CRITERIA FOR DETERMINING AND EVALUATING STATE AND LOCAL REVENUE OPTIONS

The Tax Reform 2000 Committee was established in 1997 to "recommend standards and options for developing a fair, viable and economically competitive state and local tax structure capable of generating sufficient revenues to meet expected needs of the 21st century." The Committee developed the following criteria for determining and evaluating state and local revenue options.

The Tax Reform 2000 Committee established that Wyoming's revenue system should:

1. Be accountable to taxpayers. Tax laws should be explicit, not hidden. Tax choices should openly be discussed in full view of the electorate to stimulate debate. It means that policy makers must avoid hidden tax preferences for favored firms or groups of individuals. In a larger sense, accountability means policy makers must examine the costs and benefits of using revenue measures as tools to put non-fiscal policies into effect. Lawmakers have a responsibility to ensure that the policy produces the intended effect and does so at a reasonable cost.

2. Rely on a balanced variety of revenue sources that will provide income to the state in a reliable manner. A balanced variety of revenue sources ensures stable revenues and avoids a concentration of tax burdens on a few sources as to make rates distort economic behavior. A reliable manner also includes the concepts of certainty and sufficiency. The former provides that the number and types of tax changes will be kept to a minimum; the latter requires raising enough revenue to fund the level of services the state wishes to provide as determined by what voters and their representatives are willing to fund. When earmarking is used, there should be a direct link between the recipient of the funds and the earmarked revenue sources.

3. Treat individuals and businesses equitably, imposing similar tax burdens on people and businesses in similar circumstances and minimizing regressivity. Taxpayers must believe that the tax system does not benefit some groups or individuals at the expense of others. Business taxpayers must believe that the tax system creates a level playing field. The measures of regressivity or progressivity should be applied to state and local tax systems as a whole, not to particular taxes and user charges.

4. Be framed in such a way to enhance economic development efforts. The revenue system should attract rather than deter businesses seeking to move into the state, or desiring to stay in Wyoming. The total package a state has to offer for economic development includes public services, energy and labor costs, access to markets, the availability of capital and its tax policies and structure. The total package is the measure of a state's competitiveness. Taxes should help in providing a level playing field with similar treatment for all industries and all firms within a given industry within a state.

5. Be composed of elements that support the ability of local governments to raise revenue to meet their needs. States must recognize the inter-relationship of state and local governments in revenue needs and service obligations. State policymakers must be aware of local government's costs and assure adequate redistribution of state resources to fund local government programs, avoiding competition between state and local governments for tax bases. States should recognize inequalities that may exist between local governments. State government should avoid unfunded mandates on local governments.

6. Be easy to understand and administer, and therefore easy for the taxpayer to comply with as well as for the administrator to apply the system. Ease of administration, sometimes called simplicity, encompasses several closely related principles:

- Minimizing costs to the collecting government (administrative cost) and to the taxpayer (compliance cost).
- Improving enforcement and preventing evasion.
- Reinforcing confidence in the tax system.

Complexity in the tax system encourages special provisions that erode fairness and lower confidence in tax systems and the elected officials who created them. Simplicity makes it easy for taxpayers to comply with the law, for businesses to plan, for the state to administer, and for citizens to understand the system so that they know that others are also paying their fair share.

7. Be responsive to interstate and international economic competition and to changes in business. Interstate and international economic competition is increasing and the way commerce is conducted has changed significantly since the 1970s. A state's overall tax policy needs to be considered in the competitive arena and respond to changes in the business environment. A favorable business climate may encourage new business to come and existing business to remain and expand.

8. Minimize its involvement in spending and land use decisions. The revenue system should ideally leave expenditures to the budgetary system and land use decisions to the owners and elected or appointed officials with jurisdiction over the land. A revenue system may include deductions, exemptions and credits to foster certain spending activities and earmark revenues for specific purposes. Policymakers should be certain that these measures not only do what is expected of them, but also reach their goal at a reasonable cost. State policymakers' influence in local governments' land use decisions should be limited to those decisions that significantly affect the revenue system of the State.