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# About ALEC

- Founded in 1973
- The American Legislative Exchange Council is America's largest nonpartisan, voluntary membership organization of state legislators dedicated to the principles of limited government, free markets and federalism.
- Comprised of nearly one-quarter of the country's state legislators and stakeholders from across the policy spectrum, ALEC members represent more than 60 million Americans and provide jobs to more than 30 million people in the United States.

# Budgets and Taxes

## Problem

- Budgeting as usual
- Spending growth over the past decade

## Solution: Priority-Based Budgeting

- Ask 5 key questions while budgeting
- Success story: Washington State

# Five Essential Budget Questions

1. What is the role of government?
2. What are the essential services government must provide to fulfill its purpose?
3. How will we know if government is doing a good job?
4. What should all of this cost?
5. When cuts must be made, how will they be *properly* prioritized?

# ALEC Principles of Taxation

- ✓ Simplicity
- ✓ Transparency
- ✓ Neutrality
- ✓ Predictability
- ✓ Pro-Growth



# Pro-Growth Reforms in States

- Policymakers are increasingly realizing competitiveness is key to growth
- Major reforms swept across states in the past decade
- 2021 was an historic year for tax cuts
- 2022 sessions enjoy historic revenue gains
- States can fall behind by standing still

# The Flat Tax Revolution Lives On

## Arizona

- 2 brackets to 1 bracket
- Top rate of 4.50% cut to 2.50%
- Estimated \$1.9 billion tax cut

## Iowa

- 8 brackets to 1 bracket
- Top rate of 8.53% cut to 3.99%
- Estimated \$2 billion tax cut

