

SPECIAL

WINDOM GALLIHER

MONTGOMERY UPDATE

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Governor Bentley turns over his first cards in \$728 million revenue plan for General Fund

Legislators head into the final weekend prior to the 2015 Regular Session with a fairly solid picture of what Governor Robert Bentley has in mind to fill what he called a \$702 million hole in the General Fund.

Governor Bentley held a news conference Friday to announce more than a half-billion dollars in new revenue that could be collected if the Legislature opts to approve his plan.

The missing piece Friday was specific information regarding the removal of earmarks on \$187 million in currently earmarked funds.

Here's what the Governor shared Friday morning:

- Require combined reporting on the state's Income Tax on corporations that do business in other states. **Projected impact: \$20 million.**
- Remove the credit that financial institutions receive for sales tax paid. **Projected impact: \$1 million.**
- Remove credits attached to the state's insurance premium tax. **Projected impact: \$25 million.**
- Remove the exemption that municipal utilities have on the state license tax. **Projected impact: \$47 million.**
- Eliminate the income tax withholding certificates. **Projected impact: \$12 million.**
- Increase the sales tax rate for automobile sales from 2.5 percent to 4



AFTER A BILLBOARD STARTED A FLAP, GOV. BENTLEY SAID PROJECTS IN SEN. BILL HOLTZCLAW'S DISTRICT WOULD RESUME AT SOME POINT, BUT DIDN'T SAY WHEN

percent. **Projected impact: \$200 million.**

- Increase the rental tax rate for automobiles to 4 percent. **Projected impact: \$31 million.**
- Increase the tax on cigarettes by 82.5 cents per pack, and proportionately on all other tobacco products. **Projected impact: \$205 million.**

The total financial impact of the Governor's revenue plan adds up to \$541 million, which combined with the unearmarking of \$187 million would create a total impact of **\$728 million.**

Part of the revenues would help payoff debts to the Alabama Trust Fund. It would also provide new money for Medicaid and Corrections.

Governor Bentley called himself a life-

long conservative Republican, and said that putting one's fiscal house in order is a conservative hallmark.

"I believe this revenue plan is best for Alabama," Governor Bentley said, "and I look forward to working with the Legislature in the budget process. We were elected to make bold decisions that help Alabama.

Undoubtedly, the Governor will have an uphill battle passing a revenue program in a Legislature whose supermajority was elected — like he was — on a "no new taxes" platform.

There will be forces, though, particularly from the health care sector pushing for some revenue to help stabilize Medicaid, as well as some appetite to stave off an anticipated federal takeover of the state's prisons.

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Note: The Windom Galliher Montgomery Update will publish weekly during the Legislative Session.