

ALEC EXPOSED

"ALEC" has long been a secretive collaboration between Big Business and "conservative" politicians. Behind closed doors, they ghostwrite "model" bills to be introduced in state capitols across the country. This agenda--underwritten by global corporations--includes major tax loopholes for big industries and the super rich, proposals to offshore U.S. jobs and gut minimum wage, and efforts to weaken public health, safety, and environmental protections. Although many of these bills have become law, until now, their origin has been largely unknown. With ALEC EXPOSED, the Center for Media and Democracy hopes more Americans will study the bills to understand the depth and breadth of how big corporations are changing the legal rules and undermining democracy across the nation.

ALEC's Corporate Board --in recent past or present

- AT&T Services, Inc.
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• Bayer Corporation
• GlaxoSmithKline
• Energy Future Holdings
• Johnson & Johnson
• Coca-Cola Company
• PhRMA
• Kraft Foods, Inc.
• Coca-Cola Co.
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• DIAGEO
• Peabody Energy
• Intuit, Inc.
• Koch Industries, Inc.
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• Verizon
• Reynolds American Inc.
• Wal-Mart Stores, Inc.
• Salt River Project
• Altria Client Services, Inc.
• American Bail Coalition
• State Farm Insurance

For more on these corporations, search at www.SourceWatch.org.

DID YOU KNOW? Corporations VOTED to adopt this. Through ALEC, global companies work as "equals" in "unison" with politicians to write laws to govern your life. Big Business has "a VOICE and a VOTE," according to newly exposed documents. DO YOU?

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Tax Indexing Act

Summary

Forty-four states impose broad-based income taxes. The income tax rates are progressive in all but six of these states. As incomes rise to keep pace with inflation, the progressive income tax structure automatically extracts higher percentages of that income for state budget coffers. Indexing income taxes automatically adjusts tax brackets each year to keep pace with inflation.

This Act requires that income tax brackets, personal exemptions, and standard deductions be reset each year to reflect changes in the Consumer Price Index (either metropolitan or national).

Model Legislation

{Title, enacting clause, etc.}

Section 1. This Act may be cited as the Tax Indexing Act.

Section 2. For the purposes of this Act:

(A) "State department of revenue" means the state agency whose responsibility is to calculate tax rates and to collect taxes.

(B) "State revenue and tax code" means that portion of the state tax code which delineates state policy and procedures for the collection of taxes and other sources of state income.

Section 3. The legislature of the state hereby finds and declares:

(A) That the income tax laws of this state, in combination with economic inflation and cost of living increases, have created an inequitable treatment of the taxpayer because the application of the prescribed rates of tax to increasing personal incomes has resulted in increasing the individual's liability although the individual's purchasing power or "real income" has remained the same or decreased;

(B) That it is the purpose of this Act to adopt a method of mitigating and reconciling the inequity described in Paragraph A of this Section by providing flexibility within the tax structure through the development and use of an annual adjustment factor.

Section 4. {Amendment to state revenue and tax code.}

Section [cite appropriate number] of the state revenue and tax code is amended to read:

(A) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state and upon the entire taxable income of every nonresident which is derived from sources within this state, except the head of a household as defined within the state revenue and tax code, taxes in the following amounts and at the following rates upon the amount of taxable income:

[Insert tax table as defined in Section 4., Subsection A.]

(B) There shall be imposed for each taxable year upon the entire taxable income of every resident of this state and upon the entire taxable income of every nonresident which is derived from sources within this state, when such resident or nonresident is the head of a household, as defined in the state revenue and tax code, taxes in the following amounts and at the following rates upon the amount of taxable income:

[Insert tax table as defined in Section 4., Subsection B.]

(C) The tax imposed by this Act is not a surtax.

(D) For each taxable year beginning on or after January 1, [insert effective date], the State Department of Revenue shall recompute the income tax brackets prescribed in Subsections A and B of this Section. Such computation shall be made as follows:

(1) For states that compute an annual state consumer price index; the state department of revenue shall obtain the percentage change in the state consumer price Index for all items from September 1 of the prior calendar year to September 1 of the current calendar year.

Did you know that the Evergreen Freedom Foundation--which is connected to the Kochs--was the corporate co-chair in 2011?

(2) For states that do not compute an annual state consumer price index:

(a) The state department of revenue shall obtain the percentage change in the national Consumer Price Index as prepared by the U.S. Department of Labor, Bureau of Labor Statistics, for all items from September 1 of the prior calendar year to September 1 of the current calendar year.

(b) The state department of revenue shall compute an Annual Inflation Adjustment Factor by adding 100 percent to that portion of the percentage change figure which is obtained pursuant to Subsection (a), and dividing the result by 100.

(c) For each taxable year beginning on or after January 1, [effective date], the state department of revenue shall recompute the income tax brackets by multiplying each income bracket figure in Section 4., Subsections A and B, by the annual inflation adjustment factor, the amounts of each bracket to be rounded off to the nearest \$10.

(d) For each taxable year beginning on or after January 1, [effective date] the state department of revenue shall recompute the personal exemption and the standard deduction as provided in the state revenue and tax code by multiplying each figure by the annual inflation adjustment factor. The amounts of the personal exemption and the standard deduction are to be rounded off to the nearest \$10.

**Section 5. {Severability clause.}**

**Section 6. {Repealer clause.}**

**Section 7. {Effective date.}**

Were your laws repealed?

*ALEC's Sourcebook of American State Legislation 1995*

Center for Media and Democracy's quick summary

This act targets the 44 states with broad based income taxes. By indexing brackets to inflation, it keeps taxes down (because as income grows, taxpayers are less likely to transition to a higher bracket). So this is a way to use the CPI to keep taxes down.

Note that ALEC model legislation favors the use of CPI when it keeps taxes down but disapproves of using the CPI to keep the minimum wage up with inflation (see "Resolution opposing increases in minimum wage linked to the CPI" in our "Workers' Rights" chapter).

**About Us and ALEC EXPOSED.** The Center for Media and Democracy reports on corporate spin and government propaganda. We are located in Madison, Wisconsin, and publish [www.PRWatch.org](http://www.PRWatch.org), [www.SourceWatch.org](http://www.SourceWatch.org), and now [www.ALECExposed.org](http://www.ALECExposed.org). For more information contact: [editor@prwatch.org](mailto:editor@prwatch.org) or 608-260-9713.