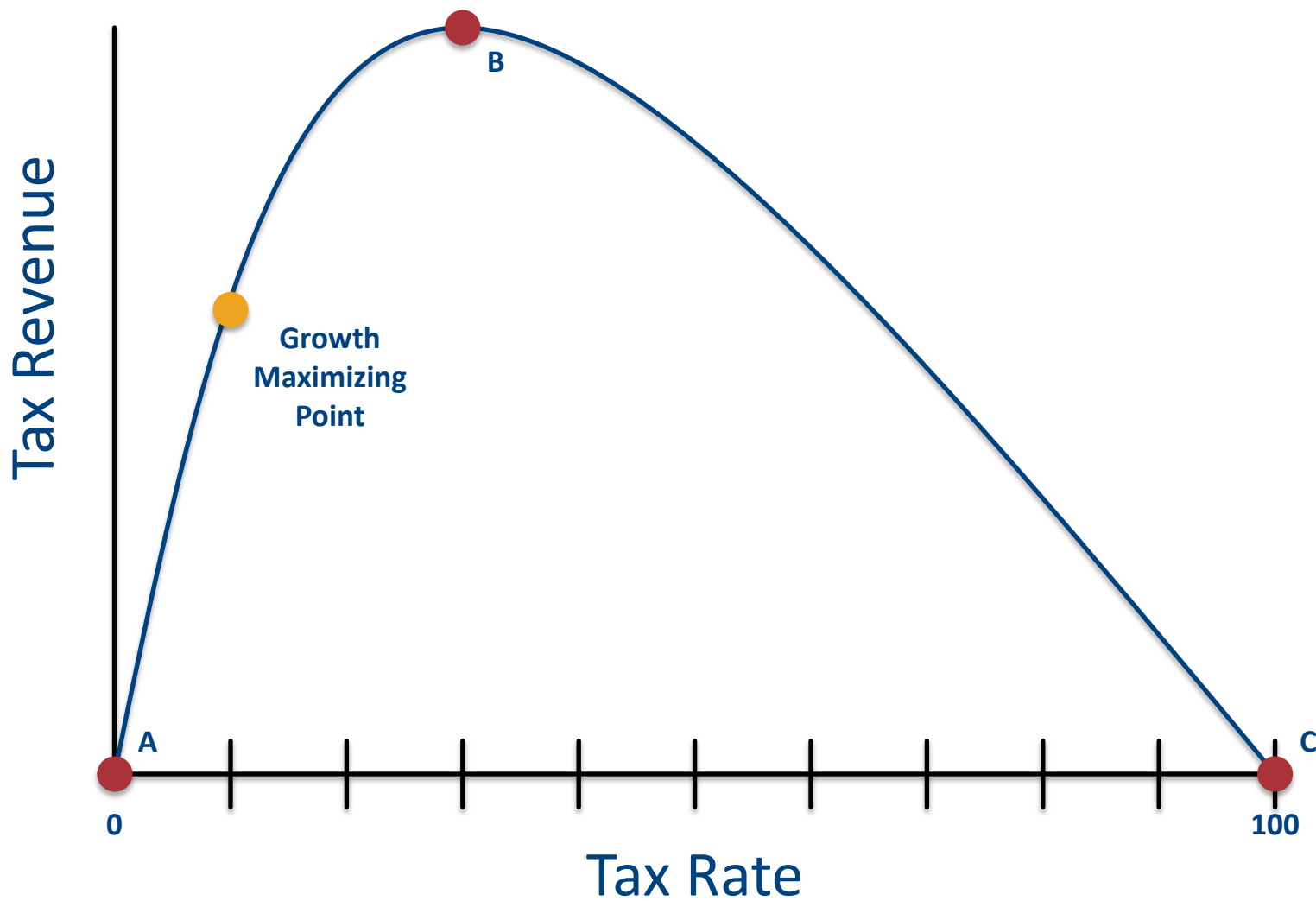
## Georgia

- 6 brackets to 1 bracket
- Top rate of 5.75% cut to 4.99%
- Estimated \$1 billion tax cut

## Mississippi

- 3 brackets to 1 bracket
- Top rate of 5.00% cut to 4.00%
- Estimated \$525 million tax cut

# The Laffer Curve





# Personal Income Tax Relief for 2022

- **Arkansas:** rate reduced from 5.9% to 5.1%
- **Arizona:** rate reduced from 8% to 2.5% flat tax
- **Idaho:** rate reduced from 6.925% to 6.5%
- **Iowa:** rate reduced from 8.53% to 6.5%
- **Louisiana:** rate reduced from 6% to 4.75%
- **Missouri:** rate reduced from 5.4% to 4.8% by 2028
- **Montana:** rate reduced from 6.9% to 6.5% by 2024
- **New Hampshire:** eliminated interest and dividends tax
- **North Carolina:** rate reduced from 5.25% to 3.99% by 2027
- **Ohio:** rate reduced from 4.797% to 3.99%
- **Oklahoma:** rate reduced from 5% to 4.75%
- **Wisconsin:** second highest rate reduced from 6.27% to 5.3%

