



**LEAGUE OF WOMEN VOTERS
OF NORTH CAROLINA**

LEGISLATIVE UPDATE

*Call To Action from Together NC and LWVNC on State Budget
July 6, 2009*

Action Needed on the State Budget

Our state leaders must take a balanced approach to the current budget shortfall, and that means raising revenues. Without new revenues, legislators will be forced to make massive cuts that will cause tremendous pain in the short-term, and jeopardize our long-term prosperity. The Governor, the Senate, and the House have all proposed budgets that include new revenues, and that's progress. Last week, the Governor called on the House and Senate to raise \$1.5 billion in new revenues. Now it's time for our state leaders to come together and agree on a budget that's good for all North Carolinians.

What can you do to help? Under the state Constitution, lawmakers need to complete work on the budget by July 15. They need to hear from you today. **Email your legislators and tell them to say "NO" to devastating budget cuts and "YES" to a balanced solution for the state budget that enacts smart cuts and raises new revenue.**

Background information from Together NC:

Dear Senator or Representative,

On behalf of the more than 100 organizations that belong to the Together NC coalition, thank you for the countless hours of work you and your colleagues have spent to craft a responsible state budget in the midst of an unprecedented decline in public revenues.

We are so grateful that both the House and Senate revenue plans would raise substantial revenue to avoid the most devastating cuts to public investments. Moreover, we are pleased to hear that the conference budget currently includes more revenue than was proposed in either budget proposal to date. In fact, the tax proposals from each chamber, taken together, include all the elements necessary to create a revenue package that will enable North Carolina to make it through the recession without harming the most vulnerable citizens and without undoing the state's long-term investments in education and public safety. In addition, such a plan could give the state a more stable and fair tax system for the future.

We would like to share with you our ideas for how the two competing revenue plans could be most effectively merged. Overall, we support the concepts put forward in the Senate Finance Committee's draft proposal of broadening the base of the sales tax and personal income tax substantially and lowering some tax rates. We also strongly support the House's plan to make the personal income tax more progressive by adding an additional tax bracket affecting top income-earners and their proposal to close corporate income tax loopholes. More specifically, we support the following:

- On the **personal income tax**, adopt the Senate's base broadening reform, but graft on one of the House's new proposed upper income brackets. Net revenue benefit: \$161 million next year and more than \$400 million in '10-11.
- On the **sales tax**, again go with the Senate's base broadening and expansion of the sales tax on electricity - this will be fairer and better for the long-term revenue health. Net benefit: As much as \$500 million next year.
- On **business taxes**, enact *all* of the changes proposed by the two houses including unitary combined reporting. Net benefit: \$183 million next year and \$354 million in '10-11.
- To lessen the regressive impacts of some of the changes on people of modest income, lawmakers should supplement the compromise by doubling the **state earned income tax credit (EITC)** and considering adoption of an **alternative refundable credit** for older residents on fixed incomes who do not benefit from the EITC.

We hope that you will give full consideration to the proposals outlined above.

Yours truly,

The 100+ organizations that make up Together North Carolina

For additional information on The League of Women Voters of North Carolina and our policies and partners, please visit www.lwvnc.org.

The Legislative Update is compiled by Erin Connelly, Project Coordinator for the North Carolina League of Women Voters. If you wish to subscribe or unsubscribe, please email Patty Dale at daleph55@gmail.com.

LWV is where hands-on work to safeguard democracy leads to civic improvement.