

Taxpayer Protection Act: Facts & Myths

Bringing Fiscal Responsibility to Pennsylvania Budgets

SUMMARY

- The Taxpayer Protection Act (TPA) *controls the growth of state spending* by tying budget increases to the average rate of inflation and population growth. Moreover, the TPA requires a supermajority vote to spend above that threshold.

FACTS & MYTHS

- **Myth: The TPA will harm government’s ability to provide vital services or respond to crises.**
 - **Fact:** The TPA is a growth formula. It allows the government to increase spending each year. It simply keeps growth at a reasonable level by using the Consumer Price Index (CPI) and state population to calculate a spending limit. The TPA allows the government to keep up with inflation and population demands.
 - **Fact:** The TPA allows the state to *exceed* the spending index whenever there is an emergency or justified need, with a two-thirds majority vote. This is the same two-thirds majority that the state constitution requires to pass non-preferred appropriation bills.
- **Myth: The TPA would limit the government’s ability to respond to ever-changing public needs, leading to cuts to education and other vital services.**
 - **Fact:** The TPA caps annual spending growth, *it does not require any cuts*. For example, in fiscal year (FY) 2022–23, the TPA would have allowed a 3.46% spending increase. Additionally, cap overrides exist. A supermajority of the legislature can suspend spending limits in case of emergency or any reason with a two-thirds majority vote.
- **Myth: The Taxpayer Protection Act would limit the state’s ability to use federal pandemic relief funds.**
 - **Fact:** The TPA does not apply to federal funds—those are neither limited, nor would an increase in federal funds require a limit in state spending. The TPA language specifically *excludes* “the spending of Federal funds” under the definition of spending to which the TPA limits applies.
- **Myth: The CPI used by the TPA does not accurately reflect the growing cost of government services.**
 - **Fact:** The CPI is the most used indicator for both inflation and deflation. It measures the prices of a “basket of goods” taken from consumer surveys on what individuals bought. CPI then averages price changes to weigh items accordingly. Government, the Federal Reserve, and the Social Security Administration all use the CPI to calculate cost of living and establish monetary and fiscal policies.

- **Myth: The General Assembly can limit or “check” new programs and balance the budget without a tax increase.**
 - **Fact:** Pennsylvania has seen five state tax increases since 2009. This resulted from overspending in good economic times and deficits accrued during recession. Since 2003, the TPA would have allowed a General Fund spending increase of \$11 billion. Instead, spending climbed by more than \$19 billion.
- **Myth: Governor Wolf will veto the Taxpayer Protection Act.**
 - **Fact:** The TPA is a constitutional amendment. The governor does not have an opportunity to sign or veto the TPA. If the TPA passes this session, it must pass the House and Senate again next session, then go before voters as a referendum, potentially in 2023.
- **Myth: Spending limits have not worked in Colorado.**
 - **Fact:** After Colorado implemented the Taxpayer Bill of Rights (TABOR), the state’s tax burden declined by over one full percentage point. Colorado saw personal income and population rise faster than the national average and job growth improve in the decade after passage.
- **Myth: The TPA would unfairly restrict the power of future legislatures.**
 - **Fact:** As a Constitutional amendment, the TPA provides commonsense procedures to protect taxpayers. This is consistent with other constitutional restrictions, such as the guarantee of free speech, free press, and the right to bear arms, that restrict legislatures from taking away these rights. Like the constitutional amendments approved by voters in May 2021, the TPA would empower voters to have a say in how their state government operates.
 - **Fact:** The TPA is very popular among voters. A 2021 poll found [nearly two-thirds of voters](#) (64%)—with support across all party lines—favor limiting the growth of state government spending. And a whopping 84% of voters support putting the TPA on the ballot as a referendum.

SOLUTIONS

- The TPA allows for *sustainable growth* in government spending, in line with taxpayers’ ability to pay.
- The TPA is a pro-growth formula that can help restore Pennsylvania’s fiscal health and can help make the commonwealth a more attractive place to live and work.