ALEC.ORG

12 TH EDITION

RICH STATES, POOR STATES

ALEC–LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

ARTHUR B. LAFFER
STEPHEN MOORE
JONATHAN WILLIAMS

FOREWORD BY
GOV. HENRY MCMASTER

ALEC American Legislative Exchange Council
LIMITED GOVERNMENT • FREE MARKETS • FEDERALISM

Rich States, Poor States

ALEC-Laffer State Economic Competitiveness Index

Arthur B. Laffer

Stephen Moore

Jonathan Williams

ALEC American Legislative Exchange Council

LIMITED GOVERNMENT • FREE MARKETS • FEDERALISM

Rich States, Poor States

ALEC-Laffer State Economic Competitiveness Index

Published by

American Legislative Exchange Council

2900 Crystal Drive, Suite 600

Arlington, VA 22202

www.alec.org

Dr. Arthur B. Laffer, Stephen Moore,

and Jonathan Williams, Authors

ISBN: 978-1-7327280-1-1

Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index has been published by the American Legislative Exchange Council, 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.

The American Legislative Exchange Council is classified by the Internal Revenue Service as a 501(c)(3) nonprofit and public policy and educational organization. Individuals, philanthropic foundations, companies, or associations are eligible to support the Council's work through tax-deductible gifts.

Table of Contents

About the Authors

DR. ARTHUR B. LAFFER

Dr. Arthur B. Laffer is the founder and chairman of Laffer Associates and Laffer Investments, and many publications have named him "The Father of Supply-Side Economics." Dr. Laffer served as a member of President Reagan's Economic Policy Advisory Board for both terms and advised Prime Minister Margaret Thatcher on fiscal policy in the United Kingdom during the 1980s. He has been a faculty member at the University of Chicago and University of Southern California. One of his earliest successes in shaping public policy was his involvement in Proposition 13, the groundbreaking California initiative that drastically cut property taxes in the state in 1978. In March 1999, he was noted by Time magazine as one of "the Century's Greatest Minds" for his invention of the Laffer Curve, which has been called one of "a few of the advances that powered this extraordinary century." He has received many awards for his economic research, including two Graham and Dodd Awards from the Financial Analyst Federation and The Hayek Lifetime Achievement Award in 2016. In December 2017, Dr. Laffer became the first recipient of the American Legislative Exchange Council's Laffer Award for Economic Excellence, and in December 2019, President Donald Trump awarded Dr. Laffer with the Presidential Medal of Freedom for his contributions in the field of economics. He graduated from Yale with a bachelor's degree in economics in 1963 and received both his MBA and Ph.D. in economics from Stanford University.

STEPHEN MOORE

Stephen Moore formerly served on The Wall Street Journal's editorial board and frequently wrote on the economy and public policy. In January 2014, Moore returned to The Heritage Foundation—about 25 years after his tenure as the Grover M. Hermann Fellow in Budgetary Affairs from 1984 to 1987. Moore now serves as the Chairman of the FreedomWorks Task Force on Economic Revival. He was previously the founder and president of the Club for Growth, which raises money for political candidates who favor free-market economic policies. Moore also founded the Free Enterprise Fund before joining The Wall Street Journal. Over the years, Moore has served as a senior economist at the Congressional Joint Economic Committee and as a senior economics fellow at the Cato Institute, where he published dozens of studies on federal and state fiscal policy. He was also a consultant to the National Economic Commission in 1987 and research director for President Ronald Reagan's Commission on Privatization. During the 2016 presidential campaign, Moore served as a senior economic adviser to Donald Trump, where he worked on tax reform, regulatory reform, and energy policy. Moore is a Senior Economic Analyst at CNN along with writing regularly for National Review, Forbes, Investor's Business Daily, The Washington Times, and Orange County Register. Moore holds a Master of Arts in economics from George Mason University. He has authored numerous books, including Who's the Fairest of them All, It's Getting Better All the Time, Still an Open Door?, An Inquiry into the Nature and Causes of the Wealth of States, Fueling Freedom: Exposing the Mad War on Energy and the recently released Trumponomics: Inside the America First Plan to Revive Our Economy with Dr. Arthur Laffer.

