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November 2012 state tax ballot initiatives

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In brief

On November 6, 2012, US voters will be asked to weigh-in on hundreds of ballot initiatives, the highest number of measures since 2006. The ballot measures ask voters to address a wide variety of issues, from same sex marriage to marijuana legalization to union rules. There are also a number of state tax measures appearing on this year's ballots that taxpayers should monitor.

In detail

The following are some key state tax propositions and proposals state voters will consider in the next 2 weeks.

Arizona - 1% sales tax increase

Arizona's [Proposition 204](#) would make permanent the state's temporary sales tax increase. The current general state tax rate of 6.6% is otherwise due to return to 5.6% on June 1, 2013.

California - single sales factor and other tax increases

California's [Proposition 30](#), sponsored by Gov. Brown (D), would increase the personal income tax rates on earnings over \$250,000 for seven years and raise the sales tax by .25 percent for four years.

[Proposition 31](#), would require any revenue reduction estimated to be \$25 million or more be offset by a spending cut or revenue increase. This requirement would affect virtually any tax legislation providing a tax reduction or tax incentive to taxpayers.



[Proposition 38](#), would add a graduated income tax surcharge to the existing personal income tax. This surcharge would be applied through the 2024 tax year.

[Proposition 39](#), would require single sales factor apportionment for California business taxpayers, unless specifically exempted, beginning January 1, 2013. This initiative would also mandate market-based sourcing for sales other than sales of tangible personal property for all business taxpayers, irrespective of apportionment formula used.

Michigan - super-majority for tax hikes

Michigan's [Proposal 5](#) would require a 2/3 majority vote of the State House and State Senate or a statewide vote in order for the State to: (1) impose new or additional taxes on taxpayers; (2) expand the base of taxation; or (3) increase the rate of taxation.

New Hampshire - no new income taxes

New Hampshire's [Question 1](#) would amend the state's constitution to prohibit the imposition of new income taxes on natural persons.

Oregon - excess revenue

Ballot [Measure 85](#) changes the corporate kicker provision of the Oregon Constitution. Under current law, certain excess corporate income and excise tax revenues collected during a biennium are returned to corporate taxpayers. Under Ballot Measure 85, the excess revenues would be retained in the state's General Fund and used to provide additional funding for kindergarten through twelfth grade public education. The Legislature has full discretion over how it allocates General Fund moneys, including the total amount of General Fund moneys to kindergarten through twelfth grade public education.

South Dakota - sales tax increase

South Dakota [Initiated Measure 15](#) would increase the sales tax from 4% to 5% for additional K-12 public education and Medicaid funding.

The education funds would be provided to school districts based on enrollment, to be spent on improving education as school boards determine. The Medicaid funds would be spent only on payments to Medicaid providers and related state expenses.

Washington - super-majority/voter approval for tax hikes

Washington [Initiative 1185](#) would restate existing statutory requirements that legislative actions raising taxes be approved by 2/3 majorities or receive voter approval.

Actions to think about

Interestingly, despite the high numbers, there is a below average number of citizen initiatives on ballots this year. This is perhaps because of the economy and the lack of money necessary to fund efforts to get measures on the ballot. However, as we are seeing in California, once a measure is on the ballot, tens of millions of dollars are spent either supporting or attempting to derail initiatives. The spending has attracted the attention of political observers across the country who questions whether self-financed initiatives of a select few wealthy individuals are having an outsized impact on government.

Let's talk

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