

THEY MUST HAVE FORGOTTEN.

Cut, cut and cut some more.

That's apparently the favored approach of Arizona lawmakers as they tackle the looming deficit in the state's budget.

But they must have forgotten. Cutting was their solution to fixing shortfalls in our present budget. They cut money from schools, health and welfare programs, and even the guys who collect taxes for them – the Department of Revenue.

Now, facing predictions that fiscal year spending beginning July 1 will exceed revenue by \$3.5 billion, they're proposing to cut even more.

The lawmakers also must have forgotten about the people who rely on these programs, sometimes for their very lives. They must have forgotten about other options such as reducing or eliminating some of the state's \$10 billion in tax exemptions. Such reform would help some this year, but even more in future years.

For example, did you know if the Legislature repealed the exemption it gave to the liquor industry, it would generate an additional \$445 million a year in taxes?

Or, we could also gain \$164.6 million by dropping the exemption given to computer system design and related services? Add in sums of \$151 million on architectural and engineering fees, and a \$132 million on legal services and the exemptions add up to real revenue.

These numbers are from a 160-page report the Arizona Department of Revenue publishes annually. The latest report was posted on the department's Web site.

The list goes on and on. There are exemptions for waste management companies, pari-mutuel wagering, schools for dancing and driving, market research activities, barbers, dry cleaners, even winnings at bingo games.

And, the elephant in the room? That's an exemption on the sales of "articles to be incorporated into a manufactured product." Total loss of taxes from that exemption, \$1.1 billion, or about one-third of the budget deficit.

There are those who say this exemption, like some others, has merit because it lures manufacturers and their employees to Arizona. But does it need to be so large?

No one suggests we should just wipe out these exemptions. But the

Legislature should at least look at them. Economists and other experts agree that broadening the tax base – bringing more people and businesses into the tax structure – is the fairest way to raise revenue. Limiting tax exemptions is one way of doing that. It's more equitable and significantly more effective.

Or maybe it's fairer to just cut programs for the needy.

Let's ask 79 year-old "Julia" (not her real name). She lives alone in south Phoenix. She walks with a cane, has diabetes, and ever-increasing dementia. She has her main meal at a senior center, when she remembers.

WE CAN'T.

She can fix simple things, such as cereal and milk, but often can't remember if she has eaten.

IT ADDS UP

The list of tax exemptions granted by the state fills eight pages. Here's a sample, and the amount of money lost.

Liquor industry: \$445 million

Professional services: \$635 million

Personal services: \$45 million

Business support services: \$511 million

Construction: \$772 million

Total: \$2.4 billion in lost tax revenue!

Or, what would "Isaac" say? He's a forty-five year-old paraplegic with a colostomy and a catheter. He lives in a one-bedroom apartment with his brother who lost his job three months ago. A nurse sees him weekly, takes him food baskets and treats the sores he gets from malnutrition and 10 years of sitting in a wheelchair.

Then, there is "Larry." He's 72 and has end-stage renal disease. His daughter took off several weeks ago, leaving him alone in his Phoenix home with no money. He gets around with a walker or with a

wheelchair. He frequently misses dialysis treatments because he doesn't have the money for transportation, let alone money for insulin and food.

If the Legislature sees cutting programs as the only way to balance the budget, "Julia," "Isaac," "Larry" and thousands more will lose their home care and food support.

Can we justify trading "Larry's" nursing and home care for a tax exemption on the sale of jet fuel? Or, trading "Julia's" health and safety for a suspension of taxes on cars sold at auction to out-of-state buyers?

There's an \$18.4 million tax exemption on the sale of valves and pipes, four inches in diameter or more, that are used to transport oil, gas, water or coal slurry. What do you suppose the Legislature should cut in order to preserve that \$18.4 million tax break?

Or, should they just forget about that, too?



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