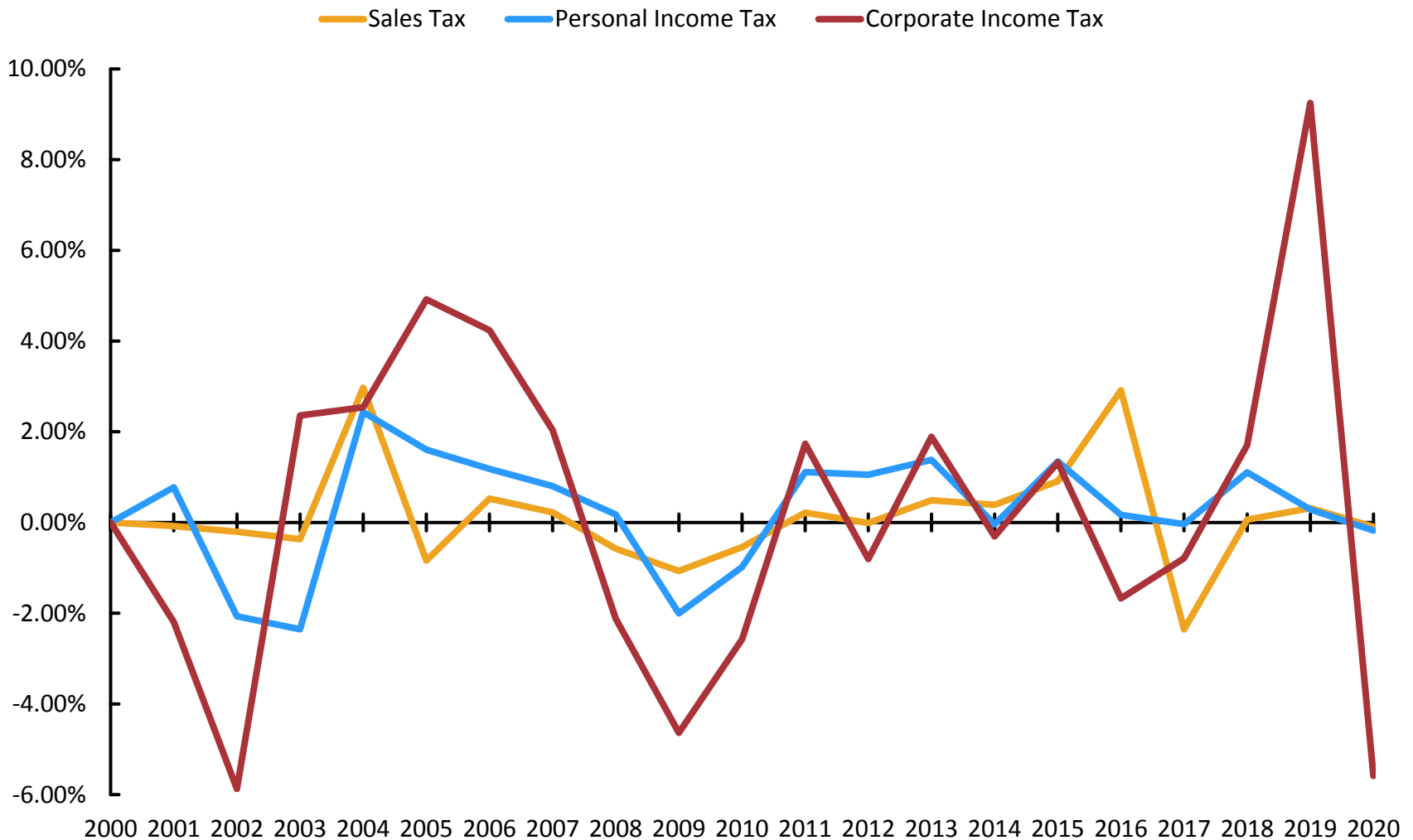
# The Most Important (and Forgotten) Lesson for Policymakers Regarding Business Taxes...



