FTA bulletin
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Initiative Results from November 2010 ballots

There were few surprises in the outcomes of initiatives on the Nov. 2 ballots. For the most part, voters defeated or rolled back tax increases and, in some cases, eliminated even the potential for the future existence of a tax. They agreed with supermajority requirements for increasing taxes and fees. And they made it harder to shift funds from earmarked programs to the general fund.

But there were notable exceptions to the trend. Voters in Massachusetts refused to substantially reduce the sales tax rate. Colorado overwhelmingly rejected two measures that would have cut the property tax in half and eliminated or gutted a wide variety of other taxes. A property tax cap failed to pass in Louisiana.

The following represents the voters' decisions in Nov. 2 ballot initiatives that may be of greatest interest to tax administrators. Percentages given are rounded and represent early Wednesday counts:

Arizona
Voters overwhelmingly rejected Proposition 302, which would have allowed the state to shift the portion of tobacco tax revenue currently earmarked for early childhood development and health programs back to the state's general fund.

California
Voters rejected Proposition 19, which would have legalized the possession and cultivation of marijuana for personal use. This would have opened the door to tax and regulate commercial production and sale of marijuana, generating potentially hundreds of millions of dollars in revenue. The initiative failed 46 percent to 54 percent.

Voters rejected Proposition 21, which would have imposed an $18 annual vehicle license surcharge to help fund state parks and wildlife programs. The new fee would have added a net of $250 million annually to the funding of these programs. It failed 42 percent to 58 percent.

Voters approved Proposition 22, which constitutionally prohibits the state from balancing the state budget by borrowing or taking funds used for transportation, redevelopment or local government projects and services. The state may not delay distribution of tax revenues that would otherwise be distributed to local governments for these purposes. This affects around $1 billion in revenues annually. It passed 61 percent to 39 percent.

Voters rejected Proposition 24, which would have undone or reversed a series of tax cuts that will primarily benefit large corporations. Under a 2009 budget agreement slated to take effect in 2011, California will be granting a variety of business-friendly tax benefits, including allowing businesses to carry-back net operating losses, extending the carry-forward period and permitting offset of state tax credits among affiliated entities. The new law also will allow businesses to elect single sales factor apportionment. If passed, the initiative would have repealed all these tax benefits and increased state revenues by about $1.3 billion. The initiative was voted down 41 percent to 58 percent.

Voters approved Proposition 25, which amends the state's constitution to allow a simple majority, rather than a two-thirds majority, for passing the state budget and budget-related legislation. The measure does not change the two-thirds majority required to raise taxes or to override a veto of budget bills. The measure also provides that every year the budget is not passed by June 15, legislators will not be paid reimbursements for travel and living expenses for the period following June 15 until the budget is passed. The initiative passed 55 percent to 45 percent.

Voters approved Proposition 26, which amends the state's constitution and expands the state and local impositions that would require approval of tax increases by two-thirds of the legislature, if a legislative bill, or local voters, if an initiative. The measure is in response to lawsuits over the years that challenged whether a particular imposition is a "tax" that is subject to the requirement for super-majority vote, or a fee that requires only a simple majority. The measure covers fees imposed to address health, environmental, or other societal or economic concerns. The measure passed 53 percent to 47 percent.

Colorado
Voters rejected Amendment 60, to reduce property taxes by half (over 10 years), among a long list of other property tax limitations and restrictions. The amendment called for schools to be funded with state revenues. The measure failed 25 percent to 75 percent.

Voters rejected Proposition 101, the Colorado Motor Vehicle, Income, and Telecom Taxes proposition. The initiative would have cut the income tax rate from 4.63 percent to 3.5 percent (phased in); repealed the state's Alternative Minimum Tax; created a $10,000 vehicle sale price tax exemption; limited all car registration, licensing and title fees to $10 a year per vehicle; eliminated car rental taxes; specified that sales rebates are not taxable; and eliminated all but 911-related taxes for communications services (including phones, pagers and cable). The initiative also would have required that any added charges on either vehicles or telecommunication services be labeled as tax increases. Voters rejected the proposition 32 percent to 68 percent.

Georgia
Voters rejected Amendment 2, a measure to impose a $10 registration fee on motor vehicles, with revenues dedicated to trauma care centers. The measure failed 53 percent to 47 percent.

Voters approved Referendum A, to allow business inventory to be exempt from property tax. It passed 54 percent to 46 percent.

Hawaii

Voters approved Question 2, to give the legislature the authority to decide whether excess funds should be returned to taxpayers through rebates or tax credits or saved through a rainy day mechanism. The existing Hawaii rebate system created a $1 credit for income taxpayers that was based on an earlier surplus, but the credit applied during a year of budget shortfalls, exascerbating the problem. The question passed 59 percent to 32 percent.

