



## State tax plan attacked

Tax reform proposal could hurt the poor, agency says

By BRIAN FORD World Capitol Bureau

12/13/01

OKLAHOMA CITY -- A Tulsa-based anti-poverty agency voiced concern Wednesday that a tax reform proposal could take a bite out of the poor. Gov. Frank Keating's chief of staff responded that the Governor's Office is looking at ways to reimburse people with low incomes for losses they might incur under the proposed change in the state's tax system.

David Blatt, the public policy director for the Community Action Project, said the increased cost of apartment rent alone could undermine savings.

The proposal would eliminate the state's personal income tax, the state's 4.5 percent sales tax on groceries, the corporate franchise tax and substantially reduce the number of people who pay the estate tax on inheritance. Roughly \$2.7 billion in taxes would be shifted to a new 5.9 percent sales tax on a wide range of

services, including rented housing.

Blatt said a family of four with an annual income of \$17,650 -- the federal poverty level -- could actually see a bigger tax hit under Keating's proposal.

He said that according to the Oklahoma Housing Finance Authority, the standard payment for a two-bedroom apartment in Oklahoma City, including utility costs, is \$613 a month. A 5.9 percent tax would increase the monthly rent by \$36 or \$432 a year.

Blatt said that such a family's current annual tax bill for income, food and housing would be only \$200.

His calculations include the assumption that the family would take advantage of the state's sales tax credit of \$40 per family member and the state's new

earned income tax credit, which begins Jan. 1, 2002.

Families with incomes of as much as \$50,000 can seek the food sales tax credit when filing their income tax returns. Many state leaders say the food sales tax credit is underutilized. The earned income tax credit will amount to 5 percent of the federal earned income tax credit.

Blatt said he did not include taxes on other services because many of them are considered luxuries.

Keating's Chief of Staff Howard Barnett said the office is looking at ways to reimburse low-income people for losses.

"I'd like to talk with (the Community Action Project)," Barnett said. "It sounds like they have got some detailed information we could use."

Blatt questioned how such a reimbursement system would be implemented. He said other states without income taxes do not have such reimbursement programs. Barnett said he wants to make sure any reimbursement program would benefit the people who need it.

Brian Ford, World Capitol Bureau reporter, can be reached at (405) 528-2465 or via e-mail at [brian.ford@tulsaworld.com](mailto:brian.ford@tulsaworld.com).