**Businesses Don't Pay Taxes**  
**People Pay Taxes**

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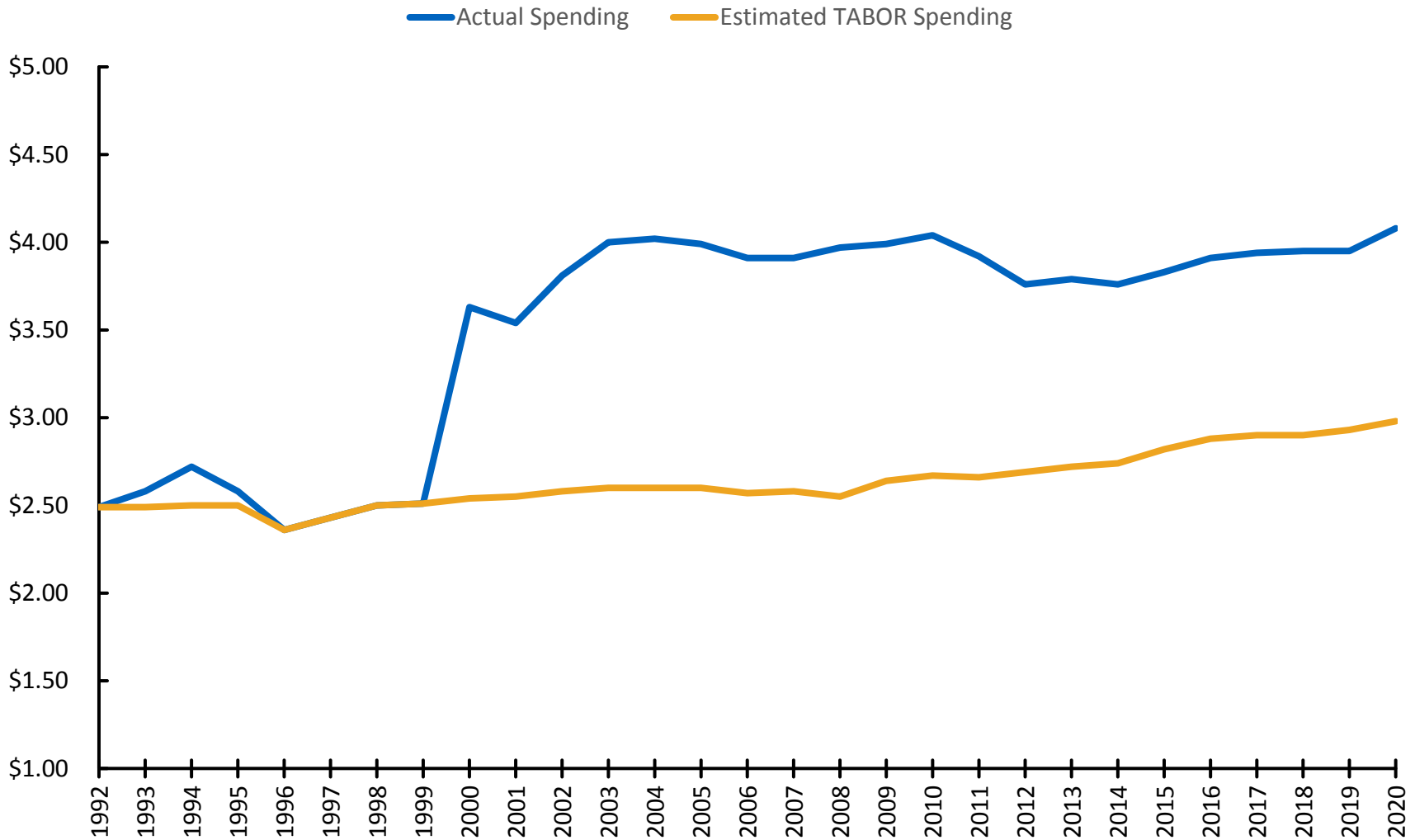
# State Tax Revenue Volatility



