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TAX JUSTICE FOR MISSOURI: AN UPCOMING PRIORITY FOR THE 2010 LEGISLATIVE CYCLE

By State Representative Jeanette Mott Oxford - 59th Missouri House District

Like most states, Missouri is experiencing challenging budget problems in this time of high unemployment and recession. In November, Missouri State Budget Director Linda Luebbering announced that 2010 fiscal year-to-date net general revenue collections had declined 7.7 percent compared to fiscal year 2009, from $2.93 billion last year to $2.71 billion this year.

Given this reality and Missouri's constitutional requirement to have a balanced budget, Gov. Jay Nixon has been forced to withhold expenditures, including cutting workers throughout state government. This increases the risk that Missouri citizens, already hurting from the recession, may not receive prompt and effective services from their government when appealing for various kinds of help (food stamps, unemployment insurance, etc.).

Many states are making similar cuts, but often little attention is given to expanding the revenue side of the equation instead of simply reducing spending further and further. I, along with approximately 20 co-sponsors, hope to change the dialogue in Missouri in 2010 by introducing the "Tax Justice for a Healthy Missouri" (TJHMO) income tax reform plan.

The individual income tax system in Missouri has three problems. It is outdated, unfair, and inadequate.

Missouri's top tax bracket was set in 1931 to begin at $9,000 of taxable income and has not been updated since. According to the Bureau of Labor Statistics, $9,000 from 1931 would convert into over $128,000 of buying power in 2009. The Institute on Taxation and Economic Policy says that the net effect of Missouri's delay in updating its tax table is that 57% of Missourians pay Missouri's top rate.

Whether you're a millionaire in Missouri, a teacher, nurse, or hairdresser there's a good chance you may pay at Missouri's top income tax rate of six percent. The TJHMO plan would change this by expanding the tax table to a new top tax rate of $50,000, while also creating a refundable tax credit of $150 per person that would phase out between $30,000 and $50,000 for singles and between $60,000 and $80,000 for couples.

The expanded brackets in the tax table and the refundable tax credit offer the benefit of reducing taxes for the 60% of Missourians with the lowest annual incomes. This brings more fairness to our current structure in which the poorest 20% of Missourians pay 9.6% of their incomes as federal, state, and local taxes, while the richest one percent pay only 5.4% of the incomes for those taxes.

Another positive feature of the bill is that it does away with Missouri's status as only one of six states allowing for a deduction for federal income taxes paid. This is a costly and poorly targeted deduction that offers no benefit to the many low-to-moderate-income Missourians who do not owe federal income tax.

At the same time, the TJHMO plan takes good advantage of the federal offset for those who claim itemized deductions. While the wealthiest 40% of Missourians would experience tax increases that range from .3%-2.1%, many who itemize will experience a drop in federal taxes paid. This means that we will keep more Missouri tax dollars at home to meet our state's needs.

Finally, the TJHMO plan would increase revenue by an estimated $2 billion annually if approved by a vote of the people according to the fiscal note prepared for the bill by Legislative Research. (Missouri statutes include a revenue cap mechanism that requires a public vote for many revenue increases.) With a potential budget shortfall of $1.5 billion – that new revenue would prevent deep cuts to essential services while also allowing Missouri to invest a modest amount in some programs that have been maintained in recent years at "barebones levels."

Will Missouri legislators dare to have a conversation about increasing revenue in 2010? Given the aversion to political discussions that involve the dreaded "T-word" (taxes), it may seem too risky. But given our budget challenges, what better time to discuss ways to make the state's individual income tax system more modern, fair, and adequate?

GEORGIA LEGISLATION AIMED AT ENSURING FAIR LENDING

By Lauren McKown, Graduate Fellow

Georgia State Senator Nan Orrock has worked closely with the Senate Banks Committee Chair Bill Hamrick in a bi-partisan co-sponsorship effort to pass pro-consumer legislation addressing the residential foreclosure crisis in Georgia which has reached record proportions. Awareness has grown that widespread lending abuses stoked the foreclosure crisis in Georgia and across the country, leading to the crisis on Wall Street and the current recession. This has prompted Georgia legislators and advocacy groups to join in efforts to re-institute higher standards for acceptable lending practices. Georgia's Fair Lending Act, Senate Bill (SB) 57, strives to combat these unfair lending practices and prevent a recurrence of widespread foreclosures.

Specifically, the bill addresses the abuses of lenders and brokers who originate subprime loans. SB 57 would:

- Ban pre-payment penalties for early repayment of the loan;
- Require consideration of the borrower's ability to repay the loan;
- Ban "no doc" loans by requiring verification of the borrower's income, credit history, debt to income ratio, tax returns, etc.;
- Require the mortgage broker to act diligently, honestly, in the borrower's best interest, and in the utmost good faith as the borrower's agent and to make material disclosures to the borrower; and
- Limit payment of points and fees to brokers.

