

The belief that keeping the tax burden as low as possible promotes economic growth is supported by a large body of evidence. John Hood, chairman of the John Locke Foundation, a Raleigh, N.C.-based think tank, analyzed over 680 peer-reviewed studies going back to 1990. Most of the studies Hood analyzed found that lower levels of taxes and spending correlate with stronger economic performance. When Tax Foundation economist William McBride reviewed academic literature going back three decades, he found "the results consistently point to significant negative effects of taxes on economic growth even after controlling for various other factors such as government spending, business cycle conditions and monetary policy." In McBride's survey of 26 studies dating to 1983, he found "all but three of those studies, and every study in the last 15 years, find a negative effect of taxes on growth."

The biggest threats to Alabama taxpayers this year are the proposals to tax digital download and raise the gas tax. These tax hikes would only make it harder for Alabama to compete with other states for jobs, investment, and people. Tax policy has a major impact on a state's economic health. Demonstrating this is the fact that the top 10 states with the lowest tax burden saw average GDP growth that was 24 percent greater over the last decade than the ten bottom states with the highest tax burden.

If transportation funding were truly a funding priority for legislators, they would make it one by funding it with existing revenue and by ensuring that all gas tax revenue is used for transportation. Currently, funds from the gas tax revenue collected are distributed to the State Water Safety Fund, the Seafood Fund, and the Game and Fish Fund.

I also urge you to reject SB 242, legislation that would apply sales or rental taxes to digital goods such as, iTunes, Netflix, Amazon, etc. Expanding the definition of tangible personal property to include digital goods would make the tax code increasingly more difficult for lawmakers and users to navigate. For example, if an Alabamian downloads an e-book in Colorado, where would the tax apply? Secondly, as users are only paying for a license and not ownership of these goods, digital goods should not be treated the same as material goods.

With states across the nation passing rate-reducing tax reform, raising state taxes would only make it harder for Alabama to compete. As such, I urge you to stand up for Alabama taxpayers by rejecting

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proposals to further raise taxes. Americans for Tax Reform will be following these issues closely throughout the year and will be educating your constituents as to how you vote on these important matters. If you have any questions, or if ATR can be of assistance, please contact Miriam Roff, Americans for Tax Reform's state affairs coordinator, at mroff@atr.org.

Onward,



Grover Norquist
President
Americans for Tax Reform