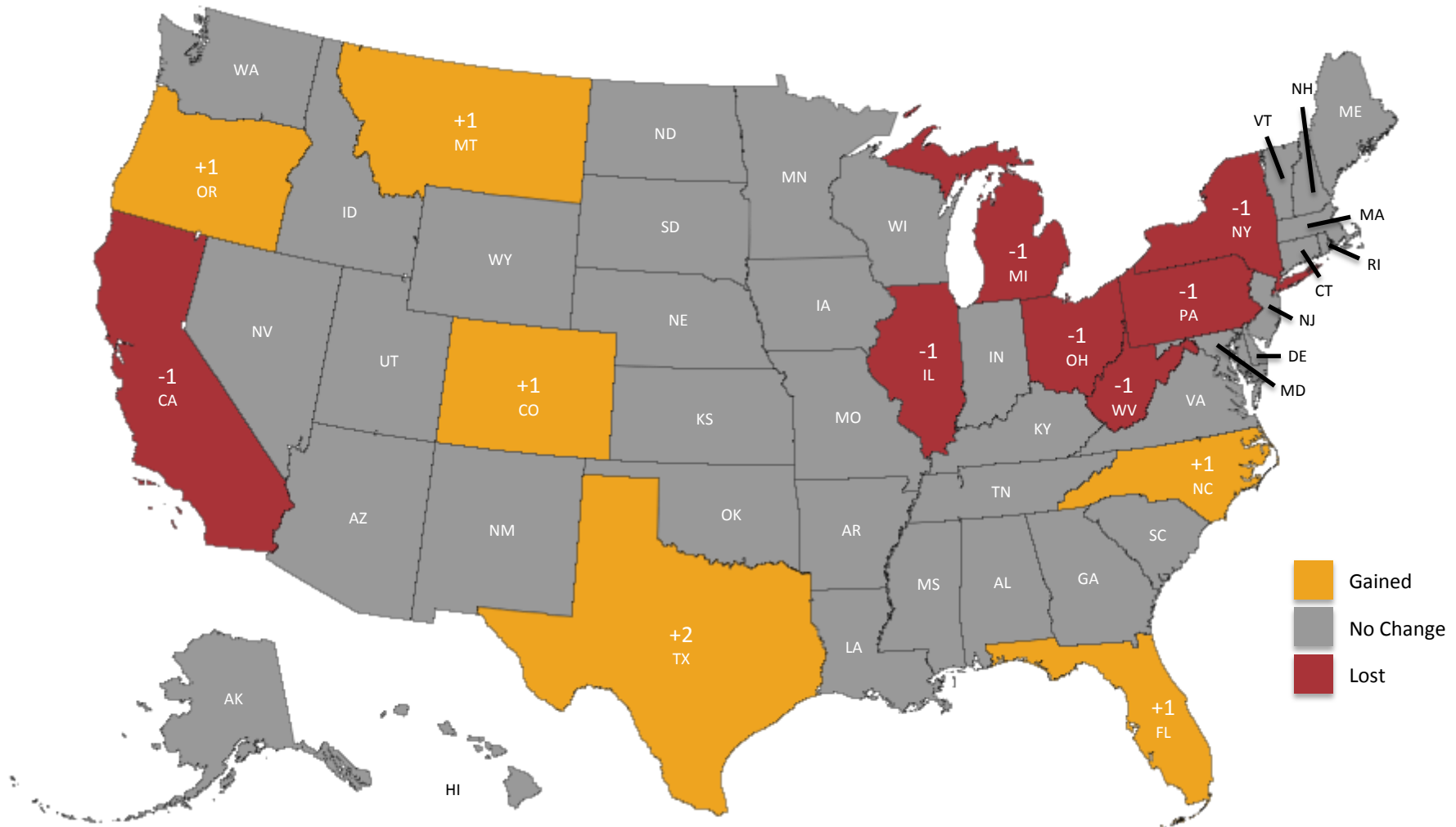
# New Hampshire's Tax Revenue Volatility



