Memo: Tax Reform

Commission for Blacks

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Bill Snyder, 07:43 AM 4/21/99 , Tax Reform

Following is a posting I put on the UTK Discussion Page. I strongly urge you to communicate with the Knox County delegation to the General Assembly about the urgency of tax reform.

Thanks for your assistance on this very important issue.

PLEASE COMMUNICATE WITH THE KNOX COUNTY DELEGATION OF THE TENNESSEE GENERAL ASSEMBLY by BILL SNYDER, 4/20/99

The University of Tennessee, Knoxville and higher education in general in Tennessee are at serious risk without increased state funding. The most important issue facing State Government in general and higher education in particular is meaningful tax reform in Tennessee to raise additional revenue. I urge everyone reading this note to communicate via FAX with each member of the Knox County delegation about the importance of tax reform. The names and FAX numbers follow:

Senator Ben Atchley 615-741-6098
Senator Tim Burchette 615-741-7200
Rep. Jim Boyer 615-741-6886
Rep Bill Dunn 615-532-8221
Rep. Harry Tindell 615-741-7664
Rep. H. E. Bittle 615-741-1005
Rep. Steven Buttry 615-532-8221
Rep. Jamie Hagood 615-741-4917

Following is a letter that I sent to each member of the Knox County delegation. This may be helpful to you in composing a communication.

Letter Dated March 5, 1999

This is my ninth budget season as Chancellor. Every one of them has been painful, traumatic, filled with uncertainty and anxiety. It is frustrating to be aware of the many unmet needs of this fine university year after year, to see the marvelous progress that has been made during the past few years through the hard work of many dedicated faculty members, staff members, administrators, and students with the realization that the time and patience required to build quality can be quickly dissipated through inadequate funding to sustain the gains we have made. Every member of this university community has his or her personal list of disappointments because of inadequate financial support. We have too often looked for persons to "blame" for the inadequate funding ranging from the Chancellor to the Governor and the General Assembly.

My long held view is that there are not malevolent individuals "out there" who are determined
to punish higher education through financial malnutrition. Our problem is a systemic one due to a highly regressive tax structure which is not responsive to economic growth. State government is heavily dependent on consumption taxes to an extent that is well above the national average with many exemptions that have evolved over the years due to the successful efforts of special interest lobbying. The question frequently asked, most recently in the report on Tennessee's tax system issued in January 1999 by the Tennessee Advisory Commission on Intergovernmental Relations is, "If the Tennessee economy is so hot, why is Tennessee state government in a fiscal crunch?"

My answer to this fundamental question is not that of an expert on public finance but that of a lay person who has struggled to find an answer. I have become convinced that the answer lies in the Tennessee tax structure, and we cannot expect funding of higher education in Tennessee to improve until the systemic tax structure issue is addressed.

The Governor's recent call for tax reform instills in me cautious optimism about the possibility of the State's investment in higher education improving for the following reasons. First of all, the Governor's proposal recognizes the systemic problem of the inadequacy of our current tax structure that is so heavily dependent on consumption taxes and cannot keep up with economic growth. This problem is further exacerbated by the change in consumption patterns in Tennessee away from taxable retail sales to services that are generally exempt from the consumption tax. Secondly, the Governor's proposal, by eliminating the consumption tax on food, partially addresses the regressiveness of the Tennessee tax system in which low income persons pay relatively more in taxes than do persons with higher incomes. Thirdly the Governor's proposal promotes equity in the taxation of business by eliminating loopholes as a result of the particular way in which a business is structured. Fourthly, the Governor's proposal produces a desirable bottom line of increasing the net revenue by several hundred million dollars per year to provide needed services to the citizens of Tennessee including higher education.

The Governor's proposal may not be perfect and will no doubt be subject to change and fine tuning in the current session of the Tennessee General Assembly. Nevertheless, it represents a bold initiative to address a systemic problem which has the potential of improving the funding for higher education as well as other needed state services.

I want to commend you and other members of the Tennessee General Assembly for having tax reform on the agenda of issues to be considered in the current session of the Tennessee General assembly. You have my respect and appreciation for the leadership you provide on many issues to improve the lives of all Tennesseans. I hope that the 1999 General Assembly will see the need for tax reform and join forces with the Governor to bring it about.

Sincerely,

William T. Snyder Chancellor

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The moment you stop learning is the moment you stop leading.