

Progressive taxes: the cure for California's budget problems

Progressive tax policy is based on the simple idea that people with more money should pay more in taxes, and people with a lot more money should pay a lot more.

It is fair that people who have benefited most from the opportunities provided by our public institutions should contribute in order to keep our society livable.

There are two types of taxation: progressive and regressive. Progressive taxes ask individuals with higher incomes to pay a higher percentage of their income than people with lower incomes. Regressive taxes—like a sales tax—appear fair on the surface since each person pays the same percentage of taxes on a purchase. The problem is that for a person making \$30,000 per year the impact is far greater than on someone who makes \$300,000 per year.

Slightly restructuring the income tax so that the wealthiest people pay a fair share of their income is the best way to bring revenue to the state of California so that we have the quality public services we need and deserve. The top one per cent of income earners will not be hurt by paying a fraction more, and the billions in income brought to the state will provide smaller class sizes, safer neighborhoods, and public health measures that keep us all healthier. Another progressive tax approach is to close corporate tax loopholes, which rob the state budget of billions of dollars more each year.

Did you know...?



- ◆ The top 1% of wealth holders owns 34% of the wealth. Their state income tax rates are lower today than they used to be. In 1993 the highest tax bracket in California was 11% of income; today it is 9.3%.
- ◆ The wealthiest 1% of taxpayers averages \$1.6 million per year in income. Increasing their top tax rate, from 9.3% to 11%, would bring more than \$5 billion per year in state revenues, allowing us to provide desperately needed education, health, and safety services for our population.
- ◆ Tax rates for corporations are also lower than they used to be. In 1980 California corporations contributed nearly 15% of the state budget; today they pay 11%. By closing all corporate tax loopholes we could raise an estimated \$16 billion per year or more.
- ◆ These changes would address the state's structural budget problem with progressive tax policies that do not adversely affect the average Californian.
- ◆ The Legislature has imposed more than \$12 billion in tax cuts for individuals, families and businesses over the past fifteen years. It is time to reverse this trend so that our government can continue to provide necessary services to Californians.

What you can do to help:



Stay informed

Visit the web sites of the California Federation of Teachers (www.cft.org), California Budget Project (www.cbp.org), California Tax Reform Association (www.cal-taxreform.org), and Too Much: A Commentary on Excess and Inequality (www.toomuchonline.org)



Contact your legislators

Tell them to close tax loopholes, not schools, fire stations and health clinics!



Be active

Find out from the CFT Political Department about current legislative and political activities and how you can pitch in, 916-446-2788.

Photos: David Bacon, Jim Perry, Local 112 IAFF, Cliff Mautner, American Federation of Teachers

Q: How can we make sure we get the quality education, health care, and public safety services we need?



A:
**PROGRESSIVE
TAX POLICY**

aft **California
Federation
of Teachers**
AFT/AFL-CIO

Republican “no new taxes” pledge is irresponsible

By Marty Hittelman, president, California Federation of Teachers
Excerpted from *The Sacramento Bee*, June 13, 2008

Some people don't like paying taxes. Taxes make our paychecks smaller. Taxes add to the price of some of the items we purchase. Taxes make some people mad because they feel they have little or no control over how the money raised by taxes is spent. Many are angry that a larger proportion of the federal budget is spent on the military than on anything else.

Others dislike allocating money for schools, because they have no children or send their kids to private schools. They may hate paying for public transit because they only drive cars. But like them or not, taxes are the price we pay for living in a civilized society – to be educated, to be healthy, to be safe.

However, California is shackled in its ability to provide for the common good. It is one of three states in the country that require a two-thirds legislative vote to raise taxes. As a result, we face a tyranny of the minority. To add to this basic undemocratic situation, slightly more than a third of each legislative house is represented by Republicans, who have vowed not to vote for any tax increases no matter how great the need or the nature of the tax.

This is irresponsible. We elect people to serve in government, make decisions about what's best for society and about how to pay for programs created for the common good. It is an abdication of responsibility for our elected representatives to refuse to even consider new taxes. Faced with similar budget situations in the past, Republican governors Ronald Reagan and Pete Wilson, despite their ideological distaste for tax increases, bit the bullet and did what was necessary.

The taxpaying public has been persuaded to underfund education and other public services for many

years. Until very recently, the governor was saying that the state has a spending problem, as if the budget deficit is the result of a wealthy drunkard on a spree. Hardly. California ranks 48th in the country in the number of state government employees per resident. It is 46th in the nation among states in per-student spending.

It is possible to meet the needs of the people of California without harming the pocketbooks of the majority, through progressive tax policies that ask those who have the most ability to do so to pay slightly more.

Returning the top income tax bracket to where it once was – 11 percent from the current 9.3 percent – on people who make more than \$300,000 a year would net the state \$5 billion a year.

We can also close tax loopholes. California is the only state that does not tax oil when it is taken from the ground. The average state oil production tax is 6 percent. The price of oil is at more than \$100 a barrel, which would bring California \$1.5 billion each year. The oil companies are making record profits while we pay through the nose at the pump. They can easily pay more – yet Republicans in the Legislature blocked an effort to close this loophole, chanting in unison, “no new taxes.”

Don't let a small group of ideologues stand in the way of teachers' ability to deliver quality public education to their students. If everyone reading this took a few minutes to contact their legislators, telling them it's time to ask those who can best afford it to pitch in for the common good, we'll continue to live together in a civilized society. And if the legislators can't hear you, because they are chanting “no new taxes” too loudly to pay attention, then it's time to elect people who will listen to you.

State Budget Perspectives

They say

California has a “spending problem.”

“No new taxes!”

“We don't have the money.”

We say

Actually, California has a **revenue problem**.

California is the richest state in the richest country on earth. But California ranks:

46th in the nation in per student spending in our public schools

45th in the nation in per student spending in our community colleges

48th in the nation in government employees per resident.

Clearly, we are **underfunding our public services**.

“Taxes are the price we pay for living in a civilized society.”
—Oliver Wendell Holmes

As a population, we have the ability to properly fund our vital public services. The problem is that 34% of private wealth in the state is held by only 1% of Californians.

Progressive tax policy would enable us to tap this excessive wealth for the benefit of all Californians and those taxed would barely feel it.

Sample letter to your legislator

The Honorable _____,

As a (parent, teacher, school employee, administrator, concerned citizen), I am writing to urge you to protect our important public services when balancing the state budget.

I am concerned about how cuts will impact the quality of life in our state, whether it means losing talented, valuable school employees, increasing class sizes or reducing public health and public safety programs.

Our state already ranks 46th out of 50 in per student spending, and it ranks 48th in the number of state employees per resident. We can do better for California.

Every time we have a budget problem, numerous vital programs that meet the needs of our state are on the chopping block. Our state's budget agreement must include increased revenues as part of any approach to balancing the budget.

We do not have “a spending problem.” We are a wealthy state, the richest state in the richest country in the world. The problem is not lack of resources. It is our priorities.

I urge you to REJECT any efforts to cut school funding or to undermine the health and safety programs we need, and SUPPORT creative solutions to increase revenues for our students and general population.

Thank you.



Sincerely,
[Your Name]

To find your legislators' addresses, and for more information, go to www.cft.org