# TABOR (in billions)



# 2020 Census Reapportionment



# Taxpayers Vote with their Feet (2020-2021)

## Highest In-Migration:

1. Texas (310,288)
2. Florida (211,196)
3. Arizona (98,330)
4. North Carolina (93,985)
5. Georgia (73,766)

## Highest Out-Migration:

1. New York (-319,020)
2. California (-261,902)
3. Illinois (-113,776)
4. Massachusetts (-37,497)
5. Louisiana (-27,156)



# Taxpayers Vote with their Feet (2020-2021)

## Highest Percentage Increase:

1. Idaho (2.9%)
2. Utah (1.7%)
3. Montana (1.7%)
4. Arizona (1.4%)
5. South Carolina (1.2%)

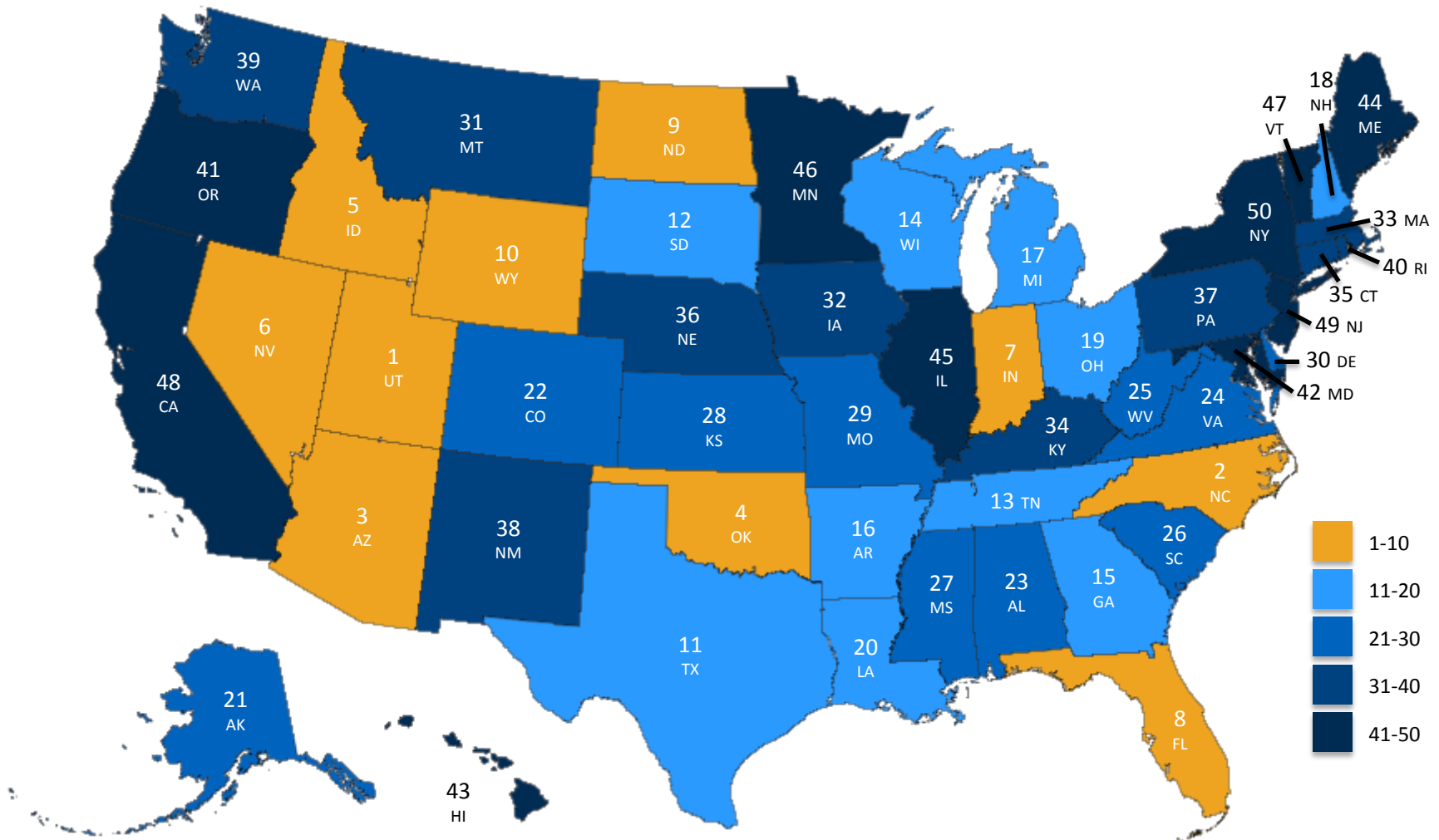
## Highest Percentage Decrease:

1. New York (-1.6%)
2. Illinois (-0.9%)
3. Hawaii (-0.7%)
4. California (-0.7%)
5. Louisiana (-0.6%)

# Some Unlucky States Can Expect Even More Out-Migration

- A majority of residents in states with the highest taxes would move if given the opportunity
  - Nearly 50% of residents in Connecticut and New Jersey want to leave
  - 42% of residents in Illinois, and 41% in Rhode Island, want to leave
- On average, 36% of residents in high tax states want to leave

# Economic Outlook 2022



# The Best of the Best: 10 Highest Ranked States in 2022

1. Utah
2. North Carolina
3. Arizona
4. Oklahoma
5. Idaho
6. Nevada
7. Indiana
8. Florida
9. North Dakota
10. Wyoming

# The Worst of the Worst: 10 Lowest Ranked States in 2022

- |              |                |
|--------------|----------------|
| 41. Oregon   | 46. Minnesota  |
| 42. Maryland | 47. Vermont    |
| 43. Hawaii   | 48. California |
| 44. Maine    | 49. New Jersey |
| 45. Illinois | 50. New York   |

