

Appendix G: Competitiveness Council Recommendations and Directions

Excerpt from the Competitiveness Council Report

Recommendation 3: Direction to the Tax Study Committee

The Tax Structure Study Committee should examine our state and local tax structure to promote competitiveness. Attention should be directed towards:

- Modernization – the current tax structure should be evaluated in terms of suitability to the new economy. For instance, the current apportionment system does not provide the best environment in which to locate either a regional or national headquarters. Likewise, alternatives to the taxation of royalty income should also be examined, such as apportioning the income. Finally, the committee should evaluate the taxation of those multistate businesses whose products and services are almost exclusively Internet-based.
- Equity – evaluate the relative tax burden of businesses and households and provide alternatives for a more balanced distribution.
- Certainty – changes in state and local taxes should be gradual and well planned, and result in certainty for both the state and business.
- Flexibility – where possible, consider the elimination of dedicated funding, allowing policymakers more flexibility to respond to state and local revenue shortages.
- Volatility – examine how the tax structure responds to up and downs in the economy.

Other Views

Some members of the council recommend that the Tax Study Committee also examine the regressivity of the tax structure.