JONATHAN WILLIAMS

Jonathan Williams is Chief Economist and Executive Vice President of Policy at the American Legislative Exchange Council (ALEC), where he works with state policymakers, congressional leaders and members of the private sector to develop economic policy solutions for the states. Williams also founded the ALEC Center for State Fiscal Reform in 2011. Prior to joining ALEC in 2007, Williams served as staff economist at the nonpartisan Tax Foundation, authoring numerous tax policy studies. Williams' work has appeared in many publications, including The Wall Street Journal, Forbes, The Financial Times, Toronto Star, The Australian and Investor's Business Daily. He is a contributor for The Hill and a columnist at Tax Analysts, the leading provider of tax news and analysis for the global community. Williams also serves on the Advisory Board of the State Financial Officers Foundation (SFOF) and as an adjunct fellow at the Kansas Policy Institute. He has written for the Ash Center for Democratic Governance and Innovation at Harvard's Kennedy School of Government. In addition, Williams was a contributing author of In Defense of Capitalism (Northwood University Press). He has spoken to audiences across all 50 states and provided testimony for the U.S. Congress, as well as numerous state legislative bodies. His work has been featured at the federal level by The White House, the Congressional Joint Economic Committee and the U.S. House Committee on Ways and Means. He is a frequent guest on talk radio shows and has appeared on numerous television outlets, including the PBS NewsHour, Fox Business News and Bloomberg. Williams was also the recipient of the prestigious Ludwig von Mises Award in Economics.

Acknowledgements

We wish to thank the following for making this publication possible:

First, our sincere thanks go to the Searle Freedom Trust for their generous support of this research.

Next, we thank Lisa B. Nelson, Bill Meierling, Dan Reynolds, Christine Phipps, Lee Schalk, Thomas Savidge, Daniel Turner, Joel Sorrell and the professional staff of the American Legislative Exchange Council for publishing this in a timely manner. Special thanks to Skip Estes of ALEC for managing the production of this publication. We also appreciate the research assistance of Nicholas Drinkwater, Merrick Lloyd, Kristen Moser, and Richard Neikirk. We hope these research findings will continue to be a valuable resource for America's state legislators and members of the public interested in pro-growth economic reforms.

Foreword

Like other governors across the country, I implemented measures in South Carolina to slow the rise in COVID-19 infections and limit the virus' toll on our state's economy. This included eliminating unnecessary government red tape and extending our income tax filing and payment deadline to July 15. I trust that this extension will give our citizens and businesses much-needed breathing room and help bring our state back to full economic vigor as we get this pandemic behind us. We must all be ready. South Carolina's business IS business.

As governor, I understand how economic policies across the southeast impact people's decisions on where to live, work and raise a family, and their success in doing so. This essential report puts those policies on display and showcases the benefits of fiscally responsible state government.

As you will discover in *Rich States, Poor States*, a major pillar of state economic competitiveness is tax policy. With North Carolina and Georgia as our next-door neighbors, South Carolina's economic competition is very real. Both states have lower income tax rates than we do. In fact, my state has the highest personal income tax rate in the Southeast and the 12th highest in the entire country. It's my goal to change that. The economic currents, stressors and bottlenecks displayed vividly during the pandemic are giving us new insights for reform – and we have a golden opportunity to cut income tax rates and make South Carolina more competitive.

As the *Rich States, Poor States* report annually highlights, the income tax has an outsized impact on state competitiveness and economic growth. That is why my administration remains committed to reducing the burden income taxes place on our hardworking taxpayers. Money spent by South Carolinians who earned it – rather than by government – is spent more efficiently and produces more dividends for all.

Unfunded liabilities in our state pension system are another pressing issue. We must maintain our commitment to our citizens who rely on state retirement systems today while protecting taxpayers from financial burdens in the future. My administration has already taken steps to strengthen our retirement system, and we are now seeking to transition from a "defined benefit" to a "defined contribution" plan for new state employees. This will be good news for younger workers who would like to have their investments follow them across jobs. It will also follow the lead of successful reforms in other states which have reduced risk for taxpayers and provided retirement security to current workers and retirees.

I am also working to eliminate excessive government regulations – another major pillar of this report. For businesses, government red tape is one of the biggest challenges – and certainly a deterrent to investment. Two years ago, I issued an executive order requiring state agencies to reduce unnecessary regulations and to evaluate any unintended consequences or undue burdens that new regulations might place on South Carolina businesses. I am also working with our General Assembly on legislation that would provide for the governor's office to submit an annual report with recommendations to eliminate, withdraw or modernize outdated policies and regulations.

Rich States, Poor States' prescription of lower taxes, transparent and responsible spending, and fewer government regulations – economic freedom and prosperity – is exactly what South Carolinians and all Americans long for. On behalf of my state, I thank authors Dr. Arthur Laffer, Stephen Moore, Jonathan Williams and the American Legislative Exchange Council for their annual effort to publish *Rich States, Poor States*, which promotes free market, pro-growth policies to benefit the entire country. For any state policymaker looking for a road map to economic growth and prosperity, this is it.

