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# WYOMING TAXPAYERS ASSOCIATION

## 2020 Candidate Questionnaire



Please return this form by Friday, July 17, 2020 to [ashley@wyotax.org](mailto:ashley@wyotax.org) or via mail Wyoming Taxpayers Association 200 East 8<sup>th</sup> Avenue, Suite 203, Cheyenne, WY 82001. WTA staff is happy to discuss any of the below issues with you and provide additional information at your request. Contact Executive Director Ashley Harpstreith 307-635-8761 or [ashley@wyotax.org](mailto:ashley@wyotax.org) to discuss further.

Candidate Name: Jackie Grimes

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***WTA DOES NOT HAVE A POLITICAL ACTION COMMITTEE AND DOES NOT  
ENDORSE CANDIDATES.***

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***1. What are your top three priorities if elected to public office in the State of Wyoming?***

1. Stabilize the economy by diversifying our industries beyond extraction companies, prioritize well-paying jobs for residents, and creating a business environment that is friendly to and supportive of small, locally owned and operated businesses that allow for expansion.
2. Address health care costs and access via the expansion of Medicaid, high insurance rates premiums, increased support to keep rural health care facilities open, and address our ever-increasing mental health needs especially as it relates to suicide.
3. Ensure balanced and reliable revenue streams for public education while protecting equitable distribution of funding to all school districts.

***2. Studies have shown that under Wyoming's current tax structure, efforts used to attract non-mineral related businesses to the state are a net loss for the state because public service costs (education, law enforcement, roads, etc.) exceed what new residents and businesses would pay in taxes. What do you support to alleviate this disparity? Please explain.***

It's important to frame the question correctly. No business or individual would succeed as well as they do in our community if you dropped them into the middle of the Amazon Rainforest and left them to their own devices. They need more than just a business plan and financing. Several publications such as Forbes, US News and CBNC identify

important factors that businesses evaluate when deciding to locate in a community. They need educated and trained employees often at the college level and in STEM courses; they need transportation systems such as roads, railways and airports; they need a utility infrastructure including safe drinking water and a wastewater system as well as electrical grids; they look at the quality of life in a community and whether it will enable them to attract and keep workers including the crime rate, the quality of health care, the overall health of the population, the availability of local attractions, parks and recreation as well as the environmental quality; they also look at education beyond the education of the employee and how the K-12 education system performs on test scores, the average class size and per pupil spending. The point is, businesses need things that require a significant financial investment by the community in order to succeed. If they wish to take advantage of the resources and infrastructure, then they need to contribute their fair share to creating and maintaining it.

A tax is a compulsory financial obligation that a governmental unit imposes on people and businesses of a community in order to fund government spending and public expenditures. Essentially it is a transfer of wealth from households or businesses to that governmental unit. Since it can both increase and reduce economic growth and economic welfare, it must be levied with caution. However, it should be a two-way street – those who pay should reap some of the benefits and those who benefit should pay some of the costs.

Under our current system of taxation, we have a large portion of our economy that is benefiting from taxation (as noted above for non-extraction businesses) without making a significant financial contribution. I believe Wyoming should impose taxes on non-extraction businesses similar to those imposed by contiguous states.

Since taxation is the transfer of wealth, I also believe that it should be progressive and tied to the ability to share that wealth. Low income families often have a cost of living that is as high as their income. The gap between household income and household expenses gets larger as you go up the income brackets – those earning a lot more often have excess income to save, invest or spend on more luxuries. Higher income individuals usually benefited more from the resources of the community – they receive better educations, they moved to newer neighborhoods that required new roads and utilities, they travel more on our roads and through our airports for business and leisure, etc. Lower income people usually live in the older sections of town and can't afford to move into those more expensive neighborhoods with new roads, can't take advantage of higher education, and can't afford to use the highways and airports as much. Again, if you dropped the affluent individual into the middle of the Amazon without the resources and infrastructure that we have here they wouldn't remain affluent for long.

Taxes should be tied to the creation of wealth whether you are building wealth through income, property, or selling a product or service. All who benefit from the resources and infrastructures of the community should contribute financially to its creation and maintenance, and the financial obligation should be progressive and based on ability to share their wealth. I understand that businesses may have cost to move into the state or set up a new business before revenue begins flowing. I also understand the need for tax policy that helps new businesses bear the cost of startup until the revenue begins flowing. Tax breaks should be considered but limited to create reasonable incentives.

