

# ERTA cuts state revenues, aids rich

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WASHINGTON — The Economic Recovery Tax Act has actually benefitted high-income taxpayers and large corporations and sliced state revenues, Robert J. Reinshuttle, director for public finances and taxation of the Council of State Government, said Thursday.

He said the concept of supply-side economic is to place additional monies in the hands of private sector investors to stimulate the economy.

"However," said Reinshuttle, "many corporations and individual investors have used this windfall to pay existing debts. They have held the balance in reserve for use when the economy improves.

"Clearly, this was not the response expected by the majority of Congress and the administration when ERTA was adopted. The results have further exacerbated the problems of high unemployment and contributed to a hemorrhaging federal budget deficit."

He then observed ERTA also has not helped the states because many state tax statutes are tied to the federal tax code. Thus when the federal government lowered individual corporate income taxes, these states also felt a loss of income.

Reinshuttle commented states such as Idaho, Nebraska, Vermont, and Delaware "will truly feel the strain of the act because their operating budgets are relatively small and the loss of several millions is proportionately significant."

This happened in Idaho when the 1982 Idaho Legislature enacted a law that correlated its state income tax system with the federal system, resulting in an estimated loss of more than \$3 million.

Reinshuttle said "many states have been forced to take action to keep their budgets in balance. Of the 45 states which impose a corporate income tax, 15 chose to decouple from the federal code. In nine others, similar action is contemplated.

"In most cases, these actions will only diminish the loss of state revenue due to ERTA."