Yours very truly,

Henry McMaster, Governor of South Carolina

Executive Summary

The economic benefits of the federal Tax Cuts and Jobs Act of 2017 are extending to state taxpayers across the country as states cut taxes in the second wave of tax reform. Federal tax conformity arose as a serious policy issue for nearly every state that levies personal and corporate income taxes during the 2018 and 2019 legislative sessions. Many states embraced this opportunity offered by federal tax conformity following the Tax Cuts and Jobs Act, passing landmark state tax reforms. However, some short-sighted states pocketed the effective tax increase from federal tax conformity and used the excess revenue to grow government instead. The states that pocketed the conformity windfall will see themselves fall behind by standing still compared to states that moved their tax codes in a pro-growth direction.

In this 12th edition of *Rich States, Poor States*, authors Dr. Arthur Laffer, Stephen Moore, and Jonathan Williams review policy choices made by the 50 states and discuss whether those choices have improved economic competitiveness. The empirical evidence and analysis in this edition of *Rich States, Poor States* illustrates which policies encourage greater economic opportunity and which are obstacles to growth.

In chapter one, the authors discuss important state policy developments since the last edition of this publication, including takeaways from the 2019 state legislative sessions. The chapter examines the migration of citizens and businesses from economically uncompetitive states to low-tax and free market-friendly states. This highlights the robust relationship between policy decisions and the economic health of a state. The authors examine significant policy battles, including the final state responses to federal tax conformity and unnecessary tax increases taking place in high-spending states.

Chapter two charts the decline and fall of Connecticut as one of the top states for economic performance prior to enacting a personal income tax in 1991. Through consistent tax increases, Connecticut has gutted its tax base. People have fled the Constitution State for neighboring low-tax states to the south and west. Fortunately, it is not too late for Connecticut. Close proximity to high-tax states like New York City and Boston give Connecticut great economic potential and access to a highly educated workforce. It is up to state lawmakers to make Connecticut pro-growth again and get spending under control.

In chapter three, the authors detail the dire fiscal and economic situation confronting Illinois. With tax-and-spend officials in control of their state government, Illinois taxpayers will likely face massive tax increases. Looking at variables comparing Illinois' economic performance to the rest of the country, it is clear the Land of Lincoln has fallen behind as other state economies have grown. The high-tax, high-spending status quo simply cannot work for Illinois.

Finally, chapter five delivers the state rankings from the *2019 ALEC-Laffer State Economic Competitiveness Index*. The index is comprised of two separate economic rankings. The first ranking is the economic performance ranking, which is based on three important metrics over the past decade: growth in gross state product (GSP), absolute domestic migration, and growth in non-farm payroll employment. These are calculated for each state using the most recent data available. The second ranking provides a forecast for state economic outlook. This forecast is based on a state's current standing in 15 equally weighted policy areas that are influenced directly by state lawmakers. These 15 policy areas are among the most influential factors in determining a state's potential for future economic growth. Generally, states that spend less, especially on transfer payments, and states that tax less, particularly on productive activities such as work or investment, tend to experience higher rates of economic growth than states that tax and spend more.

The following 15 policy variables are measured in the *2019 ALEC-Laffer State Economic Competitiveness Index*:

• Highest Marginal Personal Income Tax Rate

• Highest Marginal Corporate Income Tax Rate

• Personal Income Tax Progressivity

• Property Tax Burden

• Sales Tax Burden

• Tax Burden from All Remaining Taxes

• Estate/Inheritance Tax (Yes or No)

• Recently Legislated Tax Policy Changes (2018 & 2019, per $1,000 of Personal Income)

• Debt Service as a Share of Tax Revenue

• Public Employees per 10,000 Residents

• Quality of State Legal System

• Workers' Compensation Costs

• State Minimum Wage

• Right-to-Work State (Yes or No)

• Tax or Expenditure Limits

This 12th edition of *Rich States, Poor States* attempts to answer why some states prosper and grow, and why others fail to compete for economic opportunity. The evidence is clear that competitive tax rates, thoughtful regulations, and responsible spending lead to more opportunities for all Americans. State economies grow and flourish when lawmakers trust people, not government, to create long-term prosperity.

