



SJR 7: Amending Constitution to Require Voter Approval of a New State Tax

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SJR 7: Amends Article 9, section 1 of the Alaska Constitution

- SJR 7 amends article 9, section 1 of the Alaska Constitution:
 - Requires voter approval for any new tax enacted by the legislature
 - Article 9, section 1(b)
 - A form of direct democracy
 - Functionally, authorizes an automatic referendum on new taxes
 - Requires legislative approval for any new tax enacted by initiative
 - Article 9, section 1(c)
 - Amends the people's constitutional initiative power
 - Functionally, a form of checks and balances



SJR 7: Voter Approval in Other States

- Other States That Require Voter Approval of New or Increased Taxes:
 - Colorado (1992)
 - “Taxpayer Bill of Rights” (TABOR)
 - Requires voter approval of new taxes and increases to existing taxes at state and local level
 - Colorado voters approved marijuana tax in 2013
 - Missouri (1996)
 - Requires voter approval of tax increases of \$50mm (adj. for inflation)
 - 2018 Proposition D, \$400mm increase to gasoline tax, defeated at polls
 - Washington (2001)
 - Requires voter approval of certain increases to real and personal property tax (“levy lid lifts”)
 - In recent years, 75% of levy lid lifts have been approved by voters



- Considerations:
 - Voter consent to new taxes may increase tax compliance
 - Hug & Sporri, “Referendums, Trust and Tax Evasion,” *European J. of Pol. Econ.* (Mar. 2011)
 - Requirement of voter consent can delay implementation and collection of new revenues
 - National Council of State Legislatures has considered generally the pros and cons of “tax and expenditure limitations”



Pros of “Tax and Expenditure Limitations”

- Make government more accountable;
- Force more discipline over budget and tax practices;
- Make government more efficient;
- Make governments think of creative ways to generate revenues—for example, advertising on state-owned facilities;
- Control the growth of government;
- Enable citizens to vote on tax increases and determine their desired level of government service;
- Force government to evaluate programs and prioritize services;
- Raise questions about the advisability of some functions provided by state government;
- Help citizens feel empowered and result in more taxpayer satisfaction;
- Help diffuse the power of special interests;



Cons of “Tax and Expenditure Limitations”

- Shift fiscal decision making away from elected representatives;
- Cause disproportional cuts for non-mandated or general revenue fund programs;
- Fail to account for disproportionate growth of intensive government service populations like the elderly and school-age children;
- Make it harder for states to raise new revenue so that scarce resources may be shifted between programs;
- Cause a “ratchet-down” effect where the limit causes the spending base to decrease so that maximum allowable growth will not bring it up to the original level;
- Result in excess revenues that are difficult to refund in an equitable or cost-effective manner;
- Result in declining government service levels over time;
- Fail to provide enough revenues to meet continuing levels of spending in hard economic times;
- Shift the state tax base away from the income tax to the more popular (but regressive) sales tax if voter approval is required;
- Shift the tax base away from broad taxes (property, sales and income) to narrowly defined sources such as lotteries and user fees.

Source: <https://www.ncsl.org/research/fiscal-policy/state-tax-and-expenditure-limits-2010.aspx>

