

## Slightly More Than Half True: The Fact-Checkers and State Taxes

by Billy Hamilton



Journalists have a long history of checking the facts behind what they print. According to history, fact-checking became a formal news process in the early 20th century and was raised to a back-office art form by *The New Yorker* and the German magazine *Der Spiegel*, which still employs an

army of 80 fact-checkers.

But there's another form of journalistic fact-checking that's come into prominence in the digital age — the fact-checking that journalists perform on what others say. Business is booming. As the Internet has become the central source of breaking news and information, its flip side has become equally obvious — the proliferation of misinformation. The amount of misinformation that spreads across the Internet every day is staggering. The typical sources for misinformation are politics, government, religion, and scams and hoaxes. Some websites have taken on the task of refuting this flood of misinformation by presenting evidence and hard facts. One of the earliest practitioners of this trade was Snopes.com, which first appeared in 1995 and continues to debunk all sorts of urban legends. A recent example: A Facebook app of a Christmas tree is rumored to contain a virus that will crash your computer (false).

The fact-checkers that have gained the greatest visibility lately, though, are the political sites, a clear case of fishing where the big fish are as far as lying goes. Several news organizations and other groups operate these sites. The three big guns are the Fact Checker, FactCheck, and PolitiFact.

The Fact Checker is a *Washington Post* column that first appeared during the 2008 presidential campaign. It was discontinued after the election but was revived by the *Post* as a permanent feature in early 2011. It rates statements according to a "Pinocchio" scale — the more Pinocchios, the greater the misinformation, with four Pinocchios represent-

ing "significant factual error and/or obvious contradictions." Politics teemed with Pinocchios in 2011.

FactCheck is a nonprofit project of the Annenberg Public Policy Center of the Annenberg School for Communication at the University of Pennsylvania, and describes itself as a "consumer advocate" for voters that aims to reduce the level of deception and confusion in U.S. politics." The Annenberg Foundation provides its primary funding.

PolitiFact is a service of the *Tampa Bay Times* — formerly the *St. Petersburg Times*. Created in 2007, PolitiFact uses its "Truth-O-Meter" to rank the amount of truth in public statements on a scale that ranges from True to Pants on Fire. The column won a Pulitzer Prize in 2009 for its coverage of the 2008 presidential campaign.

These sites are mainly concerned with national politics. However, they stray into state and local issues from time to time. This is particularly true of PolitiFact, which has expanded from its Florida roots to branches in Georgia, New Jersey, Ohio, Oregon, Rhode Island, Texas, Virginia, and Wisconsin.

It's human nature to tire of tattletales and know-it-alls, and the fact-checkers have become targets of recent criticism. On December 19, 2011, the conservative *Weekly Standard* featured a cover story denouncing the columns as a liberal plot to steer the political discourse. A week later, PolitiFact's decision to award its "lie of the year" to a claim by Democrats that the Republicans wanted to "kill" Medicare earned heaps of scorn from the left. Suddenly, the echo chamber of Internet opinion filled with rancor aimed at the fact-checkers. A writer for Gawker, a website devoted to politics and New York City gossip, warned: "PolitiFact is dangerous. Stop reading it. Stop reading the 'four Pinocchios' guy too. Stop using some huckster company's stupid little phrases or codes or number systems when it's convenient, and read the actual arguments instead. You're building a monster."

Some may see the sites as monsters, but they're interesting monsters. They provide a useful antidote to the modern propensity of politicians to say anything that sells politically. I've talked to a reporter

for PolitiFact Texas about a couple of issues recently and have found him to be annoyingly dedicated to getting at the hard facts behind some statement that one of our Texas politicians has made, probably based on some factoid he either read or heard from a staffer, contributor, or political adviser — you never know what sort of nightmarish offspring that kind of political inbreeding will produce.