# New Hampshire Ranks 18<sup>th</sup>

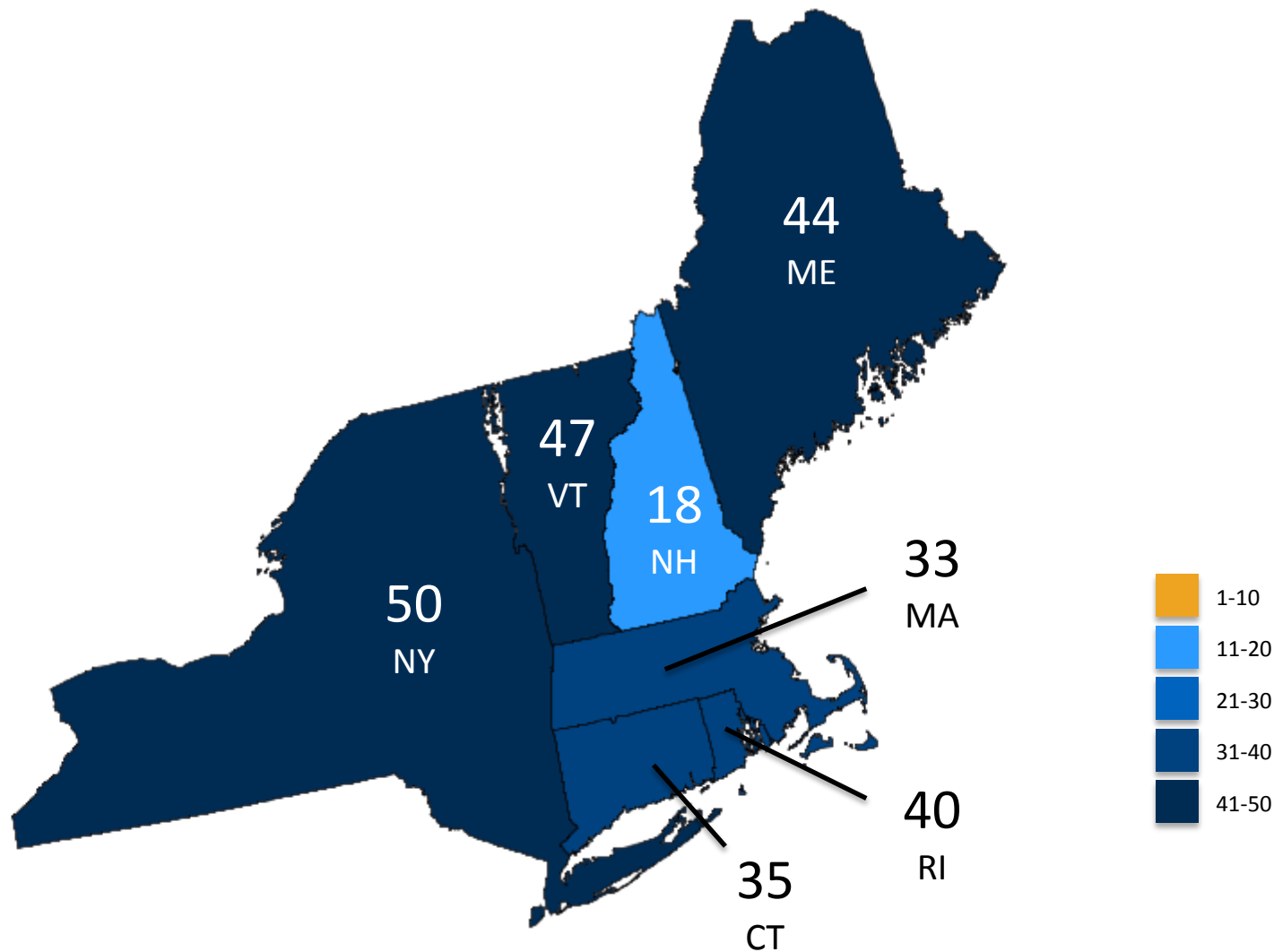
## The Good:

- No Personal Income Tax
- No Sales Tax
- No Estate/Inheritance Tax
- Recent Tax Relief