ALEC-Laffer State Economic Outlook Rankings, 2019

Based upon equal-weighting of each state's rank in 15 policy variables

Rank	State	Rank	State
1	Utah	26	Kansas
2	Idaho	27	Louisiana
3	Indiana	28	Massachusetts
4	North Dakota	29	New Mexico
5	Nevada	30	Alaska
6	North Carolina	31	West Virginia
7	South Dakota	32	South Carolina
8	Tennessee	33	Kentucky
9	Florida	34	Nebraska
10	Wyoming	35	Maryland
11	Arizona	36	Delaware
12	Michigan	37	Washington
13	Oklahoma	38	Pennsylvania
14	Virginia	39	Montana
15	Texas	40	Connecticut
16	New Hampshire	41	Minnesota
17	Wisconsin	42	Maine
18	Colorado	43	Rhode Island
19	Mississippi	44	Oregon
20	Georgia	45	Hawaii
21	Alabama	46	New Jersey
22	Missouri	47	California
23	Arkansas	48	Illinois
24	Ohio	49	Vermont
25	Iowa	50	New York

10 Golden Rules of Effective Taxation

1 *When you tax something more you get less of it, and when you tax something less you get more of it.*

Tax policy is all about reward and punishment. Most politicians know instinctively that taxes reduce the activity being taxed—even if they do not care to admit it. Congress and state lawmakers routinely tax things that they consider "bad" to discourage the activity. We reduce, or in some cases entirely eliminate, taxes on behavior that we want to encourage, such as home buying, going to college, giving money to charity, and so on. By lowering the tax rate in some cases to zero, we lower the after tax cost, in the hopes that this will lead more people to engage in a desirable activity. It is wise to keep taxes on work, savings, and investment as low as possible in order not to deter people from participating in these activities.

2 *Individuals work and produce goods and services to earn money for present or future consumption.*

Workers save, but they do so for the purpose of conserving resources so they or their children can consume in the future. A corollary to this is that people do not work to pay taxes—although some politicians seem to think they do.

3 *Taxes create a wedge between the cost of working and the rewards from working.*

To state this in economic terms, the difference between the price paid by people who demand goods and services for consumption and the price received by people who provide these goods and services—the suppliers—is called the wedge. Income and other payroll taxes, as well as regulations, restrictions, and government requirements, separate the wages employers pay from the wages employees receive. If a worker pays 15% of his income in payroll taxes, 25% in federal income taxes, and 5% in state income taxes, his $50,000 wage is reduced to roughly $27,500 after taxes. The lost $22,500 of income is the tax wedge, or approximately 45%.

As large as the wedge seems in this example, it is just part of the total wedge. The wedge also includes excise, sales, and property taxes, plus an assortment of costs, such as the market value of the accountants and lawyers hired to maintain compliance with government regulations. As the wedge grows, the total cost to a firm of employing a person goes up, but the net payment received by the person goes down. Thus, both the quantity of labor demanded and quantity supplied fall to a new, lower equilibrium level, and a lower level of economic activity ensues. This is why all taxes ultimately affect people's incentive to work and invest, though some taxes clearly have a more detrimental effect than others.

4 *An increase in tax rates will not lead to a dollar-for-dollar increase in tax revenues, and a reduction in tax rates that encourages production will lead to less than a dollar-for-dollar reduction in tax revenues.*

Lower marginal tax rates reduce the tax wedge and lead to an expansion in the production base and improved resource allocation. Thus, while less tax revenue may be collected per unit of tax base, the tax base itself increases. This expansion of the tax base will, therefore, offset some (and in some cases, all) of the loss in revenues because of the now lower rates.

Tax rate changes also affect the amount of tax avoidance. It is important to note that legal tax avoidance is differentiated throughout this report from illegal tax evasion. The higher the marginal tax rate, the greater the incentive to reduce taxable income. Tax avoidance takes many forms, from workers electing to take an improvement in nontaxable fringe benefits in lieu of higher gross wages to investment in tax shelter programs. Business decisions, too, are increasingly based on tax considerations as opposed to market efficiency. For example, the incentive to avoid a 40% tax, which takes $40 of every $100 earned, is twice as high as the incentive to avoid a 20% tax, for which a worker forfeits $20 of every $100 earned.

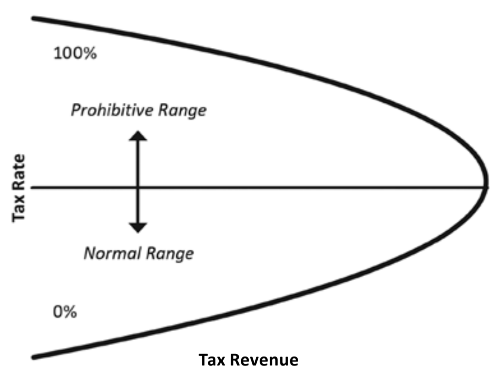
An obvious way to avoid paying a tax is to eliminate market transactions upon which the tax is applied. This can be accomplished through vertical integration: Manufacturers can establish wholesale outlets; retailers can purchase goods directly from manufacturers; companies can acquire suppliers or distributors. The number of steps remains the same, but fewer and fewer steps involve market transactions and thereby avoid the tax. If states refrain from applying their sales taxes on business-to-business transactions, they will avoid the numerous economic distortions caused by tax cascading. Michigan, for example, should not tax the sale of rubber to a tire company, then tax the tire when it is sold to the auto company, then tax the sale of the car from the auto company to the dealer, then tax the dealer's sale of the car to the final purchaser of the car, or the rubber and wheels are taxed multiple times. Additionally, the tax cost becomes embedded in the price of the product and remains hidden from the consumer.

