

The Bemidji Pioneer

Pioneer Editorial: Taxes, cuts both part of budget plan

Bemidji Pioneer Editorial Board

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Legislators fanned all across the state last week to hear from citizens what they would suggest to resolve what will be expected as a \$7 billion state deficit.

In Bemidji, where more than 250 people sat or stood in the American Indian Resource Center, there was plenty of talk about saving programs and institutions and very little talk about how to pay for them.

Except raise income taxes.

Seventy people signed up to testify, and each was given 90 seconds to make their point. Plenty was said of continuing to support higher education, as it is the economic engine that provides the skilled jobs for the post-recession economy. The timber industry, another economic engine, needs more state foresters in the woods to ensure a steady supply of wood. State-paid waived services are needed to keep the disabled in their homes, and out of costly state-paid facilities. The state needs to continue funding arts programs and the State Arts Board, for it is the humanities and culture which shape our society. The list goes on.

Legislative staff provided information about what would happen if taxes were raised. For instance, a new income tax rate of 9.7 percent for people making more than \$250,000 would raise \$714 million. Extending the state's sales tax to clothing would raise \$728 million. Restoring 1998 tax rates for the top income earners would raise \$361 million. A 10 percent income tax surcharge on all Minnesotans would raise \$1.6 billion, and resorting 1998 tax rates to all Minnesotans regardless of income levels would raise \$1.8 billion. Eliminating the sales tax exemption on most goods and services would raise the most — \$2.9 billion.

But the deficit is nearly \$7 billion.

This is truly a problem Minnesota has never before faced, outside of the Great Depression. It will take a balanced approach, but that balance will hurt more than it will heal.

Raising taxes penalizes wealth and may stifle economic development unless investment capital is free-flowing. Yet, the state deficit will not be solved without some sort of tax increase, and Gov. Tim Pawlenty surely must realize that the budget problem won't go away with smoke and mirrors, shifts and poking at fee increases here and there. He must accept a tax increase, or at least enough House Republicans must answer the call of their state and not their party to override a veto.

But it also means cuts in programs we've become used to and, in some regard, believe government should provide as a birthright. The Legislature should start over with a clean slate, building a state budget from the bottom up that provides the public services as dictated by the State Constitution, but also not to order others to provide those services not deemed state priorities without funding them. What outcomes will these services provide, and what problems will they solve?

We must learn to live without a lot of services that are good and fill a role, but not necessary for the common good.

It's a solution neither the governor nor the Legislature like, but one that meets the challenges of the times.