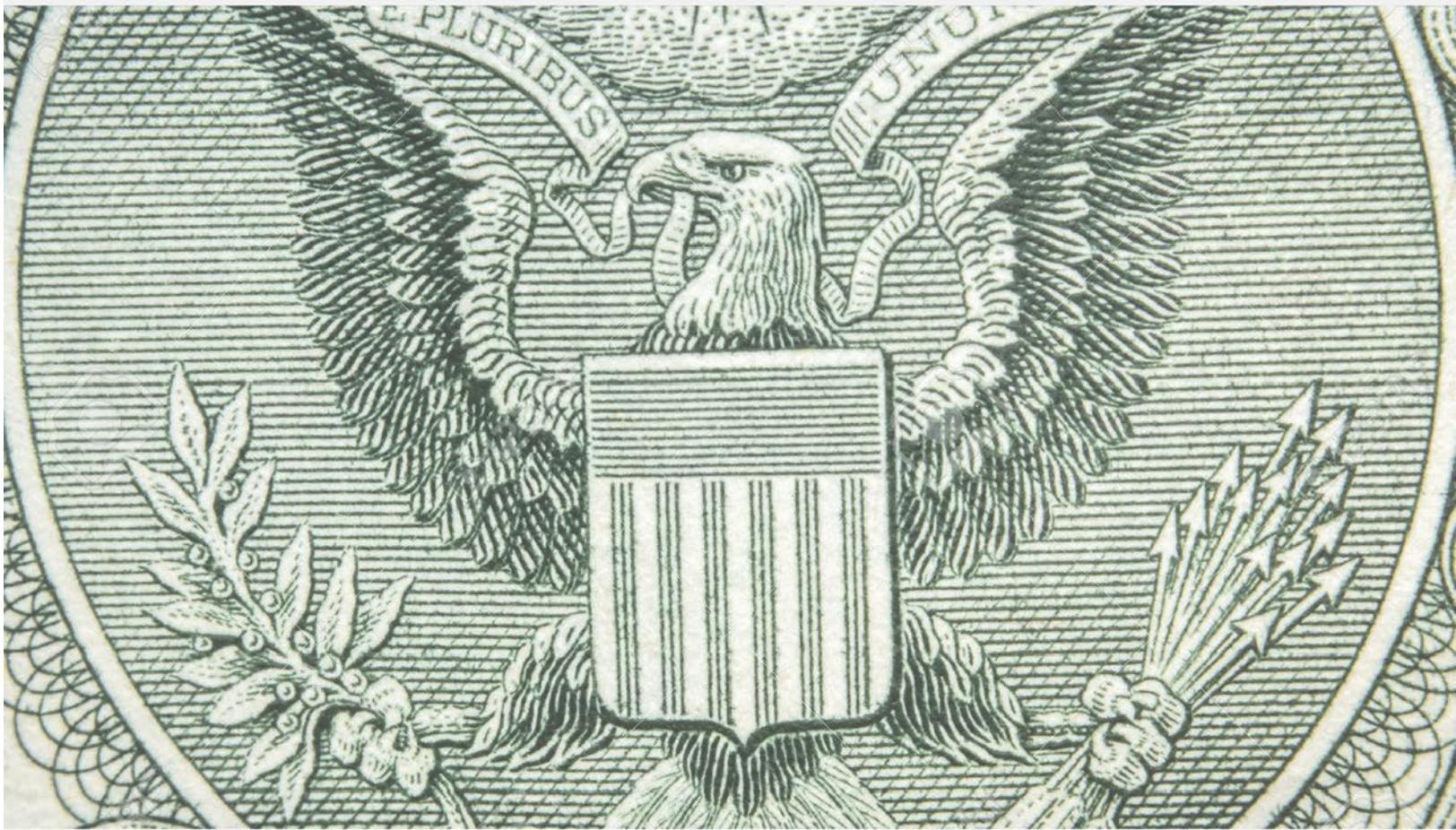


2020 General Election: Tax and Other Revenue-Related Ballot Measures



While the presidential vote is at the top of most people's minds heading into the 2020 election, citizens will also be making their voices heard on a litany of ballot measures. Per usual, tax-related measures figure prominently in states across the country and, given the [difficult budget situations](#) many states have found themselves in due to the economic impact of the coronavirus pandemic, the fiscal significance of many of them has been magnified. There are [at least 30](#) tax and revenue-related ballot measures being voted on in 16 states and the issue areas run the gamut, from property and income taxes to excise and severance taxes. Some will not increase or decrease revenues by a substantial amount, but there are a handful that stand out in terms of the size of their potential fiscal impact.

Property Tax Measures

Seven states are considering property tax-related measures. [Proposition 15](#) in California is particularly significant. The state has an existing constitutional property tax limitation, commonly known as [proposition 13](#), that was implemented in 1978. Proposition 15 would partially repeal proposition 13's existing tax limitations (just for commercial property) and would implement a split roll property tax system. The assessment on certain commercial and industrial property would rise annually based on market value instead of being capped at a 2% increase per year as it is under current law. According to the state voter guide fiscal analysis, "beginning in 2025, total property taxes from commercial land and buildings probably would be \$8 billion to \$12.5 billion higher in most years."