But new businesses and new employees locating to the state should expect to contribute financially once they become established.

3. ***Wyoming receives over half of its total revenue from the mineral industry. Would you support changing the tax structure on the minerals industry? Please explain.***

As I noted in question 2, taxes should be tied to the creation of wealth and the ability to share that wealth. Wyoming is fortunate in that it has significant valuable natural resources. Those resources are owned by the people (government is an institution of the people, by the people and for the people). In the past, taxation of that wealth was sufficient to fund government and public expenditures. But the world is changing. Technology and climate concerns are moving the economy towards green energy sources and away from carbon-based mineral energy. As the change occurs the value of mineral extraction declines and the tax revenue to the state declines. This will increase the financial burden on the rest of the residents and businesses that benefit from the resources and infrastructure that government provides.

With respect to the ability to share the wealth, I noted in Question 2 that taxes should be progressively linked to the gap between income and expenses. As an income increasingly exceeded expenses, the rate of taxation should increase. The extraction industry made significant revenue from the high value of the minerals that exceeded their costs. But as the revenue declines from the declining value of the minerals while the fixed costs of the industry remain fairly constant, the gap shrinks and the industry is less able to share the wealth. It benefits nobody if the extraction industry goes bankrupt before the ability exists for green energy to replace all our energy needs. The state would lose significant revenue and significant jobs which would lead to more people needing unemployment and other state benefits. However, if the state is to save the extraction industry my preference would be to use some form of tax credits for investing in new technology tied to green energy. Wyoming has significant potential for developing green energy and it would be beneficial to move from carbon-based energy to solar, wind or geothermal sources of energy. This means of creating wealth could continue to provide the revenue the state needs to keep the tax burden of other businesses and residents to a minimum. Investing in green energy would also create jobs in Wyoming to help offset the job loss from the declining extraction industry.

4. ***Excise taxes on tobacco and alcohol generated \$32.5 million (0.7%) of the \$4.7 billion in total revenue collected in FY 2019. Would you support raising these taxes? Please explain.***

I view taxation of tobacco and alcohol mainly as a means of modifying behavior. I also think that it is an appropriate tax not only to discourage consumption of those products but also in consideration of the increased health care and other costs for the community associated with those products. However, I believe these taxes reach a diminishing marginal return and flatten. At some point it makes sense for consumers to go elsewhere with lower costs to purchase these products, whether it's to another state or to Indian Reservations (who have increasingly been creating marketplaces for tobacco and alcohol sales). It also places an undue burden on a segment of the population. Increasing cost drives down consumption on a certain percentage of that population and then that means of influence loses effectiveness and just punishes people

financially without changing behavior. Other means of changing behavior are needed and the state should use the financial revenue from tobacco and alcohol consumption to fund those other treatment options. So, it depends on where we are along the diminishing marginal return curve. If experts, examining data from Wyoming and other states, determine that increasing the tax would lead to very little additional behavior change then I would not favor increasing it. However, if the evidence indicated that additional behavioral change from a significant portion of that population would occur with an increase in the tax then I would favor it.

**5. *Wyoming currently ranks as one of the top states for spending on K-12 education per capita. Are we spending enough on education finance, too little, or too much? Please explain.***

This is somewhat of a misperception within our state regarding our educational spending. To begin with, the numbers reported on per pupil spending is largely inflated due to the high costs associated with rural sprawl. The best example I can give that demonstrates this disparity is a small analysis I conducted on spending for Albany County School District #1. In comparison of spending within city limits versus those in rural settings, within the city, ACSD #1 spent approximately \$11,000 per student. This level of spending is well within national norms. When examining spending for rural students, this fluctuated at between \$30,000 per student (in small school settings) to upwards of \$80,000 per student for our schools that only had one student. One of the strengths of our state Constitution is that it has emphasized equity in our funding of public education; this is what we should thrive to continue. However, I do believe it is important to start having the right conversation as it relates to costs of education as the current dialogue and perception is based in inadequate representation.