All the commotion over the fact-checkers made me wonder what they had to say about state and local taxes. The answer was more than I thought but less than I hoped. As I mentioned, the sites focus primarily on national politics, and 2011 was a dispiriting but eventful year nationally. There were many facts to check. Lately, the sites have been preoccupied with the Republican presidential primaries and dysfunction in Washington.

All the big three fact-checker sites recently released lists of their biggest fibs of the year, including the one that caused PolitiFact's problems. PolitiFact has its lie of the year. FactCheck offers a list of "whoppers of 2011," and the Fact Checker has "the biggest Pinocchios of 2011." There isn't a state-level story on any of the lists.

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Undeterred, I analyzed everything the sites had to say on state tax issues in 2011, a not-inconsiderable task but a singularly depressing one if you value the quality and veracity of public discourse. Admittedly, there were many examples of true or partly true statements made by state politicians last year, but my tally shows that more than 40 percent of the statements about taxes that the fact-checkers examined were either false or mostly false. Less than one in five was judged to be the straight truth free of shading or exaggeration.

My analysis also revealed several general facts about the fact-checking sites and state taxes. First, state tax issues aren't well covered by any of the sites, and when they are examined, it's usually because of something a governor said or because of something someone said about a governor. It also helps if the governor in question is running for president (Rick Perry of Texas), was running for president (Tim Pawlenty of Minnesota), or was the object of intense interest as a potential presidential candidate (Chris Christie of New Jersey) — or if the governor happens to be Wisconsin's Scott Walker, who drew the most scrutiny of any state official last year from the fact-checkers, according to my count.

Also, the coverage of tax topics is spotty. Entries covered taxes and jobs, promises not to raise taxes, tax performance, gambling revenue, and even estate taxes, but there wasn't one entry about the Amazon remote sales controversy, arguably one of the biggest state tax stories of the year. That probably is because the sites are found in only a handful of states. I also should point out that all those states, except Rhode Island, have Republican governors, so the fact-checkers appear to focus mainly on Republican comments. That reflects a liberal bias less than it does the Republicans' success in the 2010 elections — and, of course, the fact that only a handful of states get close coverage.

Of the three major sites, Fact Checker is the most easily dispensed with. Its concerns are exclusively national, and the only 2011 entry that touches on state taxes is a byproduct of national politics — an examination of Perry's record on taxes. It quotes several statements Perry made on the presidential campaign trail, including this comment from last August: "I've cut taxes. I've delivered historic property tax reductions." He was referring to the state's 2006 school finance reforms in which school property taxes were reduced by about a third and state spending on schools was increased. The increased costs were partially offset by expanding the state's business tax.

Fact Checker concluded that "the Texas governor tries to distinguish himself as above-the-cut when it comes to his conservative taxation credentials and shielding businesses from taxes, but he found creative ways to collect more money for the government treasury — just like his opponent Romney." Perry was awarded two Pinocchios for "misleading voters about his record on taxes."

The nonprofit FactCheck doesn't have much better coverage of state issues. A search for "taxes 2011" returned 620 hits, most involving federal tax issues. Only five touched on state tax issues. All but one of those dealt with comments made by governors.

Walker was one of the governors whom the site examined. Walker attracted a lot of media attention last year, particularly early in the year when the state Capitol in Madison was overrun by state workers protesting the governor's push to strip them of their collective bargaining rights. (That effort also prompted a campaign to recall Walker in an election sometime in 2012.)

Ending collective bargaining wasn't the only issue on Walker's agenda. He also made waves where taxes were concerned. On his first day in office last January, he called a special legislative session to deal with job creation. At Walker's urging, the Legislature adopted four bills that provided a long list of business tax breaks, mainly in the form of expanded corporate income tax credits.