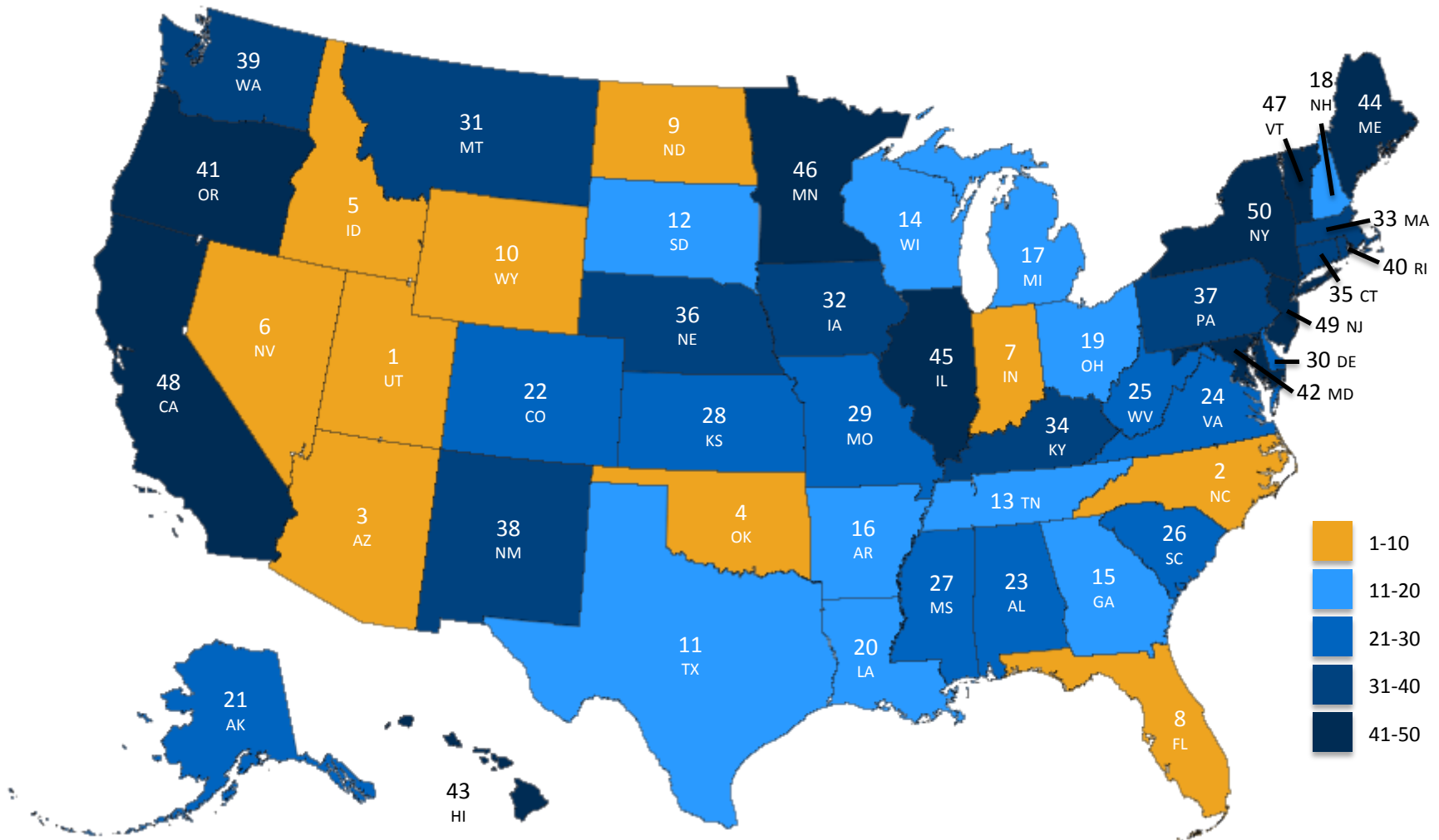
## The Bad:

- Business Income Tax
- Property Tax Burden
- Not Right-to-Work
- No Tax Expenditure Limits
- Unfunded Pension Liabilities

# Northeast Rankings



# Economic Outlook 2022





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