The Truth in Forecasting Act

Summary

Current forecasting methods used to evaluate changes in tax policy are often an obstacle to the adoption of pro-growth tax policy. Current forecasting methods score a tax cut as a "loss" to the government, while tax increases are scored as a "gain" to the government. This assumption is in conflict with the empirical evidence that behaviors change in response to tax changes. Consequently, a tax increase may bring in less revenue, due to reduced economic activity, while tax cuts may bring in more revenue because of an increase in economic activity. As legislators consider tax changes, it is important that information on these behavioral changes is available.

Model Legislation

{Title, enacting clause, etc.}

Section 1. {Title.} This Act shall be known and may be cited as The Truth in Forecasting Act

Section 2. {Statement of purpose} It is the intent of the legislature to require a more accurate estimate of proposed changes in state tax law.

Section 3. {Amendment to state revenue and tax code} Section [cite appropriate number] is amended to read:

(A) To the extent that any fiscal estimate prepared by [cite appropriate entity] regarding one or more proposed changes in state tax law, the [cite appropriate entity] shall prepare the estimate on the basis of assumptions that estimate the probable behavioral response of taxpayers, businesses, and other citizens to those proposed changes and shall include in the fiscal estimate a statement identifying those assumptions.

(B) Every legislative instrument that would involve a change in state tax law shall have attached to it prior to its consideration by any committee of either House of the legislature a fiscal estimate using methodology pursuant to paragraph (A).

Section 4. {Severability clause.}

Section 5. {Repealer clause.} Were your laws repealed?