The tax cuts were handed out at a time when the state faced a large budget shortfall, and they were

widely criticized. Even the business-oriented magazine *Forbes* called them “cheesy.” Cheesy maybe, but not the root cause of the state’s fiscal problems. FactCheck looked at a claim spread by MSNBC’s Rachel Maddow that the cuts caused the state’s budget deficit and found the statement to be untrue. “The short answer is that the tax breaks — which total in the millions, not billions — don’t take effect until fiscal year 2012 and beyond, so they do not contribute to this year’s budget deficit,” FactCheck reported. The tax cuts added more than \$100 million to what was already a \$3.6 billion budget gap in 2012-2013. “So, the tax cuts make the deficit larger in next budget cycle, but not this one,” the site concluded.

PolitiFact offers the most extensive coverage of state issues, mainly because of its local outlets in nine states. When I searched its website for “taxes 2011,” it returned 982 hits, again dealing mostly with national policy. I deemed that 123 entries — about 12.5 percent of the total — dealt wholly or partly with state taxes or other revenue sources; there also were a few gambling stories and a fee story or two.

Last year the first state entry appeared on January 3 and dealt with comments made by David Wyss, the chief economist at Standard & Poor’s, the national credit rating agency. During a boot camp for Georgia lawmakers in December 2010, Wyss said there was little the state could do to kick-start its labor market in the near term. He later elaborated on the point. Job creation policies don’t work well on the state level, he told *The Florida Times-Union*, because states can’t run budget deficits. “So anything you do in reducing taxes has to come back with a reduction in spending, which basically wipes out any stimulus you get.”

PolitiFact examined the statements and rated them true. “We called Wyss, who stressed that state government can enact policies that foster long-term job growth,” it reported. By that he meant job training programs, economic development programs, and even trade missions. “All of those efforts may help create jobs in the long term,” PolitiFact concluded, but “Wyss was talking about the short term. And in the short term, state legislators and governors don’t have many options.”

Wyss’s comments were ironic because for the rest of the year, the largest percentage of entries regarding state taxes examined by the site dealt with state efforts to attract jobs, mainly by cutting business taxes or providing additional business tax incentives. By my count, more than 40 percent of PolitiFact’s state tax entries in 2011 dealt with taxes and jobs.

Walker’s efforts to cut business taxes in the face of a looming deficit were examined in detail, including a claim by Walker that his tax plan would benefit 98 percent of the state’s small businesses, freeing them

to create jobs. PolitiFact found this statement to be false because the credits were too small to have much effect on job creation and most small Wisconsin businesses already weren’t paying state taxes — and neither were most other businesses. PolitiFact rated a statement by the liberal advocacy group One Wisconsin Now that “two-thirds of Wisconsin corporations don’t pay state income taxes” as mostly true. Thanks to Walker’s efforts, it’s now even truer.

Cutting corporate taxes was also a major issue in Florida. Gov. Rick Scott (R) presented a 2011-2012 budget to lawmakers on February 7, 2011, that proposed cutting the corporate tax rate from 5.5 percent to 3 percent, the first step in a plan to phase out the tax entirely over seven years. Scott invited business leaders to attend his State of the State address, saying they exemplified his efforts to win jobs for the state. One of those leaders was Dean Minardi, chief financial officer of Bing Energy Inc., a company that uses nanotechnology to make hydrogen fuel cells. “Bing Energy, a California-based company, was courted by offers from several states, but Bing decided to come to Florida in December, and Tallahassee, which is nice,” Scott said in his address. “The reason Florida won? Dean said it was our plan to eliminate the corporate tax.”

PolitiFact looked at the claim and judged it half true. Minardi acknowledged the effect of the possible business tax cuts on his company’s location decision. “The tipping point in our decision to move to Florida is the governor’s pledge to try to eliminate the corporate income tax. It’s huge,” he said during a press conference announcing the move. However, PolitiFact decided other factors also figured in the decision:

Scott’s right that Bing Energy’s CFO said Scott’s proposal to eliminate corporate income taxes was the “tipping point” for the company’s decision to move to Tallahassee. And we have little doubt that Minardi loves the idea of getting rid of the tax. But the company already had signed a high-tech commercialization agreement with [Florida State University] and sought tax breaks from local officials — all before Scott was even elected.