Indiana

Voters approved Public Question 1, a property tax cap. The legislature already had created a cap but the initiative puts the cap in the constitution. The state will make up local revenue losses in part by absorbing some local expenses, including police and firefighter pension payments. The measure passed 72 percent to 28 percent.

Iowa

Voters approved Measure 1, which allows three-eights of 1 percent of the next sales tax increase to be dedicated to a Natural Resources and Outdoor Recreation Trust Fund. It passed 63 percent to 37 percent.

Louisiana

Voters rejected Amendment 4, which would have limited growth in local property taxes to 2.5 percent more than the previous year's revenue. Voters rejected down the idea 52 percent to 48 percent.

Massachusetts

Voters approved Question 1, which removes the 6.25 percent state sales tax on beer, wine and liquor beverages. These are subject to a separate state excise tax. The new imposition of sales tax on alcohol upset border retailers who complained they lost business to New Hampshire, which has state-owned liquor stores and no sales tax. The vote was 52 percent to 48 percent.

Voters rejected Question 3, which would have reduced the state sales and use tax rate from 6.25 percent to 3 percent. The vote was 57 percent to 43 percent.

Missouri

Voters approved Constitutional Amendment 2, granting a property tax exemption for homesteads of former prisoners of war. The initiative passed 66 percent to 34 percent.

Voters approved Constitutional Amendment 3, which will now prohibit the creation of any real estate transfer taxes, or application of the sales tax to real estate sales. Missouri does not currently have any taxes on real estate transfers, but many other states do. The measure passed 87 percent to 13 percent.

Voters approved Proposition A, which repeals local governments' authority to enact an earnings tax. Proposition A also requires St. Louis and Kansas City, the only two jurisdictions that currently have an earnings tax, to allow voters to decide whether the tax should be phased out over 10 years. Revenue from the earnings taxes in St. Louis and Kansas City are almost $350 million. The proposition passed 68 percent to 32 percent.

Montana

Voters approved CI-105 to amend the Montana Constitution to prohibit state and local governments from imposing any new tax on real estate sales and trades (real estate transfers tax). No such tax exists in Montana now. It was approved 73 percent to 27 percent.

North Dakota

Measure 1 passed with more than 50 percent of the vote. The initiative earmarks 30 percent of the tax revenue collected from oil production and extraction tax to a Legacy Fund. Money in this fund may not be spent until 2017, and a two-thirds vote of the legislature is necessary to withdraw funds. Only 15 percent may be spent during a biennium. The measure goes into effect June 30, 2011.

Oklahoma

Voters rejected State Question 754, or the No Mandated State Expenditures Act. The initiative said that the Oklahoma State Legislature cannot be required by the constitution to use any predetermined constitutional formula or comparison to any other state government or entity to determine a state agency's budget, or determine its expenditures. There was no known organized public support for the measure. It was written to undermine another initiative, Question 744, which sought to require the legislature to fund public education at the per-pupil average of neighboring states. (Question 744 also failed.) The rejection of the initiative leaves the legislature free to determine appropriations in the manner it chooses. The measure failed 37 percent to 63 percent.

Washington

Voters approved Initiative Measure No. 1053, which eliminates the legislature's ability to suspend a supermajority requirement. The legislature had the authority to suspend any voter-approved initiative. A successful suspension required either a two-thirds majority vote (within two years of an initiative's creation) or a simple majority vote (after the initiative has been in effect for two years). Voters in 2007 had approved an initiative requiring a two-thirds majority vote for all tax increases, but the legislature suspended the initiative in 2010 and passed a series of tax increases intended to balance the budget. Measure 1053 requires legislated tax increases be approved by two-thirds legislative majorities or receive voter approval, and that new or increased fees require majority legislative approval. It passed 66 to 34 percent.

Voters rejected Initiative Measure No. 1098, which would have established a state income tax for individuals with AGI greater than $200,000. It would also have reduced state property tax levies and certain business and occupation taxes. The measure failed 34 percent to 66 percent.

Voters rejected Initiative Measures No. 1100 and 1105, both of which would have closed all state liquor stores and licensed private parties to sell and distribute liquor, although their details varied, particularly in the way they treated wine sales. The first established a distributor system while the second offered more deregulation and allowed volume discounts. Measure 1100 failed 48 percent to 52 percent and Measure 1105 failed 37 percent to 63 percent.

Voters approved Initiative Measure No. 1107, which repeals several tax increases enacted in 2010. The vote eliminates a new sales tax on candy and bottled water and an excise tax on carbonated beverages. It also reinstates a Business and Occupation reduced rate for certain food processors. It passed 63 percent to 37 percent.

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