5 ***If tax rates become too high, they may lead to a reduction in tax receipts. The relationship between tax rates and tax receipts has been described by the Laffer Curve.***

The Laffer Curve (illustrated below) summarizes this phenomenon. We start this curve with the undeniable fact that there are two tax rates that generate zero tax revenues: a zero tax rate and a 100% tax rate. (Remember Golden Rule #2: People don't work for the privilege of paying taxes, so if all their earnings are taken in taxes, they do not work, or at least they do not earn income the government knows about. And, thus, the government receives no revenues.)

Now, within what is referred to as the "normal range," an increase in tax rates will lead to an increase in tax revenues. At some point, however, higher tax rates become counterproductive. Above this point, called the "prohibitive range," an increase in tax rates leads to a reduction in tax revenues and vice versa. Over the entire range, with a tax rate reduction, the revenues collected per dollar of tax base falls. This is the arithmetic effect. But the number of units in the tax base expands. Lower tax rates lead to higher levels of personal income, employment, retail sales, investment, and general economic activity. This is the economic, or incentive, effect. Tax avoidance also declines. In the normal range, the arithmetic effect of a tax rate reduction dominates. In the prohibitive range, the economic effect is dominant.

The Laffer Curve



Source: Laffer Associates

Of course, where a state's tax rate lies along the Laffer Curve depends on many factors, including tax rates in neighboring jurisdictions. If a state with a high employment or payroll tax borders a state with large population centers along that border, businesses will have an incentive to shift their operations from inside the jurisdiction of the high tax state to the jurisdiction of the low tax state.

Economists have observed a clear Laffer Curve effect with respect to cigarette taxes. States with high tobacco taxes that are located next to states with low tobacco taxes have very low retail sales of cigarettes relative to the low tax states. Illinois smokers buy many cartons of cigarettes when in Indiana, and the retail sales of cigarettes in the two states show this.

6 ***The more mobile the factors being taxed, the larger the response to a change in tax rates. The less mobile the factor, the smaller the change in the tax base for a given change in tax rates.***

Taxes on capital are almost impossible to enforce in the 21st century because capital is instantly transportable. For example, imagine the behavior of an entrepreneur or corporation that builds a factory at a time when profit taxes are low. Once the factory is built, the low rate is raised substantially without warning. The owners of the factory may feel cheated by the tax bait and switch, but they probably do not shut the factory down because it still earns a positive after tax profit. The factory will remain in operation for a time even though the rate of return, after taxes, has fallen sharply. If the factory were to be shut down, the after tax return would be zero. After some time has passed, when equipment needs servicing, the lower rate of return will discourage further investment, and the plant will eventually move where tax rates are lower.

A study by the American Enterprise Institute has found that high corporate income taxes at the national level are associated with lower growth in wages. Again, it appears as though a chain reaction occurs when corporate taxes get too high. Capital moves out of the high tax area, but wages are a function of the ratio of capital to labor, so the reduction in capital decreases the wage rate.

The distinction between initial impact and burden was perhaps best explained by one of our favorite 20th century economists, Nobel winner Friedrich A. Hayek, who makes the point as follows in his classic, The Constitution of Liberty:

> *The illusion that by some means of progressive taxation the burden can be shifted substantially onto the shoulders of the wealthy has been the chief reason why taxation has increased as fast as it has done and that, under the influence of this illusion, the masses have come to accept a much heavier load than they would have done otherwise. The only major result of the policy has been the severe limitation of the incomes that could be earned by the most successful and thereby gratification of the envy of the less well off.*

7 ***Raising tax rates on one source of revenue may reduce the tax revenue from other sources, while reducing the tax rate on one activity may raise the taxes raised from other activities.***

For example, an increase in the tax rate on corporate profits would be expected to lead to a diminution in the amount of corporate activity, and hence profits, within the taxing district. That alone implies less than a proportionate increase in corporate tax revenues. Such a reduction in corporate activity also implies a reduction in employment and personal income. As a result, personal income tax revenues would fall. This decline, too, could offset the increase in corporate tax revenues. Conversely, a reduction in corporate tax rates may lead to a less than expected loss in revenues and an increase in tax receipts from other sources.

