

# **Kate Brewster: Tax hikes answer to budget crisis**

01:00 AM EDT on Wednesday, October 24, 2007

**KATE BREWSTER**

RHODE ISLANDERS deserve a more balanced and reasonable approach to addressing the state's fiscal challenges than that recently announced by Governor Carcieri. Slashing funding for critical public systems and services while not addressing our antiquated revenue system will undermine the quality of life for all Rhode Islanders.

Rhode Island has carefully built a public infrastructure designed to help our state thrive. We have supported the necessary public-sector institutions that protect all of us from unforeseeable and uncontrollable events that can result in financial and/or physical harm: a plant closing that requires workers to be retrained or a car accident that leaves a spouse permanently disabled.

From public safety to enforcing standards for clean air, food and water, to providing long-term care for seniors, we have always understood that government must be a leader, in partnership with businesses and the nonprofit sector, in maintaining the quality of life for our families and communities. The recent announcement of dramatic reductions to public services as a quick fix to address our state's budget woes could severely weaken those protections.

There are other options for closing the state's budget gap that do not jeopardize the health and well-being of Rhode Islanders. Any smart budget debate requires that we review how we raise the revenue necessary to operate our state, even as we search for ways to deliver services more efficiently. The debate about budget priorities must include a discussion about recapturing lost revenues and modernizing our state's tax structure.

A first and necessary step for getting our fiscal house in order is staffing the Office of Revenue Analysis so the state has the capacity to plan for our short- and long-term future. Next, policymakers should immediately undertake the following steps which could produce significant funds.

These steps include:

Restore the tax on long-term capital gains and freeze the "alternative flat • tax," both of which primarily benefit a handful of very wealthy taxpayers, many of whom are not even Rhode Island residents. There is no evidence that either of these provisions have grown jobs or revenues in our state. These two measures together could recapture close to \$50 million.

Conduct a careful review of the costly tax breaks, exemptions and credits • that have been granted over the years and apply the "prove it or lose it" test to determine if they

have achieved their purpose, are cost effective and/or affordable. Eliminate those tax expenditures that fail this test.

Expand the sales tax to keep pace as the economy shifts from goods-based to • service-based.

We have entrusted the management of our collective investments to our elected officials. True leadership demands that we look at all options — both how we raise funds and how we spend funds — to close the budget gap. Anything less is severely shortchanging the average Rhode Island taxpayer.

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