Media Release

Eliminating Sales Tax Will Create 21,000 Jobs

Tax Cut Largely Pays for Itself

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FOR IMMEDIATE RELEASE
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Providence -- With no remedies for the Ocean State's failing economy in the 2013 General Assembly budget amendment proposed last week, and with no leadership from state officials in raising awareness of the glaring need for tax reform, the Rhode Island Center for Freedom and Prosperity released a report today that projected the economic benefits if a phase-out of the state sales tax were to be implemented.

The report, entitled Zero.Zero, demonstrates how reductions in tax rates can lead to economic growth. In contrast, tax and fee increases in the proposed budget will only serve to extend the state's downward economic spiral, exacerbating one of the highest unemployment rates in the nation.

"Does anyone in the political class recognize that our state economy is failing? That our citizens are suffering? To suggest any increase in taxes guarantees that we will continue to limp along the same path that led us into this rut in the first place," commented Mike Stenhouse, CEO for the Center. "It is alarming that the lack of jobs, the loss of population, and our state's dismal economic growth has merited virtually zero response from our public officials. Why are we not having a special session of the General Assembly this fall to deal with jobs? The title of our report - Zero.Zero - reflects both the rate we suggest for the sales tax and, regrettably, the level of leadership state officials have shown. Instead of considering ways to reverse course and grow our economy, legislators are obsessed with perpetuating a failed budget. We shouldn't just hope for change; we must enact proactive reforms to restore competitiveness to the Ocean State," continued Stenhouse.

The report, which discusses a bold option for the state, lays out in some detail the projected economic benefits and revenue implications at both the state and municipal levels if the retail sales tax were to be phased out over a four-year period: The creation of over 21,000 new jobs; an increase in the state GDP; a windfall for cities and towns; and a net inflow of shoppers and
residents to Rhode Island are projected by RI-STAMP, a customized economic modeling tool.

For less than the same $75 million that was wasted at 38 Studios chasing 400 jobs, first-year budget cuts of $68 million to pay for the phase-out of the sales tax over four years will result in over 5,000 new jobs. "Cronyism must be replaced with policies that will attract a broad range of businesses. Only dramatic reform can produce dramatic improvement," exclaimed Stenhouse.

The release of the report is intended to spur debate in the Ocean State about public policy alternatives that should be considered to restore prosperity. "For too long, policymakers have considered only two options: raising taxes or doing nothing. Both of these have clearly failed our citizens. A third option - reducing the tax burden on Rhode Island residents and businesses - must now be considered. Rigorous debate about eliminating the sales tax must take place in Rhode Island before the next legislative session," concluded Stenhouse.

To that end, the RI Center for Freedom & Prosperity has obtained indications from a number of business and taxpayer organizations that they want to learn more about the revenue projections and economic implications of this policy concept. The staff at the Center will oblige, arranging private and public presentations in 2012 with interested groups throughout the state in order to assess the viability of future legislative policy.

The full policy brief as well as year-by-year projections in multiple revenue and economic categories can be found on the Center's website at www.RIFreedom.org or on the home page for the Zero.Zero initiative.

The elimination of the sales tax is the central piece of a larger set of policy recommendations by the Center's Prosperity Agenda for Rhode Island, which will be rolled out in the coming months.

The Rhode Island Center for Freedom and Prosperity is the state's leading free-enterprise public policy think tank. Non-partisan, yet firm in its belief that freedom is indispensable to citizens' well-being and prosperity, the Center for Freedom's mission is to restore competitiveness to Rhode Island through the advancement of market-based reform solutions.

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