

MARYLAND TAX EDUCATOR

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MORE CLOTHES, LESS TAX

by William J. Skinner

Sales and Use Tax Bulletin 01-2 was recently issued by Comptroller William Donald Schaefer. This is a four page document that gives examples of how to save 5% on purchases of clothing during the week of August 10-16, 2001. Granted \$4.97 is a great savings on a purchase of \$99.99, but will it work to increase sales of clothing enough to pay the technician charges for making all of the cash registers to perform correctly? And if you spend \$999.99, you can almost save \$50.00 in sales taxes.

We will soon have some assessments of how this program works, no doubt. The law must be extended next session or it is dead. And do not mistake my tone, the idea behind this has many good intentions. But nowhere in the four pages by the Comptroller is it mentioned that the District of Columbia Council copied the idea and is presently advertising with Councilwoman Carol Schwartz, "Come to D.C. to buy clothes this week to save sales taxes," and nowhere in the four pages does the Comptroller give any credit to any sponsors of the legislation. Never mind that District 15's Delegate Jean Cryor has been the main pusher of this legislation for a couple of years, the four page Bulletin only mentions Christine Collins as the contact person for a speaker on this tax saving law. Call Christine at 800-492-1752 or send her an e-mail at <ccollins@comp.stated.md.us>.

PROJECT \$1.1 BILLION RECOVERY STATUS

WHY ARE WE WAITING?

By William J. Skinner

There is no good reason as far as can be seen in the legal files for this case to be standing still.

Jeff Hooke, one of the co-founders of Project \$1.1 Billion Recovery, and the author took a look at the Board of Contract Appeals files in Baltimore on the morning of July 3rd.

There were two boxes of files, and a few loose papers on the table in the library or storage room where we were

escorted to look at the files by Mary Pricilla, one of the office staff. We spent time looking at, reading some of the documents, and getting copies of files. The Court of Appeals decision from June 7, 2001, was not in the file.

The Court's decision sending the case back to the Board of Contract Appeals had been posted on the Court's web site for weeks, but so far in the nearly four weeks that passed, the Court had not informed the Board what it had done.

As we left we asked whether there was any letters, orders or other communications from the Court of Appeals or the parties to the case. Mary tried to check with the Members of the Board, but could not get us an answer. Later she called my office to explain, nothing had been received.

We (the State of Maryland, Peter Angelos the intervenor in the Board case, and the Taxpayers) are waiting for something to happen. Can you guess what we are

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TAX TROUBLE AHEAD FOR MARYLAND?

TENNESSEE TAX TROUBLE

by William J. Skinner

Out west in Nashville, Knoxville, and Memphis, our fellow Taxpayers have become aroused about taxes. They stormed the Governor's mansion and broke windows to stop the enactment of a new income tax. In retaliation,

Governor Don Sundquist has vetoed the budget because it does not provide enough money for services. Are there any lessons to be learned in Tennessee regarding taxes?

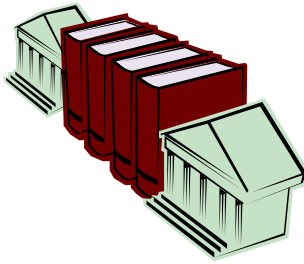
The *Investors Business Daily* newspaper editorialized on July 17

that the Taxpayers have taken to the streets to protest bloated government. This is the second year that Taxpayers have been aroused, led by a vigilant talk-radio station in Nashville. *IBD* asks: "In the face of this citizen outrage, why is the legislature coming back again and

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again to seek an income tax?" The answer, says *IBD*, is "out-of-control spending."



Spending in Tennessee has increased 33% since 1997, four times the rate of inflation. The biggest part of this for TennCare, the Tennessee health care program. Spending for health care will increase 12% this year alone. "Not surprising," says *IBD*, "if you promise something for free, more people will want it." Governor Sundquist and the Tennessee legislature are more willing to face the people's wrath rather than reform the health care program.

