

Date: March 23, 2007  
To: Selected clients  
From: Dick Lockhart  
Re: Taxes, energy

There are two huge issues dominating the members of the General Assembly and it is unlikely either will be resolved soon.

As to taxes – HB 750 was heard in Committee this week, but no vote was taken. The Committee will return at the “call of the chair.” You will recall, HB 750 (and SB 750) increases the income taxes, eliminates some tax exemptions, extends the sales tax to a number of specific services. Importantly, it contains provisions which would provide for property tax reduction. For that reason, it has considerable appeal to many legislators.

The Governor says he opposes any increase in income taxes and is continuing to promote a gross receipts tax (GRT) and a payroll tax. Those proposals are meeting with considerable opposition, including that of the Lt. Governor, Comptroller and State Treasurer. Although the actual statutory language to GRT or to the payroll tax has not been made public, I understand the tax rate on “professional services” will be 1.9% of gross receipts. However, nearly everyone believes the State needs to increase its revenues – and soon.

In the event the GRT fails, HB 750 (SB 750), could with changes, take on a new life. No proposal is DEAD.

As to energy, there remains a different strategy between the Speaker of the House and the President of the Senate. It seems to me that pressure is building for the General Assembly to do something about the cost of energy before adjournment. What that may turn out to be is unclear to me at this time.

IMPORTANT FACTOR – any legislation passed after May 31<sup>st</sup>, with an immediate effective date, requires a three-fifths vote in the House and in the Senate. This could be obviated by setting the effective date at January 1, 2008.

The General Assembly will recess on March 30 and will not be back in session until April 17. Take advantage of this period and visit with your State Senator and State Representative in their district offices. Don't hesitate to ask their position.

FYI, I will be taking the first week in April for needed R&R.

If any questions, don't hesitate to contact me.

Thank you for your support.