In working to stem the tide of bad loans, Senator Orrock notes that the problem of abusive lending practices extends beyond the consumers who have been preyed upon and lost their homes. "People across Georgia are seeing their neighbors and friends lose their homes at unprecedented levels. These foreclosures cause untold personal and financial hardship to the families that lose their homes and their savings, as well as create instability and loss to the communities around them. Where there are high levels of foreclosure in a neighborhood, property values decline, the tax base is eroded, the danger of crime and vandalism increases, and the safety and integrity of the community are jeopardized," says Senator Orrock.

Supported by a wide range of groups and advocates, SB 57 passed the Georgia State Senate in the 2009 session and passed out of the House Judiciary Committee in strengthened form. The session concluded before the bill reached the House floor for a vote. SB 57 will need House committee approval again prior to a full vote on the House floor when the 2010 General Assembly convenes in January. The bill's main objectives will remain a high priority for consumer advocates in the upcoming legislative session.

Throughout her career, Senator Nan Orrock has been a strong champion for consumer protections. In 2008, she spearheaded the passage of legislation safeguarding the rights of persons facing foreclosure by doubling the time period required of creditors to provide notice to borrowers prior to foreclosure. In addition, the bill required that if the mortgage has been transferred, deeds must be recorded prior to foreclosure, so that the borrower may have notice of the lending entity with which they can negotiate a loan modification.

During her 23 years as a member of the Georgia General Assembly (20 years in the House and now in the Senate), Senator Orrock has been recognized for her many contributions on a wide array of legislative issues including health policy, women's issues, civil rights and civil liberties, workforce issues, and the environment. She is a member of the board of Women In Government, and the President of the Women Legislators' Lobby, a non-partisan organization of women state legislators working to influence federal policy and budget priorities. Senator Orrock is a founding member of the Georgia Women's Legislative Caucus and the Georgia Working Families Legislative Caucus.

FINANCIAL LITERACY IN SCHOOLS: A GROWING POLICY TREND

By Senator Karen Morgan – 8th Utah Senate District

In the wake of the financial recession, state legislators began taking constructive policy actions towards relieving the future pangs of financial instability.

Utah enacted a required high school financial literacy course, which began with the graduating class of 2008. This is a great step toward helping students leave high school with a basic understanding of how finances work. However, children form opinions and habits about money at early ages, and the Utah legislature also recognized the need for a K-12 systemic approach, which is reflected in Senate Bill (SB2). This 2008 legislation includes:

- K-12 Passport program for student achievement;
- K-12 financial and economic concepts integration with core subjects (math, social studies, and language arts);
- Common messaging among education, community, government, and business/industry groups; and
- Parent and community involvement.

The Financial and Economic Education Passport

The Passport program is an optional opportunity for students to be recognized for classroom participation and at-home or community activities centered around financial and economic education. Passport recipients will be recognized by their schools and will receive a certificate signed by Utah's Governor.

Finance in the Classroom

To support the Passport program, the Finance in the Classroom website and program was developed collaboratively by the Utah State Office of Education and the Utah Jumpstart Coalition for Youth Financial Literacy. This online site provides resources for teachers, students, and parents. It is a comprehensive site, yet it is targeted to Utah's education standards. Teachers no longer have to search endlessly on the web to find quality resources for teaching finance and economics to their students. The work has been done for them and saves them time by making it easier to implement

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COMBATING THE FEMINIZATION OF POVERTY WITH STATE LEGISLATION

By Lauren McKown, Graduate Fellow

First coined by sociologist Diana Pearce in 1978, the term feminization in conjunction with poverty has served to focus academic and governmental attention on gender differences within poverty rates. Feminization describes both the unequal prevalence of women's poverty in relation to men's and the process by which women's probability of falling into poverty has escalated to exceed that of men's. According to Pearce, a staggering two-thirds of the poor over the age of 16 were women and children in 1978. Today that figure has not abated as rapidly as hoped. In their report detailing the economic prosperity of women in the states, the Institute for Women's Policy Research cites that half of the female-headed households in the United States were below the poverty line as of 2002.

Women face particular hardships financially and, in times of economic recession, this monetary gap is magnified. Some of these specific challenges include: the wage gap; women's prevalence in low-paid, female-dominated occupations; and their low relative hours of paid work. The culmination of these factors ultimately serves to impede a woman's ability to ensure her family's financial security.

In the past decades, governmental work has sought to identify, scrutinize, and alleviate the presence of feminized poverty, particularly among female headed households in the United States. Despite the shocking numerical data and the challenges of female poverty, there are effective, proven steps state legislators can take towards ending poverty among women and their families in the United States. State initiatives and programs from across the nation have led the way in successfully tackling the insidious issue of poverty. Below is a brief sample of that diverse legislation from a variety of states aimed at alleviating poverty among women and their children.