8 ***An economically efficient tax system has a sensible, broad tax base and a low tax rate.***

Ideally, the tax system of a state, city, or country will minimally distort economic activity. High tax rates alter economic behavior. President Ronald Reagan used to tell the story that he would stop making movies during his acting career once he was in the 90% tax bracket because the income he received was so low after taxes were taken away. If the tax base is broad, tax rates can be kept as low and non-confiscatory as possible. This is one reason we favor a flat tax with minimal deductions and loopholes. It is also why more than two dozen have now adopted a flat tax.

9 *Income transfer (welfare) payments also create a de facto tax on work and, thus, have a high impact on the vitality of a state's economy.*

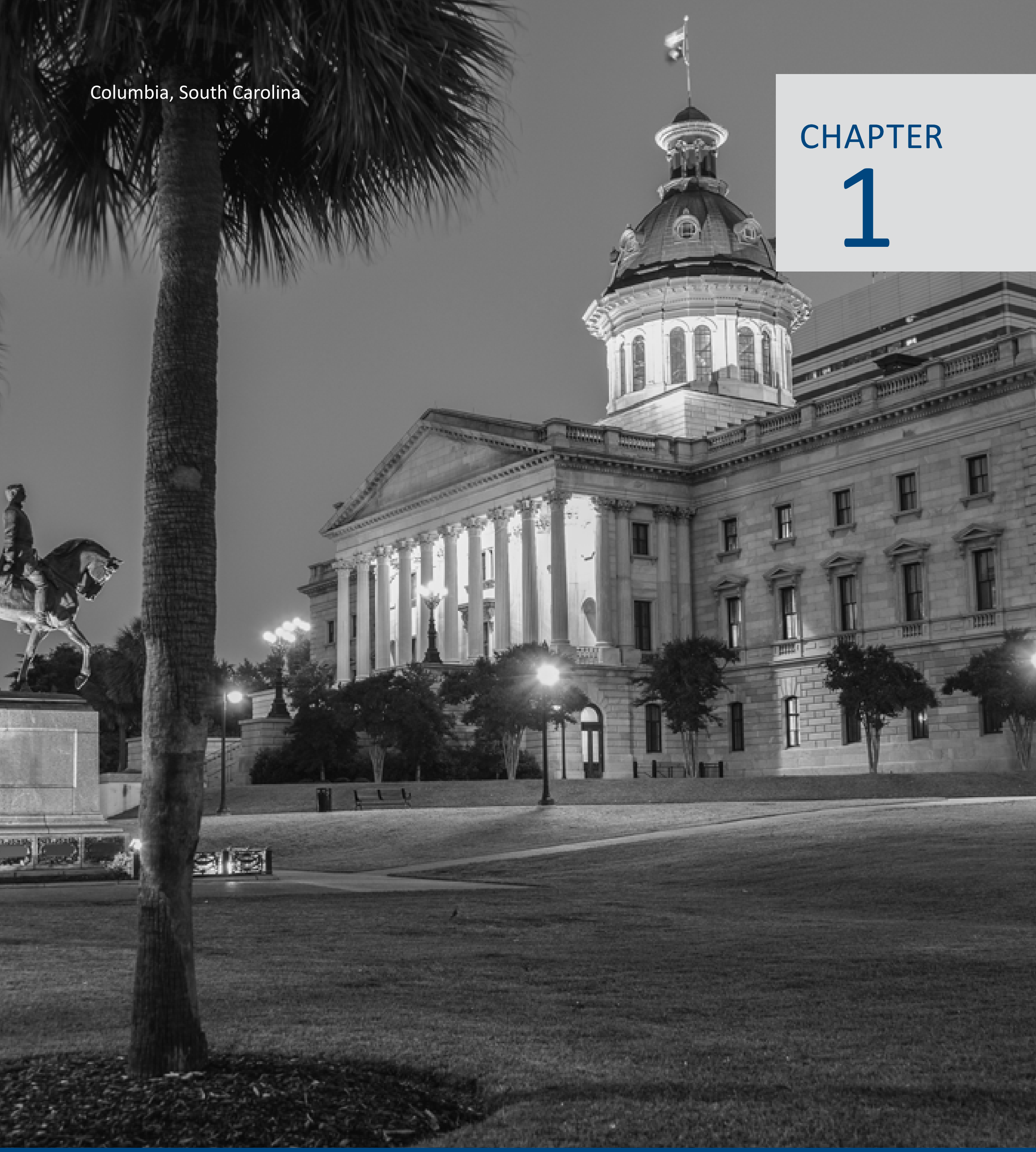
Unemployment benefits, welfare payments, and subsidies all represent a redistribution of income. For every transfer recipient, there is an equivalent tax payment or future tax liability. Thus, income effects cancel. In many instances, these payments are given to people only in the absence of work or output. Examples include food stamps (income tests), Social Security benefits (retirement test), agricultural subsidies, and, of course, unemployment compensation itself. Thus, the wedge on work effort is growing at the same time that subsidies for not working are increasing. Transfer payments represent a tax on production and a subsidy to leisure. Their automatic increase in the event of a fall in market income leads to an even sharper drop in output.

