

# Fair Taxation Reform 040515

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## **BACKGROUND AND PURPOSE**

The Green Party advocates a fair tax system based upon principles of social equity and ecological sustainability that avoids special-interest breaks and asks taxpayers to contribute to the cost of public services based on their ability to pay.

Under such a system, a greater percentage of the extreme wealth concentrated at the top of the economy would be taxed and shared with the rest of society to pay for public services. The purchasing power of the overwhelming majority of the rest of Californians would grow at the same time, promoting increased economic development within an ecological context and further increasing public revenues while reducing externalized private costs.

Too often this is the opposite of what occurs in California, as the tax code unduly favors corporate special interests and the wealthiest individuals.

The result is that over the last decade and more, California has faced massive budget deficits and sustained billions of dollars in drastic cuts to our most valuable resources: our public schools and universities, state parks and beaches, the health care system, and basic safety-net programs that protect the most vulnerable Californians — our children, the elderly and the disabled. Furthermore, California's overall tax system is regressive and puts the burden of paying for public services upon those least able to pay, while favoring corporate special interests and the rich, such that individual working people are paying more of the tax burden while the wealthiest individuals are paying less.

This overall regressivity comes from the relatively large share of income that lower-income households pay in the form of sales and excise taxes. While higher-income households pay a larger share of their incomes in personal income taxes, they can deduct these amounts from their federal income taxes, significantly reducing the total amount of taxes that they pay. As a result, even with higher income tax rates, Californians in the 80%-95% highest income bracket pay 7.4 percent of their incomes on state and local taxes, while the bottom 20% pay 10.2 percent - almost 40% greater ([http://www.cbp.org/pdfs/2014/140410\\_Who\\_Pays\\_Taxes.pdf](http://www.cbp.org/pdfs/2014/140410_Who_Pays_Taxes.pdf).) The regressivity of California's tax system also reflects the fact that low- and middle-income households spend all, or nearly all, of their incomes on necessities, including many goods that are subject to tax. Sales and excise taxes are generally not deductible for federal tax purposes. This exacerbates the disparities between low- and middle-income households and high-income households.

Rather than austerity-based approaches that further penalize the vulnerable and depress economic vitality, the Green Party supports more progressive taxation on income while closing tax loopholes and eliminating corporate welfare; and ecological taxes on economic practices that ensure that the real costs of goods and services are borne by those who purchase and use them,

and are not displaced upon society as a whole. Then is how we tax property.

Without a doubt, Proposition 13, passed by voters in 1978, is a major part of the problem and deserves special attention and reform. While Proposition 13 provided much-needed property tax security and relief for many California homeowners, it also instituted a vastly unequal system of tax loopholes for many commercial property owners, including some of the richest corporations in the world. California loses an estimated \$8 to \$10 billion every year in commercial property tax revenues – monies that could help hire more teachers for classrooms, more police and fire protection, expand our libraries and more ([tp://www.cacalls.org/why-taxes-matter/the-problem-prop-13](http://www.cacalls.org/why-taxes-matter/the-problem-prop-13).)

The Green Party would close this commercial property loophole through enactment of a 'split roll' that would ensure that commercial properties are assessed regularly -- and then go further to institute a property tax system that captures the socially-created wealth of land for society, while simultaneously rewarding individual investment and initiative of property owners. This would provide a more stable and progressive base to California's tax system, instead of the current over-reliance upon regressive sales and excise taxes and unstable income taxes.

Proposition 13 also instituted a requirement that most tax increases need a two-thirds vote from the legislature or voters. This has made it extremely difficult to generate new revenues for the state treasury, leaving drastic budget cuts as the only alternative. This has led to a wide range of band-aid solutions, for instance, raising debt, regressive taxes and piecemeal budgeting. These have not fixed the problem, but have further complicated California's budget woes.

The taxation structure of the United States is complex since Federal, State, County, and Local governments can impose taxes. The Green Party of California believes a sound California community revenue generation and taxation system is rooted in a sustainable and equitable economic model that rewards individual and group contributions to the community, and that this is a humane system that takes better care of those who are incapable of caring for themselves. The Green Party believes that everyone and every business should pay their fair share of taxes. Lower property taxes, high tax credits, & creative accounting have been responsible for company tax decreases relative to 1977-78. In 2010, California taxed 4.7% of what a business produced: Compare 5.4% in 2008, 9.7% in 1981, and 16% in 1977-78. In addition, people who earn less than \$18,000 per year are required by state and local tax law to pay 11.2% of their annual income in taxes on average. However, the wealthiest 1% of taxpayers currently pay 7.2% of their annual income in income taxes. The 2010 deficit was \$28 billion.

