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FRAN QUIGLEY

Tax caps are like clunkers

Fran Quigley

Posted: June 14, 2010

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A A

When a used-car salesman pressures you to sign on the dotted line before you have a chance to test drive the car, the buyer should beware.

Same goes for Indiana citizens when politicians like Gov. Mitch Daniels push to cement Indiana's new property tax caps into the state constitution before we know the true impact of the legislation that took full effect only this year.

So far, the engine has been coughing and a funny-colored smoke is belching from the exhaust. It seems every day we are hearing more bad news from Indiana communities: teacher layoffs in Anderson, extra-curricular school programs canceled in Bloomington, bus routes and libraries at risk in Indianapolis.

While tax caps salesman Daniels wants to distract our attention away from the puddle of oil forming under the car, Lisa Travis of the Indiana Institute for Working Families is telling us the worst is yet to come. "The impact of the

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property tax caps has not fully hit Indiana localities yet, so the problems we see now are mostly just the effects of the recession," Travis says. "We'll see the real hometown impact of the property tax caps in the next two years."

By then, if Daniels has his way, there will be no turning back. By approving a constitutional amendment in the November referendum, we'll have signed our contract and it will be too late to

make a change, at least without multiple sessions of the Indiana General Assembly and another general election retracting the caps.

Travis and other analysts warn us to look closely at the fine print of this "As Is" deal. Property tax caps in California and Massachusetts may work great for million-dollar homeowners, but the benefits come at the cost of a sharp decline in the quality of schools, libraries and other public services.

Working-class Hoosier families will not only feel the pain from these diminished services, but they will likely see an increase in their own tax burden to boot. Indiana sales taxes already went up in 2008, and revenue talk now focuses on surcharges and other fees for government services, all of which hit hardest those living paycheck to paycheck. "We know that other taxes will have to increase to cover these property tax losses, and it seems clear we are headed toward making our tax system more regressive," Travis says.

More unstable, too. The sharp rise in some Indiana property tax bills caused understandable shock a few years ago, but property taxes are actually fair to most citizens and resistant to the inevitable valleys of economic cycles. "They are a much more reliable source of revenue in a down economy than so-called sin taxes on cigarettes and alcohol that lawmakers are more willing to rely on," Travis says.

Maybe property tax caps will not turn out so disastrous after all. And perhaps that AMC Pacer with a different-colored fender and no warranty will be a smooth and reliable source of transportation.

Caveat emptor, Indiana.

Quigley is an attorney working on local and international poverty issues.

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