In some high benefit states, such as Hawaii, Massachusetts, and New York, the entire package of welfare payments can pay people in excess of the equivalent of a $20 per hour job (and let us not forget: Welfare benefits are not taxed, but wages and salaries are). Because these benefits shrink as income levels from work climb, welfare can impose very high marginal tax rates (60% or more) on low-income Americans. And those disincentives to work have a deleterious effect. We found a high, statistically significant, negative relationship between the level of benefits in a state and the percentage reduction in caseloads.

In sum, high welfare benefits magnify the tax wedge between effort and reward. As such, output is expected to fall as a consequence of making benefits from not working more generous. Thus, an increase in unemployment benefits is expected to lead to a rise in unemployment.

Finally, and most important of all for state legislators to remember:

10 *If A and B are two locations, and if taxes are raised in B and lowered in A, producers and manufacturers will have a greater incentive to move from B to A.*



Columbia, South Carolina

CHAPTER 1

State of the States

State of the States

Introduction

Now in its 12th edition, *Rich States, Poor States* has examined tax policy during deep economic downturns and the longest economic boom in recent history. Passed and signed in December 2017, the Tax Cuts and Jobs Act (TCJA) has led to both record-breaking tax revenues and opportunities for tax reform at the state level. Since last year's writing, four additional states used the federal tax conformity process to deliver hundreds of millions in tax savings to their hardworking taxpayers. Revising tax codes in accordance with federal tax changes made 2019 another historic year for tax reform in the states. The case studies in this chapter demonstrate the correlation between a healthy economy, job growth, greater take-home pay and meaningful tax relief.

This 12th edition of *Rich States, Poor States* continues the ALEC yearly review of the 50 states and their economic outlooks. These 50 laboratories of democracy prove, year after year, that pro-growth, free market policy is a win for hardworking taxpayers and the legislators they elect.

