

PRESS STATEMENT - March 9, 2009

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**Press Statement by Kate Brewster,
Executive Director of The Poverty Institute**
regarding the Report of the Governor's Tax Policy Strategy Workgroup

Today Governor Carcieri received recommendations from his Tax Policy Workgroup, which was charged with developing a tax structure that is a "competitive advantage in retaining jobs and recruiting business."

The package of recommendations is unsound, unaffordable, and unfair to Rhode Island taxpayers and small businesses.

The most significant and costly proposals, which include eliminating the corporate income tax and raising the estate tax exemption to \$3.5 million, represent a continuation of a decade of failed tax policies that cut taxes for wealthy individuals and businesses in the name of economic development. Research shows that tax cuts and incentives generally do not significantly boost economic growth or business activity.

The price tag, which is much higher than the reported \$130 million a year when all of the proposed changes are fully phased in, is unaffordable. Given the size of current and projected deficits, additional losses of revenue will undoubtedly result in a reduction of the public services that businesses desire and expect including an educated workforce and high quality infrastructure.

The recommendations do nothing to address the biggest concern among Rhode Island taxpayers – residential property taxes. Further, the recommendations favor large corporations over the backbone of our economy, small businesses. The proposal to eliminate the corporate income tax would place Rhode Island among a handful of states that let businesses off the hook for paying their fair share towards the public services their companies use every day. With a price tag of \$82 million, this proposal represents the biggest gamble and potential shift of taxpayer dollars put forth by the Workgroup and could give large, multi-state corporations a competitive advantage over small businesses.

A handful of promising practices were recommended, however, that do begin to restore fairness to Rhode Island's tax structure, such as taxing capital gains as ordinary income. The proposal to make the state Earned Income Tax Credit fully refundable and restructure the Job Development Tax Credit to put in place wage and employment standards would be important advances for low-wage workers.

The local, national and global economies have experienced a dramatic downturn since the Workgroup was created and given its charge. While all Rhode Islanders are eager for solutions to improving our state's economy, we know from recent history that tax cuts are not the answer.

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About The Poverty Institute

The Poverty Institute is a non-partisan organization that develops and promotes policies to improve the economic security of low- and modest-income Rhode Islanders and to ensure that tax and budget policies are equitable and adequate to fund vital public services. The Institute is housed at the Rhode Island College School of Social Work. Financial support comes from foundations, corporations, and individuals who care about social change and economic justice. For more information visit www.povertyinstitute.org.