PolitiFact said it doubted that getting rid of the corporate tax outweighed the commercialization agreement. If it did, Bing may be rethinking its decision. Despite Scott’s efforts, lawmakers ultimately were unwilling to make the budget reductions needed to pay for the governor’s plan. They wound up passing \$30 million in business tax cuts, created not by rate cuts but by expanding current corporate tax exemptions. The change represented less than a tenth of the cut Scott sought.

Ohio Gov. John Kasich (R) was also in a tax-cutting mood last year, and his sights were set both on business and individual taxes. During the 2010

gubernatorial campaign, Kasich pledged not to raise taxes and said he favored allowing the fifth phase of a five-year, 21 percent income tax reduction to take effect. The reduction was delayed under his predecessor (and election opponent), then-Gov. Ted Strickland, because of budget problems. The reduction took effect on January 1, 2011, and Kasich said he intended to leave it in place despite the need to fill an \$8 billion hole in the state budget, which he did, an achievement recognized in a PolitiFact entry as a promise kept.

As for business taxes, Kasich made some strong claims about the jobs he created in Ohio during his first year in office. “We’re . . . keeping and creating jobs in our state,” he said in a commercial paid for by the Republican Governors Association that aired last September. “From American Greetings, to Wendy’s, to Diebold, we’ve gone to their doorsteps to keep jobs right here in Ohio.”

PolitiFact Ohio checked this claim and another one that he had created 45,000 jobs in the state since taking office. The site gave him a mostly false rating on his suggestion that his administration was responsible for 45,000 new jobs in 2011. However, it gave him credit for the claims in the ad — although with a caveat attached. “Kasich has had some high-profile headlines after striking deals laden with tax incentives to keep American Greetings and Diebold in Northeast Ohio after both companies threatened to move their headquarters out of state,” it reported. “Kasich’s critics do not believe either company was really going to leave and just used the threats to exploit the governor for additional taxpayer-paid sweetheart deals. . . . But the part of his claim where he says that he is keeping jobs here seems to be easily proven by those two deals alone. But whether his policies are creating jobs for Ohio is a bit more dicey to test.” According to PolitiFact, economists it consulted said that it was too soon to know if the governor’s policies would boost employment. Job growth in Ohio, they said, was improving before Kasich took office.

Christie was also a source of interest for PolitiFact, partly because there’s a PolitiFact New Jersey and partly because of the speculation that he would run for president. In October, when Christie finally said he definitely wasn’t running, PolitiFact provided an overview of how the governor had fared during the year versus its Truth-O-Meter. “Since PolitiFact New Jersey debuted in mid-June, we have fact-checked Christie more times than any other person or organization,” the site said. “Whether discussing education, taxes or auto insurance rates, Christie has faced the Truth-O-Meter 13 times. He hasn’t received our lowest ruling yet — Pants on Fire — but his claims have spun the meter in both directions.” The site reported one true statement, two mostly true, five half true, and five either mostly or wholly false.

On the issue of taxes, the governor’s statements proved to be essentially half true. PolitiFact examined Christie’s claim that the state under his leadership had avoided new taxes and had doubled property tax credits. It concluded the claims were half true. “The governor’s right about the property tax credits being doubled, even though they’ll remain below the fiscal 2010 average,” it said. “It’s true that the rates for the state’s three major taxes have remained the same. But three tax credit programs were reduced in fiscal 2011, and several experts said at least one of those reductions could represent a tax hike.”

It also weighed in on Christie’s claim that tax increases approved by Democrats in past years had led \$70 billion of wealth to leave New Jersey between 2004 and 2008, mainly to relocate to Florida, North Carolina, Virginia, and Pennsylvania. That argument was an important part of his rationale for rejecting the State Legislature’s millionaire tax proposals while proposing to cut tax rates on upper-income taxpayers.

