



February 2020

The Taxpayer Protection Act

*Pennsylvania's high state and local tax burden is the consequence of a decades-long spending binge. Pennsylvanians pay **\$4,589 per person** in state and local taxes, which equals 10.2% of residents' total income. This trend must be reversed by restraining spending growth through the Taxpayer Protection Act (TPA).*

Pennsylvania's Overspending Problem

- Over the last two decades, total state spending growth has outpaced the economy. Pennsylvania's population grew 4%, job growth totaled 6%, and inflation 47%. Meanwhile, state spending surged 71%.
- The commonwealth's total operating budget, which includes the General Fund and Shadow Budget, has more than tripled since 1970 (adjusted for inflation).
- This year is no exception, the Independent Fiscal Office projects Pennsylvania will overspend its FY 2019-20 budget by \$779 million—a deficit that size could require a tax hike. In fact, past budget deficits lead to five tax hikes since 2009.
- High taxes driven by high spending contributes to brain drain. Pennsylvania is losing about [54 people every day](#), primarily to states with lower tax burdens.
- If the TPA had been enacted in FY 2003-04, spending could have increased by \$9.4 billion through FY 2019-20. Instead, it climbed by more than \$12 billion.

The Solution to Pennsylvania's Financial Challenges

- The Taxpayer Protection Act's spending limits would help reverse Pa.'s unsustainable spending trend. The TPA does not mandate cuts to government spending. It slows the growth of spending by tying increases to the rate of inflation and population growth.
- Fiscal guardrails will require the state to thoroughly review and prioritize programs to ensure spending growth is kept within the TPA index.
- If the TPA had been applied to the General Fund from FY 2003-04 through FY 2019-20, a cumulative \$39 billion—or **almost \$12,000 per family of four**—would have remained in the hands of taxpayers rather than state government.
- States that control spending growth can maintain a low tax burden, which is critical for economic growth and economy-boosting tax cuts. Colorado saw [personal income and population rise](#) faster than the national average and [job growth improve](#) in the decade after passage of a similar reform called TABOR.

Legislation to implement the TPA is under consideration in the House. The Taxpayer Protection Act is a constitutional amendment that must pass in two consecutive sessions and does not require Gov. Wolf's signature. Similar legislation passed the House in 2017.

By controlling government spending, lawmakers can restore the commonwealth's fiscal health and pave the way for tax reform that will benefit all Pennsylvanians.