

## Close Tax Loopholes First

Recent events can leave little doubt that the actions of governors and legislators in states like Wisconsin, Ohio, and Indiana are making the American workplace unfair. Their assault on educators and public service workers is about politics, not economics. By enacting policies that so clearly favor big corporations, these politicians are ignoring the economic consequences for the rest of us of their actions. Intentionally or not, their policies will only prolong the recession and exacerbate job losses. Why? Historical data show clearly that the income gap between rich and poor *grows* as workers' rights to organize and seek workplace fairness are compromised. An increasing income gap, in turn, puts a drag on the economy and slows down both economic recovery and job growth. Instead of attacking the rights of educators, fire-fighters, and nurses, politicians must understand the causes of our economic and fiscal troubles. We must ask these governors and legislators to close *tax loopholes first* before cutting health care, pensions, and jobs of the people who provide vital public services to our local communities.

### **Who Caused Our Economic and Fiscal Woes?**

Politicians ignore the fact that our current economic and fiscal woes are a direct result of the lack of Wall Street oversight. Imagine a financial Super Bowl without either referee or time limit. That's what caused our economic troubles. State budget shortfalls are not only the result of the economic downturn, but also of the way state and local tax systems are structured. Tax systems in almost all states are unfair and out of sync with the new economic reality. Unfortunately, some policy makers continue to act as if our budget gaps are caused by public employees instead of Wall Street and outdated state and local tax systems.

### **What Should We Do about It?**

A lot must be done to put our fiscal house in order and maintain the quality of life and economic opportunity we are so used to as Americans. For example, we need to reform the rules of the game so our free market economy can thrive and benefit everyone, not just some. We need to make taxes fair, reform them to address the structural deficits built into our state and local tax systems, and bring them into sync with the new, global economy. *And* we need to invest in people and the infrastructure that connects them. But, if there were just one thing we could do today, what would that be? *Close tax loopholes first!*

### **Close Tax Loopholes First**

Closing tax loopholes first will not only go a long way toward closing budget gaps, but it will also level the playing field for *all* businesses. Policy makers must close tax loopholes first before they cut pensions, salaries, and the jobs of educators and other public servants.

We have done extensive research on this subject and have developed tools that can help you take the first step toward promoting a *prosperity agenda* (unlike the austerity agenda promoted by governors and legislators in Wisconsin, Ohio, and Indiana). This first step consists of asking your state's department of taxation a few simple questions. One is: of the 150 largest for-profit employers in your state, how many paid zero taxes in the last three years? You'll be surprised at the answer. Here is a real-life answer from Mississippi's department of taxation. Of the state's 130 largest employers (the department didn't have data for 150), 103 paid zilch. Zero. The chair of the Mississippi appropriations committee was quoted in the local newspaper — *"If small businesses find out we are making them pay taxes and letting these people off the hook, they will stone us to death,"* House Appropriations Chair Johnny Stringer, D-Montrose.

Other tools we have developed include model legislation you can use to close tax loopholes. We've also co-sponsored a Web site known as [Accountable USA](#) that provides state-by-state information on tax subsidies and loopholes. Finally, we've developed a network of experts who can provide testimony and technical assistance.

We hope you'll take action to close tax loopholes first, before allowing any cuts in member pensions, salaries, and jobs. The "Close Tax Loopholes First" strategy is a great defensive and offensive strategy against those who consciously or unconsciously are undermining our nation's future economic prosperity. For more information, contact [TEF@nea.org](mailto:TEF@nea.org).