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Prop 13 caused a California bailout of educational institutions and local governments to make up for their loss in property tax revenue. Some 70% of the state general fund goes to these entities. Since businesses change hands less frequently than individual homes, companies generally pay lower property taxes since Prop 13 passed in 1978.

### **The Green Party supports:**

- Graduated progressive tax rates on California individuals and corporations. ~~The greater the~~

~~profit the greater the tax rate.~~

- Eliminating corporate welfare in the tax code, including eliminating tax loopholes and subsidies for the oil, gas, coal, nuclear, timber and mining industries.
- A Green Tax Shift from taxing people and work (via income and payroll taxes) to taxing natural resource extraction, use, waste and pollution. By cutting income taxes for the average worker and payroll taxes for small businesses, we reward work. By taxing natural resource extraction and use, we promote a healthy environment, penalize pollution and waste, and keep unearned profit out of speculation and monopolies.
- A system of carbon taxes on all fossil fuels to begin to reflect the real environmental costs of their extraction and use. Carbon taxes should be applied as far upstream as possible, preferably when possession of the carbon-bearing fuel passes from extraction (for example, coal mine; oil wellhead or tanker; gas wellhead) to the next entity in the supply chain (for example, coal shipper or utility; oil refiner or importer; natural gas pipeline). Offset potential regressivity for lower income individuals via the Green Tax shift that lowers income taxes and/or through other approaches.
- A system of True Cost Pricing (TCP) for goods and services. TCP is an accounting and pricing system that includes environmental costs in the price of a product or services. TCP charges extractive and productive industries for the immediate or prolonged damage to the environment and diminishment of natural resources caused by their acts.
- Enactment of an oil severance tax

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- Reform of our property tax system to enact a “split roll” system to ensure that commercial properties are regularly assessed to reflect their current value.
- Reform of our property tax system to enact a system of Land Value Taxation that distinguishes between the socially and privately created wealth of land. By increasing taxes on the socially created value of land, we retain for society the value that it collectively creates. By lowering taxes on the privately created value of land, we reward individuals for their work and initiative.
- Eliminating the 2/3 vote requirement to raise most taxes and replacing it with a simple majority vote.
- Legalize, tax and regulate the sale of marijuana

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- ~~Successful investor earnings be more highly taxed than worker wages, and that investor earnings be subject to Social Security and Medicare taxes just as are individual wages now.~~
- ~~All income (earned and unearned) should be taxed equally in a graduated, progressive~~

manner.

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- ~~Adjustment of industrial and commercial property taxes periodically but at least every 10 years, and also during all sales and transfers. We support the Proposition 13 clauses that protect home owners (especially retired elderly ones on fixed incomes) from displacement caused by increasingly higher property taxes. We support property tax exemptions for small businesses that do not make a profit by intention as non-profits or by business circumstances. We support property tax exemptions for when a homeowner uses a homeowner float fund (loan) for short term assistance on mortgages and when the homeowner wishes to extend the period prior to foreclosure, such that all monies offered for temporary assistance are to be repaid.~~
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- ~~Repeal of the parts of Proposition 13 that require a two-thirds vote for any tax increase at the state level, and replace them with majority vote~~
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- ~~A graduated excise tax on fees paid to registered lobbyists for both payer and payee~~
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- ~~California's workers be allowed to subtract their FICA tax (that is, their Social Security/Medicare tax) from their state and local taxes.~~
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- ~~High luxury, recreational, unrecyclable, and disposable items taxes.~~
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- ~~Elimination of tax subsidies to real estate speculators (interest write-offs, depreciation deductions, depletion allowances, capital gain exclusions, and other exemptions and exclusions). Developmental projects that are linked to regional needs such as the construction of more new housing units close to public transportation should be exempted.~~
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- ~~Implementation of resources extraction, use, storage, or abuse taxes for all resources such as oil, minerals, water, trees, and vegetation (California has no oil extraction tax).~~
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- ~~Elimination of offshore sales to avoid taxes.~~
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- ~~Payment of fees by institutions and businesses that use amenities/infrastructure paid for by state funds as commensurate with the duration, degree, and intensity of use up to the present, and/or actual environmental impact of such usage~~
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- ~~Means test adjusted carbon taxes on air and water emissions from stationary and mobile sources.~~
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- ~~Tax credits for those who contribute voluntarily or forego income to preserve ecosystems and to save, restore, recycle, conserve, protect, or improve the environment or implement eco-friendly measures.~~

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- ~~Garbage taxes above the current stated garbage threshold charged to households for picking up excess household garbage.~~

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- ~~Plastic bag taxes for shoppers where plastic bags are not banned.~~

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- ~~Redress at the state level of loopholes in the Federal taxation system.~~

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- ~~Research into fairer methods of taxation, for example, the use of a graduated gross or value-added tax (VAT) on specific practices of business, for example, sales taxes.~~



