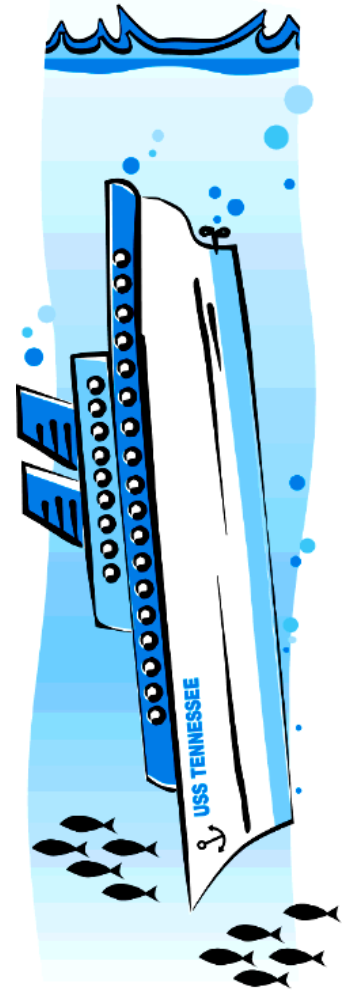


49th and SINKING!!

With its inadequate tax system, Tennessee ranks: *

- ~~50~~⁵⁰th in home and community based care
- ~~49~~⁴⁹th in total education spending per capita
- ~~48~~⁴⁸th in public high school graduation rates
- ~~50~~⁵⁰th in library holdings per capita
- ~~44~~⁴⁴th in high tech jobs
- ~~42~~⁴²nd in environmental spending per capita
- ~~48~~⁴⁸th in state spending for the arts
- ~~46~~⁴⁶th in the "Most Livable State" index
- ~~43~~⁴³rd in the "Condition of Children" index
- ~~49~~⁴⁹th in state and local taxes per capita!

Tennessee's sales tax base is continuously eroding and cannot adequately supply the state's basic services. We cannot solve the state's budget crisis by further cuts which threaten education, health care, clean air and water, our economy and the quality of life for our families.



Tennessee cannot afford more cuts in services!

Solution:

Tax reform is the only life preserver that can keep our state afloat.

- We need a fair tax system where most people pay less AND get better services.
- We need a modern tax system where revenue grows with the economy despite people's changing shopping patterns or the shift to a service-based economy.

Tennesseans for Fair Taxation supports the elimination of the state tax on food, the reduction of the sales tax on other items, and the establishment of a state income tax with generous per person deductions.

With tax reform, Tennessee would still rank near the bottom in taxes, but would have a better, more balanced system where most Tennesseans will pay LESS TAXES!

With a fair and adequate tax system we can be proud of Tennessee.

* Data sources: U.S. Dept. of Health and Human Services, Congressional Quarterly's State Fact Finder 2002, Most Livable State Award 2000 by Morgan Quitno Press, State Rankings 2001 by Morgan Quitno Press, Institute for Southern Studies' Gold and Green 2000, Kids Count 2001 Data Book.



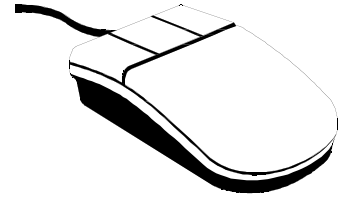
Tax Reform - YES! Sales Tax Hike - NO!

The sales tax no longer works in our modern economy.

Because the sales tax is so easy to avoid, each one percent increase of the sales tax rate costs Tennessee over \$800 million in retail sales and 5,000 jobs according to Dr. Bill Fox of the UT Center for Business and Economic Research.

Internet sales:

Internet sales is the fastest growing hole in the sales tax base. State and local revenue loss due to internet sales was \$192 million in 2001 and is expected to reach \$808 million by 2011.

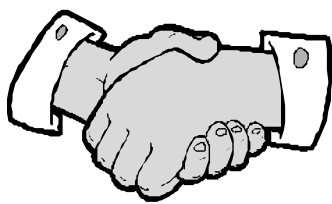
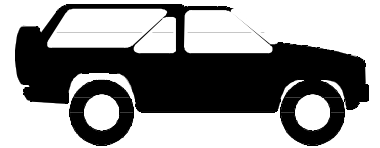
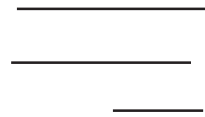


Mail order shopping:

Catalogue shopping is a long-established and continually growing hole in the sales tax base. State revenue lost to mail order sales was \$77 million in 1996 and has continued to grow since then.

Cross-border shopping:

In our increasingly mobile society, people driving to neighboring states to avoid Tennessee's high sales tax represent a growing loss of revenue to the state and jobs for our citizens.



The service-based economy:

The sales tax is a tax on tangible goods, not services. As we become a more service-oriented economy, the sales tax becomes less and less effective as a revenue source.

Tax breaks for the rich:

The sales tax applies to basic necessities like food, clothing, home furnishings, and transportation. It does not apply to things like investments, attorney fees, house clearing services, and college tuition. As a result, high-income families pay only a fraction of the taxes that others do.



The outdated and eroding sales tax has severe consequences on state services.

Tennesseans for Fair Taxation

888-671-5188 • 865-524-4424 • 615-227-7584 • 731-423-6882

on-line at yourtax.org/tft