In addition, our state requires that educational spending be evaluated every 5 years. The last several efficiency studies, including the 2018 interim study, has concluded that not only are our public schools efficient in spending and responsible with the budgets given, they have universally recommended increases in educational spending in order to meet the increasing needs our students and districts face including a substantial increase in mental health services for students. Despite this, our state legislature has continued to cut educational spending and has taken steps to amend our state constitution in order to eliminate the duty outlined as it relates to equity in financing education and to meet the increases in spending that naturally occur as a result of inflation. To me this is irresponsible; the duty of the legislature is to find the revenue needed to finance our education system.

**6. *The Wyoming Economic Analysis Division estimates the average Wyoming family pays \$3,180 per year in personal taxes (excise taxes, motor vehicle registration fees, and property taxes) while utilizing \$27,050 in state and local services (municipal, county, special districts, K-12 education, and state services). Can we correct this imbalance? Please explain.***

I would frame this a little differently. Consistent with my answer to question 2, I believe that taxes are essentially transfers of wealth from households or businesses to a governmental unit. I view the natural resources of the state (a governmental unit of the people, by the people and for the people) to be an asset and part of the wealth of the

people of Wyoming. The extraction industry pays the government the “taxes” on that asset on behalf of the people so we contribute more than \$3,180 towards our use of state services. This subsidizes the tax burden for each family in Wyoming but we still owe an additional \$3,180 in personal taxes for the benefits we receive from government. As the value of our shared natural resource asset declines and the revenue from it declines, the individuals, families and businesses that benefit from government programs and expenditures will need to increase their personal contribution through other taxes or accept a decline in the services and programs of government. I believe we need to maintain our standards in education and support of public programs and that those bones have already been picked pretty clean in past budget cuts. I think we need to examine taxing non-extraction businesses for all the government and community benefits they receive as well as imposing a progressive income tax on those who have more wealth to share and have also benefit disproportionately from government and community programs.

It should be noted that non-extraction businesses also receive significantly more in services and benefits from being a part of our community than they contribute financially through taxation. We need to correct that imbalance as well.

7. *One major issue with sales taxes across the country is the eroding sales tax base. In 2007, the Wyoming Legislature voted to exempt purchases of food for domestic home consumption from sales and use tax. Wyoming provided this exemption to provide consumers a tax break, but it also resulted in lost revenue of approximately \$47 million per year to state and local governments. Would you support a permanent or temporary reinstatement of the sales tax on food? Please explain.*

No, I would not support a permanent or temporary reinstatement of the sales tax on food. Sales taxes are a regressive tax because they take a larger percentage of income from low-income people compare to what higher income people pay. It is a common practice for states to exempt basic necessities such as food from the sales tax. It is a larger burden on lower income people and puts their households at a greater disadvantage. I prefer taxes on non-extraction businesses and progressive taxes on income than on punitive regressive sales taxes on food.

8. *Over time, the U.S. economy has evolved from a manufacturing-based economy to a service-based economy. As a result, state sales tax bases have become narrower than ideal. Do you believe Wyoming should expand its state sales taxes to include personal services? Please explain.*

A tax is a compulsory financial obligation that a governmental unit imposes on people and businesses of a community in order to fund government spending and public expenditures. Essentially it is a transfer of wealth from households or businesses to that governmental unit. Since it can both increase and reduce economic growth and economic welfare it must be levied with caution.

Like the manufacturing of products, the provision of services creates wealth and should be taxed. That wealth creation can be taxed at the point of sale in the form of a sales tax or it can be taxed as a business tax on the companies that receive that sales revenue. It can be argued that placing a tax on a business’s revenue simply causes the business to increase its price to the consumer while a sales tax increases transparency into the

factors that contributed to the cost of that product or service. However, what I'm concerned about is the wealth created by business to business transactions. Many businesses subcontract for services from another company. For example, there are technology companies that process insurance claims for insurance companies. That generates a great deal of revenue for the subcontractor for the services they provide. I'm afraid that a simple sales taxes on the consumer for the consumption of services, gives a free pass to businesses that are consuming services from other businesses. I think a business tax on all companies that provide products or services is a more effective way of taxing wealth creation so that every business and person in Wyoming is contributing their fair share.

**THANK YOU FOR YOUR TIME AND CONSIDERATION!**