

Topping the New Year Agenda: Sleight-of-Hand Taxes, Elections Law Revision

Judith Harris (January 12, 2014)



Speedy action of taxation and a revision of the law governing national general elections top the new year political agenda. The hated housing tax IMU was originally applied to primary residences, and the income from it divided between the state and the local townships. But it was abolished and application of new substitute tax laws is proving chaotic. In addition, Matteo Renzi, the new head of the Partito Democratico (PD), demands revision within days, not weeks, of the "Porcellum" electoral law, declared unconstitutional last month, eight years after it was adopted.

ROME - Tax turbulence and rival proposed revisions of the law governing national general elections top the new year political agenda, with speedy action demanded. The hated housing tax known until now as the IMU was originally imposed upon primary residences, and the income deriving from it divided between the state and the local townships. After the tax proved wildly unpopular, it came under heavy pressure on the right from both Silvio Berlusconi, who promised that he would reimburse it to householders, and Angelino Alfano. The governing coalition running the show since last March - which depends upon support from Alfano - promised therefore to abolish that tax, and



actually did so last Nov. 27.

When the nation's bookkeepers grasped (surprise!) that money to run the government was insufficient, the tax was partially reinstated with the nickname "Mini-IMU," due for payment in late January. To compensate for the missing income from the canceled IMU, a new local services tax, to replace last year's local tax called the TARSU, was also invented. Initially dubbed the TARES and now TASI, it is to be applied not necessarily to the property owner, but to the resident of the house, including if he is a tenant.

Application of these substitute taxes is proving chaotic, and many consider this sleight-of-hand taxation. Contributors complain not only that these tax innovations are chaotic, but that in the end they may wind up paying more. Local administrators who are to collect the taxes and take their cut grumble that they haven't the time to work out how all these novel changes are to be applied. Despite these fears the government continues to reassure Italians that taxes are on their way to being lowered. Already, says Finance Minister Fabrizio Saccomanni, 71, fiscal pressure has decreased by 0.1% and that, "In 2014 taxes will drop. This will be the year of change."

According to Saccomanni, "Last summer, in a document on the IMU, I tried to clarify the nature of the problem but unfortunately did not succeed. A tax on real estate exists in every country, and the IMU cancellation cannot simply be left as a debt. This is what happened: we reduced the tax on real estate in 2013. To cover the loss of income we did not apply new taxes, but made some budget cuts and an advance on taxation with a bit of retouching on financial transactions and on tax stamps." (The tax stamps in question are those tacked onto legal documents and important receipts.)

But these were not the only signs of economic turbulence. A week ago the Letta government announced that the paychecks of the already poorly paid teachers in the state system were to be slashed by E 150 (\$205) monthly. This too had been excogitated by Finance Minister Saccomanni, but within two days of the announcement the outcry was such that the order was rescinded amidst pleas for Saccomanni to resign (he says he will not).

The second big-ticket item on the New Year agenda: Matteo Renzi, the new head of the Partito Democratico (PD), demands revision within days, not weeks, of the "Porcellum" (Pigsty Law) electoral law, declared unconstitutional last month, eight years after it was adopted. The "Porcellum" accords a huge surplus of members of parliament to the political party with the largest number of votes, even when - as is the case in recent years - no party receives more than one-third of the vote. It can be argued that the Porcellum guarantees a kind of stability by putting into power a minority government, but then its quarrels continue to erupt inside Parliament, leading toward paralysis. Renzi is therefore campaigning ardently for revision within days, not weeks, of the Porcellum. To ensure success, Renzi is working hard at persuading allies in other parties, and is expected to present his preferred variation, after broad political discussions, within days. Meantime here are a few variations under discussion:

--Version 1: Supported by Deputy Premier Angelino Alfano of the Nuovo Centrodestra (New Center-right, NC), this proposed revision would have a two-turn election, with the two leading parties competing in a run-off. The winner would have 60% of the members of Parliament while the remaining 40% would be divided proportionately among those obtaining at least 5% of the vote in round one.

--Version 2: Supported by Forza Italia, this echoes the Spanish electoral system with the election of 350 MPs versus the 630 elected in Italy at present. Italy would be divided into 118 circumscriptions with a premium of 15% or 92 seats handed to the winning list. A party must win 5% before its list has Parliamentary representation.

--Version 3: This would refer back to the pre-Porcellum formula that lasted until 2005 known as the Mattarellum (named for the author of the bill). It foresees 475 electoral colleges. A premium of 15% would go to the winner but also a 10% reserved quota would go to the mini-parties to guarantee their representation.



In the background is also Renzi's proposal for a radical revision of the very nature of the Italian Senate - plus the possibility that the revised Porcellum and new edition of a much-reduced Senate may go in tandem.

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