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“Tax Cuts, Not Service Cuts” in a Recession, Says Tennesseans for Fair Taxation

“It’s time for the General Assembly to enact a plan that gives tax cuts, not service cuts, that will help end the recession and help every Tennessee family balance their family budget,” said John G. Stewart, state chair of Tennesseans for Fair Taxation, an advocacy group working for tax modernization in Tennessee.

“Governor Bredesen proposes service cuts and personnel cuts in the middle of the worst economic crisis in a generation, steps that can only slow down or even derail economic recovery in Tennessee. He’s proposing to tap the rainy day fund with no plan to replenish it in the future. This makes no sense at all. “

“He should be looking to put more money in the pockets of Tennesseans, helping businesses increase profits, and keeping experienced and valuable state employees, teachers, and public safety officers on the payroll rather than dumping them on to unemployment lines,” said Stewart

Stewart urged the General Assembly to pass “The Tax Cut and Jobs Creation Act,” (SB3235/HB3597), sponsored by Sen. Reginald Tate and Rep. Johnnie Turner. As filed, this bill provides for the following:

- **Eliminates the state portion of the sales tax on food**
- **Cuts the state share of the sales tax on other goods to a 5% rate**
- **Cuts the business franchise tax by more than half**
- **Eliminates the Hall income tax**
- **Establishes a tax on personal income at a flat 5.5% rate with a \$20,000 exemption for individuals, \$30,000 exemption for heads of households, and \$40,000 exemption for joint filers plus \$2,500 deduction for each dependent**

“The bottom line is that approximately 70% of Tennesseans would have more money in their pockets than they have now, businesses would receive a well-deserved tax break when they most need it, and the state would have an additional \$200 million - \$400 million to apply to the revenue shortfall. This means saving essential jobs and avoiding recession-enhancing cutbacks in public services in the midst of a recession and providing a way to replenish the rainy day fund later,” Stewart said.

Additional details of this legislation and the similar SB3236/HB3596, along with an explanation of other tax modernization legislation supported by TFT, are in the attached fact sheet.