Maryland had its own struggle with health care in this year's session of the legislature. Our Governor Glendening actually vetoed a bill allowing nurses to be the gate keepers for medical care in health maintenance organizations. And Maryland enacted a measure to give prescription drug price breaks to elderly. This was to be a stop-gap measure to help until the Congress passed a new Federal program. And other medical care reform efforts are still under way -- some good and some horribly bad.

Health care costs are ridiculous. An acquaintance of mine recently was RIFed (Reduction in Force) by a badly managed Maryland company who suddenly found itself \$5 million in the red and reduced its work force. This person and spouse will have an opportu-

nity to pay for the same health care package the company offered at the rate of \$610.00 per month or \$7,320.00 per year. These are relatively healthy people who have never had major,

life-threatening conditions or diseases. Whether unemployed persons can afford to pay for that kind of health care is a real question. It should not take too long to make a decision. But at the same time, can the Taxpayers of Maryland afford to pay the same amount for each and every family that is on

"The answer, says IBD is out-of-control spending."

public assistance? And, maybe more importantly, what do you really get for that amount of money.

When HMOs started out with Congressional approval in 1973, they were 100% non-profit, and they were justified because they would "maintain" health by annual examinations, major disease screenings, and prevention techniques. Over the years, HMOs have, one by one, switched to "for profit" status, usually without the legislature making them give their assets to a non-profit. As a result, highly paid business managers drew salaries of \$1 million or more a year and services declined.

Check the list of benefits that your HMO offers.

After 24 years of mismanagement by HMOs, Congress now finds itself in the midst of a battle to pass a "Patients' Bill of Rights" that some people call an "HMO Bill of Rights." One part of the equation is allowing patients to sue HMOs for denying coverage that doctors think is needed. The U. S. Senate will be working on its version of what the House of Representatives recently passed in the Bush-Norwood deal. You should monitor this situation closely. Whatever comes out probably will cost Taxpayers more money.

President Bush announced in early August that he would recommend increasing insurance benefits for those who really needed them if the states would make plans to get the 12 million Medicaid recipients off the public programs. While this sounds like an impossible situation, it will require states to make additional efforts to find jobs for these people that pay benefits like \$7,200 a year. Not too many hamburger flippers or department store and grocery store cashiers will be getting these kind of benefits.

How will Maryland get its people off Medicaid? The Department of Health & Mental Hygiene had an asking budget of \$4.6 Billion for FY 2002. That is about 25% of the Maryland budget. Medicaid was scheduled to go up

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7.4% to \$2.856 Billion of which \$1.864 Billion was estimated to come from the Federal government. Nay, it will come from the same Taxpayers who are paying the other \$1 Billion. Don't forget, there is no money tree in Washington, D.C. Only Taxpayers earn money. Governments at all levels simply take it and spend it.

Maryland's prescription drug program may end up costing much more than expected. The FY2002 budget asked for \$38 million for the Pharmacy Assistance Program. President

Bush has placed into motion a discount card plan for prescriptions, but this has a fatal flaw. The entire cost of the savings comes from drug stores and pharmacists, and nothing from the drug manufacturers, according to two pharmacy groups who filed suit in Federal court. According to the *Wall Street Journal* of July 18, 2001, The National Association of Chain Drug Stores and the National Community Pharmacists Association say the 25% discounts do not require the drug manufacturers to give up a thing, and many local stores will refuse to

accept the discount cards as their profit is already 2% or less. In Maryland, the state Pharmacy Association is encouraging its members to tell Congress these and other facts as well.

Where is the discipline to resist increases in spending in Maryland? With budgets purposefully being increased by increments of \$1 Billion a year, including the spending of surpluses, where will Maryland get

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Status of Project \$1.1 Billion Recovery — continued from page 1

waiting for?

One reason to wait might be to see what the Tobacco Fee Arbitration Panel reports on the Maryland fee arbitration case. They are rumored to be reporting in August.

The latest information from the Attorney General's Office is that they will not do anything until the Tobacco Fee Arbitration Panel reports in late August.

But MTEF has learned that the Maryland Board of Contract Appeals has notified attorneys for Peter Angelos Law Firm and the Attorney General to submit papers describing any issues they are to decide by the 18th of August, and the Board will set a hearing date for oral arguments.