Alabama – Signed by the Governor in May of this year, Alabama created the permanent State Commission to Reduce Poverty. It will focus on studying and evaluating the economic impact of poverty, current policies, and services that affect those living in poverty, as well as recommendations and proposed legislation affecting individuals in poverty. The commission will make an annual report to members of the Legislature detailing any and all recommendations.

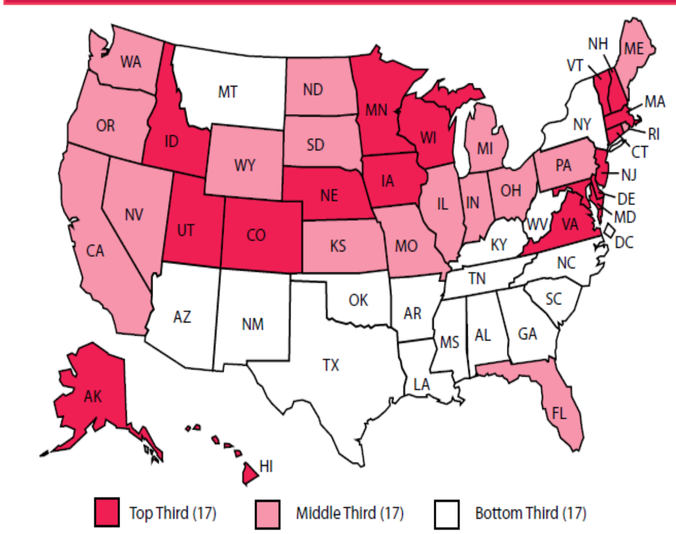
Minnesota – The Minnesota state legislature created the Legislative Commission to End Poverty in Minnesota by 2020. The commission has succeeded in highlighting the issue of poverty by holding formal monthly hearings in the capitol, as well as traveling across the state to see first-hand the financial difficulties faced by people and communities.

Louisiana – The Louisiana state legislature has established a Child Poverty Prevention Council charged with disbursing grants directly to parishes. Housed in the state's Department of Social Services, the goal of the council is to cut child poverty in the state in half by 2018.

Illinois – Just last year, Illinois passed a bill which creates the Commission on the Elimination of Poverty Act. The bill provides for appointments, co-chairs, a steering committee, and funding through the Department of Human Rights to reduce extreme poverty in the state. A main goal of the Commission is centered on cutting those living in extreme poverty (individuals living below 50 percent of the poverty) in half by 2015.

The feminization of poverty is an issue of dire importance during these demanding fiscal times. As the 2010 legislative cycle draws near, it is important to keep legislative initiatives a priority or to initiate work specifically tailored to combating your own state's unique struggle with feminized poverty.

MAP 10: Women Above Poverty



Note: Percent of women living above the official poverty threshold, 2003-2005.
Source: Institute for Women's Policy Research 2006b.
Calculated by the Institute for Women's Policy Research.

Sources: 1. *The Feminization of Poverty: Past and Future MacArthur Research Networks*
2. *Institute for Women's Policy Research www.iwpr.org*
3. *Spotlight on Poverty and Opportunity www. Spotlight on Poverty and Opportunity.org*

Financial Literacy, cont'd from pg. 2

the integration model. Lesson plans, activities, videos, vocabulary, books, music, and more are included in this exceptional collection and can be found at www.financeintheclassroom.org.

Finance/Economics Integration with Core Subjects

The integration with core subjects will require math, social studies, and language arts teachers at each grade level to include financial/economic concepts, while teaching existing standards. For example, a kindergarten teacher might use "The Ant and the Grasshopper" fable to introduce scarcity and choices, while addressing the language arts standard for language development through listening or speaking. Or, an 8th grade mathematics teacher teaching the standard for solving problems using ratios and proportional reasoning could assign students to find the mean or median annual salary for a profession in which they are interested. Then students would use the most recent tax rates to find the amount they would pay in federal and state income taxes based on that salary.

Common Messaging

Common messaging requires groups from education, community, government, and business/industry entities to develop a social networking campaign targeting youth through adults to promote financial knowledge and responsibility.

Parent and Community Involvement

Parental and community involvement is a key component of the Passport program. Additionally, the state PTA organization has endorsed the Finance in the Classroom website, and will encourage parent partnership in teaching students about finances. Major employers will provide lunch time learning sessions, where parents in the workplace will learn about Finance in the Classroom and how it can benefit their children, their families, and themselves individually. Parents have the opportunity to learn to manage their own finances as they teach their children.

Looking Forward

The 2009 SB100 is a follow-up bill requiring all schools to provide to all parents of Utah kindergarten students information about the Passport program and about the Utah Educational Savings Plan. This is intended to create parental involvement in financial and economic understanding at the very beginning of a child's education.

Success of these efforts cannot be measured in the present, but will be reflected in the improved financial stability of Utah families in the future. ■

Women In Government Foundation Inc. and our advocacy organization, WIG CAN! are national, nonprofit, bipartisan organizations of women state legislators providing leadership opportunities, networking, expert forums, and educational resources.

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