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# The "Tennessee Modernization and Economic Stimulus Act" deceptive at best.

September 2, 3:35 PM Knoxville Conservative Examiner Lennis Waggoner

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A bill introduced by Tennessee state senator Tate in march of this year called the Tennessee Modernization and Economic Stimulus Act is nothing like it seems to read. Under a smoke screen title, this bill was to set the stage for another round of attempts by Tennesseans for Fair Taxation to bring a state income tax to Tennessee.

After at least two other attempts to bring this to a vote during the summer, in the Saturday, August 29, 2009 edition of the Knoxville, News Sentinel, Tennesseans for Fair Taxation are renewing the call for an overhaul in the state's tax structure.

The hope is that the decline in sales tax revenue will give strength to their cause. During the fiscal year of 2008-2009, the state saw nearly a one billion decline in total revenues collected. The sales tax, which is the backbone of the state of Tennessee's funds declined 6.8 percent or 468.3 million dollars.

This non partisan group calls for major changes in the state's tax structure. They want to eliminate the tax on food, which they say would give more money to consumers. They also want to pursue taxes from multi state businesses that operate in Tennessee, cut sales tax by 3 percent and implement an income tax. One of the selling points the group uses, is the high sales tax ( 9.25%) in Tennessee which encourages shoppers, especially ones who live close to a state border, to buy out of state.

News Sentinel staff writer Cynthia Yeldell, in her story "Call for tax reform renewed" quotes Bill Fox, director of the Center of Business and Economic Research at the University of Tennessee as saying that the most stable part of Tennessee's tax base is sales tax on food and with out it, Tennessee's revenue decline would have been even larger. Eliminating the food tax would cost the state \$500 million dollars.

Tennesseans for Fair Taxation says that their income tax and removing the tax on food would actually increase the state's revenue and at the same time remove a burden on the poor, who pay 12 percent of their income in taxes.

The Cato Institute has released research that indicates that an income tax would have two negative economic side effects on the state of Tennessee. It would reduce economic growth and job creation in the state and Tennessee would loose a large competitive advantage over other states which compete with it for jobs and businesses. They give the state of Kentucky as an example



Tennessee State

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