Once the Board decides whatever it is that the parties place before it, the parties can appeal to the Circuit Court for Baltimore City to determine if the Board was correct. Then new appeals can be taken to the Court of Special Appeals and on to the Court of Appeals. The entire process could take another two years.

Meanwhile the Taxpayers will have to pay a larger portion of the bills for tobacco illness, tobacco illness prevention and education, tobacco crop substitution, and they will not see any relief from paying medical bills as a result of the delay in getting the money that Peter Angelos is claiming.

The Arbitration Panel was set up at the same time as the settlement

with the tobacco companies. It has another pot of gold from which the states could pay their attorneys. But first, their attorneys have to turn in bills and arbitrate the amounts of payments.

Peter Angelos refused to go there for his \$1.1 Billion fee, so the Attorney General's Office had to file for and make written and oral arguments claiming what a great job Peter Angelos' law firm did for Maryland in order to get some money back for the effort of suing the tobacco companies.

The Attorney General has already told the Board of Public Works before they approved the settlement that the amount of the recovery from arbitration will not cover the Angelos bill.

MASSACHUSETTS CUTS INCOME TAX

MASSACHUSETTS CUTS INCOME TAX

by William J. Skinner

According to an article in *The Insider*, a December 2000 publication

of The Heritage Foundation, the Massachusetts Teachers Associa-

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TO GOVERN THEMSELVES A
PEOPLE MUST HAVE KNOWLEDGE

MTEF

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Association and the Tax Equity Alliance of Massachusetts (representing various public employee unions) raised \$3.5 million to fight the income tax cut passed in that state last November. Of course, the gutsy legislature refused to act, it was the people who voted on it at the ballot box, and they voted 59% to 41% in favor of reducing the income tax from 5.89% to 5%, the 1989 level. Proponents of the tax cut raised only \$1.2 million.

What amount of money do you suppose Maryland citizens would be able to raise for a war chest if we had the right to petition an issue to

the ballot box? Who, if anyone, would be interested in a Massachusetts-style 18% cut in our income taxes or to simply roll back the rate to the 1989 level? MTEF is not advocating that you take this action, but I am suggesting that the thought process of considering this might stimulate you to do some good and it could raise your hopes for Maryland's tax future.

Maryland law does not allow voters to petition such a measure to the ballot. All Marylanders can do is repeal a very recently passed law by getting enough signatures in a very narrow time after a bill is signed into law. And any law that

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MESSAGE FROM THE PRESIDENT

that deals with appropriations is off-limits. The Court of Appeals decided that in the Stadium Petition effort, after which the Taxpayers were forced to build two sports stadiums to enrich the professional baseball and football team owners. Obviously, Maryland Delegates to past State Constitutional Conventions were not disposed to adopt what has become known as "California-style" government, allowing the people to have any serious authority.

Lessons learned

here are it does not matter that tax cut opposers raise more money than tax cutters in battles over taxes, the tax cutters can win any way, but the right of petition is essential to tax cuts. Legislators do not want to lose power over your purse.

William J. Skinner, R.
Ph., Esq., President



MTEF will work hard to educate Maryland Taxpayers about state spending.

P.S. Contributions to MTEF are deductible from Federal and Maryland income taxes. If you have already given, or for any reason, cannot afford to give again, please pass this newsletter on to your neighbor or friend and make them aware that MTEF needs help.

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the money? Maryland's expenditures were \$17.8 Billion in FY 2000, \$19.9 Billion in FY 2001, and over \$21 Billion is programmed for spending in FY 2002.

So, will Maryland solve the problems any better than Tennessee? Will Maryland citizens resort to breaking windows in Annapolis when taxes go up to pay the bills for these programs? Will Maryland continue to endorse health care systems for its poor that are so complicated they must pay their managers in increments of \$ millions? The Tennessee Volunteers may have shown Maryland citizens the way to slow down the taxes, but what will Free State citizens do to lighten the tax burdens by slowing down spending?