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CENTER FOR TAX POLICY  
**EXECUTIVE REPORT**

**Fiscal Cap Style TELs in the States: An Inventory and Evaluation**  
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One could easily argue that the United States traces its political roots back to a tax revolt. The now famous statement “no taxation without representation” is one that most citizens readily identify with the War for Independence and the founding of the nation. And, since the founding period, almost every subsequent generation of Americans has fought its own battle over some aspect of taxation and, along with it, the appropriate role, scope and reach of government vis a vis individuals. Although the issue has largely remained the same, the level of sophistication of the battle and the resulting tax policies have elevated and increased in complexity since our ancestors first dumped a load of tea into Boston Harbor. As Peter Sepp noted in his 1999 paper on the subject titled *By Popular Demand: How Citizen-Driven Ballot Measures Have Shaped Tax Policy for the Better*, “From the Boston Tea Party to the Whisky Rebellion to the repeal of Lincoln’s ‘War Tax,’ American history is replete with tax *rebellions* (emphasis in original) brought on by political and economic factors peculiar to those times. But the *Tax Revolt* (emphasis in original) – the ongoing political movement for limited government – is a more recent phenomenon...”. Along with the increasing sophistication of the modern tax revolt and the resulting policy instruments, came consequences, both intended and unintended, on the scope, size and reach of government, its ability to provide public services, and increasingly its ability to both tailor its tax code and respond to changing economic conditions. Each generation, thus, is left to study and analyze the ultimate consequences of its actions in this policy arena.

Although rooted in the turn of the 20<sup>th</sup> century progressive and populist era reforms, most scholars typically date the beginning of current generation’s tax revolt, one largely centered around efforts at codifying tax and expenditure limitation language, to the 1978 passage of Proposition 13 in California. In the wake of California’s successful initiative, citizens and legislatures in over half of the states in the nation passed limitations on taxing and spending into either their constitutions or their statutes<sup>1</sup>. The legal structure of these limitation measures varies from state to state, and it is this variation, along with an inventory of the major provisions in place in each state, that is the subject of this report. Although over half the states in the nation have adopted fiscal cap style TELs and/or supermajority requirements, not all measures are created equally. This report, based off of the 1996 inventory of tax and expenditure limits compiled by the National Council of State Legislatures, attempts to highlight the differences in states’ TELs as well as to provide a ranking of restrictiveness of the measures currently operational in the states. As Colorado embarks on what is likely to be a year-long discussion on the future of our state’s fiscal cap TEL, the TABOR Amendment, The Center For Tax Policy hopes that this evaluation of the fiscal cap TEL activity in the other states will serve as an important resource<sup>2</sup>.

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<sup>1</sup> Or, as in the case of some states, e.g., Colorado, both.

<sup>2</sup> The data for this report comes from a 1996 National Council of State Legislatures publication authored by Mandy Rafool. The title of that publication is *State Tax and Expenditure Limits*.