In Colorado, a [proposed constitutional amendment](#) would repeal an existing property tax limitation known as the Gallagher Amendment. This has required the state to maintain a constant ratio between residential and business property tax collections. The goal was to limit residential property taxes and force businesses to pay a larger tax share, and it has been very effective in that regard. Whenever statewide total residential property values have increased faster than business property values, their assessment rates have been cut so that the 45%-to-55% ratio is maintained. This has been a boon for homeowners, but assessment rate cuts have eroded local property tax revenues, which help pay for all sorts of government activities, especially education. It has been estimated that if the Gallagher Amendment isn't repealed, residential property tax rates will continue to fall, and K-12 education alone will lose [\\$500 million](#) next year.

Income Tax Measures

In Illinois, the legislature referred a [constitutional amendment](#) to voters that would repeal the existing constitutional requirement that the state personal income tax be levied at a flat rate. The state passed a measure in 2019 ([SB 687](#)) that provides for a graduated income tax structure if voters approve this amendment. The newly structured income tax would raise about \$3.6 billion a year.

Arizona voters will be considering [proposition 208](#), which would increase income taxes on higher earners to raise revenue for education funding and teacher salaries. The law would add a 3.5% tax surcharge on taxable annual income over \$250,000 for single filers and \$500,000 for joint filers (the current marginal rate is 4.5%). The state Joint Legislative Budget Committee [estimated](#) that it would generate \$827 million in the first full year of implementation.

In contrast to Illinois and Arizona, Colorado is considering reducing personal and corporate income tax rates as part of [proposition 116](#), which would lower the state's personal and corporate income tax rates from the current flat rate of 4.63% to 4.55%. This comes with a price tag by \$154 million in fiscal year 2022, or 1.2% of general fund revenue.

Sales Tax Measures

Arkansas Issue 1 would permanently extend a half-cent sales tax for highway and road projects that was initially approved by voters in 2012. (The overall [sales tax rate](#) in the state is 6.5%.) If the measure passes, it will generate about \$290 million annually. About \$205 million would go to the Arkansas Department of Transportation, and about \$85 million would go to cities and counties.

Severance Tax Measures

Alaska's [Ballot Measure 1](#) would increase oil production taxes on fields in the state's North Slope. The potential changes are estimated to increase the state's share of production revenue from the three fields by [about \\$1 billion](#) annually when oil prices are normalized in the \$55- to \$65-per-barrel range. Alaska has been dealing with underperforming revenues for several years now and has been looking for ways to stabilize the state budget. Proponents say these are low-cost, high-profit fields that should be paying Alaskans more. Opponents worry about the impact it could have on the industry, which is very important to the state economy.

Excise Tax Measures

Many states will be considering raising revenue from various excise tax sources. Arizona, Montana and New Jersey are considering raising revenue through marijuana legalization. Proposition 207 in Arizona would implement a 16% excise tax on recreational marijuana sales, in addition to the regular sales tax, and it [is estimated](#) that it would raise \$166 million annually. Montana's Initiative 190 would create a 20% tax on recreational marijuana sales and [would generate](#) 38.5 million annually by FY 2025. [Public Question 1](#) in New Jersey would only subject legal marijuana to state sales taxes and authorize local taxes as well. Regulations and additional taxes will be legislated if it is approved, but the state office of legislative services estimated the measure would bring in [\\$125.6 million annually](#) at the current 6.625% sales tax rate.

Colorado and Oregon are each considering measures to implement new e-cigarette/vaping taxes and increase existing tobacco taxes. In Colorado, [proposition EE](#) would phase in tax increases on tobacco products. Cigarette taxes will rise \$1.80 by 2027, from \$0.84 per pack to \$2.64. A new tax on the purchase price of nicotine products like e-cigarettes will be implemented, starting at 30% in 2021 and growing to 62% by 2027. The rate for other tobacco products will increase from 40% to 62% in that time period as well. The increases are [expected to generate](#) up to \$175.6 million in budget year 2021-22, the first full year the measure will be in effect, and up to \$275.9 million beginning in budget year 2027-28 when the new tax rates are fully phased in.

In Oregon, [measure 108](#) would implement a tax on nicotine vape products at 65% of a product's wholesale price, raise cigarette taxes by \$2 a pack, from \$1.33 to \$3.33, and double the tax on cigars to \$1 each. The state legislative revenue office [has projected](#) it would raise \$111 million during the 2019-21 biennium and \$331 million during the 2021-23 biennium.

Come Nov. 3, most attention will naturally be focused on the results for political office, but don't forget about the tax measures! The results will not only be significant for each state's respective budget situation, but could serve as a bellwether for other states looking to raise revenue in a politically palatable manner in 2021.