PolitiFact traced the source of the comment to a Boston College research study. The number was accurate, it reported, but it concluded that the governor had been a little loose with the causes of the out-migration. “The Boston College study provides a mix of reasons for migration, based on federal data,” it said. “Based on that analysis, family — and job-related matters — topped the reasons for leaving New Jersey from 2004 to 2008.”

However, a 2008 report from Princeton University concluded that New Jerseyans move to states with lower property taxes and lower costs of living. “Our conclusion is that migration out of New Jersey is based on the very high cost of housing in the state (of which property taxes are an element),” Stanford University professor Cristobal Young, one of the authors of the Princeton report, told PolitiFact. “Retirement-based migration is also important, as shown by the large flows of people to Florida.” More recent research found that the effect of taxes on out-migration was minimal. A study by Young and a Princeton graduate student reached that conclusion regarding a 2004 tax increase on high-income earners. The website’s overall ruling on Christie’s claims: mostly false.

At times, the sites deal with unusually outlandish claims, but there were only four Pants on Fire rulings related to state tax issues last year. One of those was a comment by Ron Paul about fellow presidential candidate Perry to the effect that the state’s taxes have doubled since he became governor, which is clearly not the case. The other one is both weird and false. Ohio Rep. Jay Hottinger (R), a leader of the drive to repeal the state’s estate tax, said last February that a “shockingly high number” of Ohioans leave the state because of the estate tax, although he could offer no actual numbers to back up the claim. Instead, he pointed to individual cases,

naming the founder of Wendy's restaurants, Dave Thomas, as one example. "Dave Thomas left the state literally on his deathbed to avoid the estate tax," Hottinger said.

PolitiFact found a considerably less compelling story. Thomas died in 2002 at his home in Fort Lauderdale, Fla. He moved to Florida after retiring as Wendy's CEO in 1982 at age 49. He had lived in other states during his career and hadn't voted in Ohio since at least 1988. According to PolitiFact: "If his primary goal at that time of his move was to limit the tax exposure his estate would have after his death, he must have been pleasantly surprised to discover that he also gained the year-round ability to play golf (which he loved) and to cruise on his 90-foot yacht, the I. Lorraine (named for his wife), which he was able to dock behind his home."

Having read more than a few fact-checking columns in the last few days, I'm a little baffled by the shrill tone of the recent criticism, particularly the conspiracy theories floated by *The Weekly Standard*. "What's going on here should be obvious enough," Mark Hemingway wrote in the *Standard*. "With the rise of cable news and the Internet, traditional media institutions are increasingly unable to control what political rhetoric and which narratives catch fire with the public. Media fact-checking operations aren't about checking facts so much as they are about a rearguard action to keep inconvenient truths out of the conversation."

I don't see it that way. The sites are less a conspiracy than a new product line — something fresh to offer jaded readers. In the area of state taxes, the fact-checkers don't provide much coverage, and they tend to be interested in the most

grandiose and potentially controversial statements. So what? That's also true of most of today's news organizations, probably including *The Weekly Standard*. The fact-checkers offer a service by breaking down political statements into their basic components and verifying their accuracy. After that, readers can decide for themselves what to believe. You may still believe people are leaving New Jersey because of taxes, but you may also decide that in a big, mobile country, people move for all sorts of reasons — and taxes may or may not be a factor depending on who is doing the moving.

I suspect that what some critics really dislike about the sites is that the fact-checkers expose the grimy little half-truths and outright lies that sometimes are just beneath the surface of the most gleaming political rhetoric. Regardless of whether we agree with them, the fact-checkers remind us that rhetoric is seductive, but the truth has sharp edges. I agree with what PolitiFact editor Bill Adair said in defense of the site's choice for lie of the year: "The paradox of the Internet age is that never before have we had access to more ideas and different thoughts. And yet, many of us retreat into comfy parlors where everyone agrees and the other side is always wrong. Each side can manufacture its truths and get the chorus to sing along." I rate that statement as Mostly True and award it one Pinocchio. ☆

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