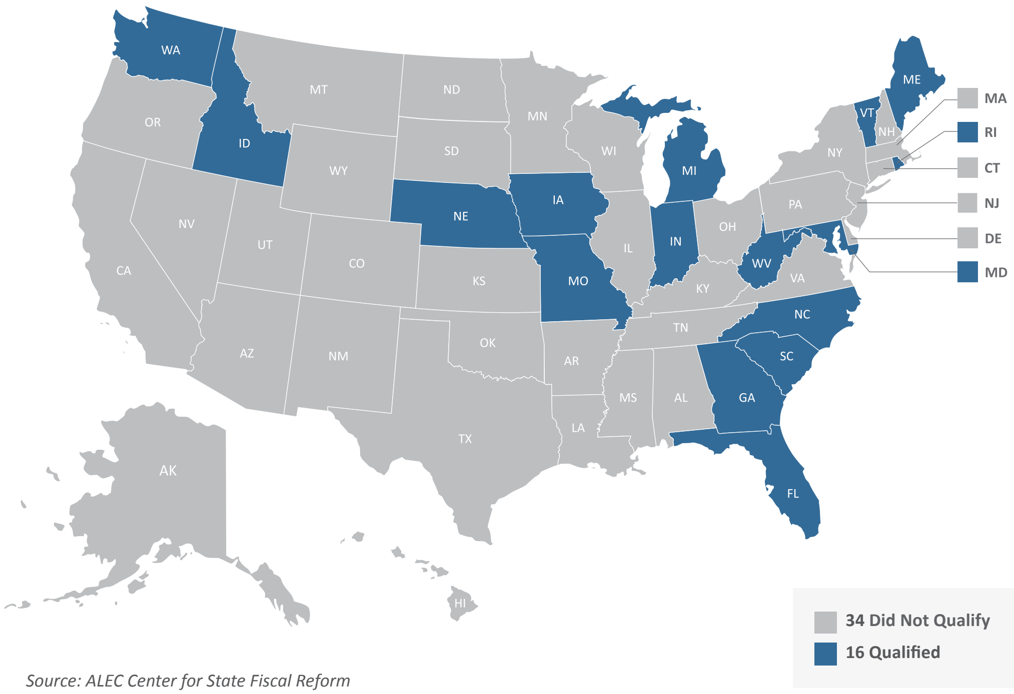
State Tax Cut Roundup: 2018

In the annual *State Tax Cut Roundup,* the ALEC Center for State Fiscal Reform details tax cuts enacted during the 2018 state legislative sessions.[1] A total of 16 states qualified for coverage in the 2018 *State Tax Cut Roundup*. The momentum for pro-growth tax relief in recent years has been strong, as 17 states qualified in 2015, nine in 2016, and nine in 2017.[2,3,4] In total, 36 different states have substantially cut taxes since 2013. Of these states, Florida has provided a near-constant stream of pro-growth reforms, qualifying for all six editions of *State Tax Cut Roundup*.

The qualifying states made strides to lessen the tax burden on personal income, corporate income and property. Nebraska, Iowa and Missouri deserve special recognition for returning more than $430 million in FY 2019 tax revenue back to taxpayers.[5] Nebraska ensured federal tax conformity would not result in a net tax increase for Cornhuskers by preserving and expanding the state personal exemption, increasing the standard deduction and tying the personal income tax brackets to inflation.[6] Iowa reduced personal and corporate income tax rates for every bracket, passed provisions for bracket consolidation contingent on revenue targets and voted to eliminate the state's Alternative Minimum Tax (AMT) by 2021 as a part of their federal tax conformity.[7] Lastly, Missouri cut corporate income taxes from 6.25% to 4% by tax year 2020 and the top personal income tax rate from 5.9% to 5.4% beginning in tax year 2019. If Missouri consistently grows revenue by $150 million year over year, the personal income tax rate will fall to 5.1% by tax year 2022.[8] Figure 2 illustrates the types of tax burdens reduced by qualifying states. Note that some states cut multiple forms of taxes.

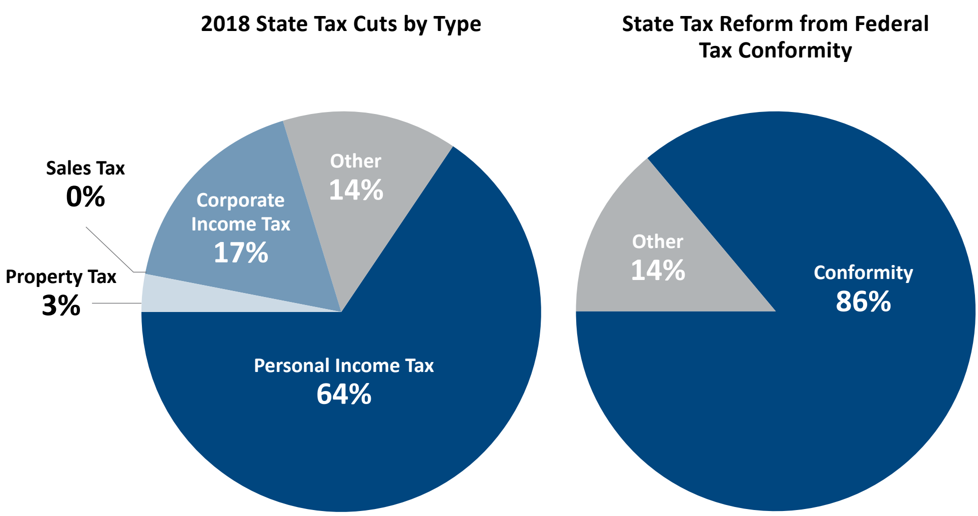
In total, states cut more than $1.7 billion in measurable 2019 tax burden for their residents. Record state tax revenues and federal tax conformity contributed to making 2018 a landmark year for tax reform. Both a growing economy resulting from federal tax reform and two court cases – *Wayfair v. South Dakota* and *Murphy v. NCAA*

FIGURE 1 | **States that Qualified for State Tax Cut Roundup during the 2018 Legislative Session**



Source: ALEC Center for State Fiscal Reform

FIGURE 2 | **Types of Taxes Cut During the 2018 Legislative Session**



Source: ALEC Center for State Fiscal Reform

– grew the potential tax base. *Wayfair v. South Dakota* tore down the physical presence standard and allowed states to tax remote sales, while *Murphy v. NCAA* allowed states to legalize and tax certain forms of gambling. States should be careful when enacting tax legislation in the wake of these two decisions. Enacting overly-aggressive remote sales tax regimes can create a hostile small business environment and damage e-commerce. Furthermore, overtaxing legal gaming can push potential gambling transactions back into the black market, harming potential revenue.[9]

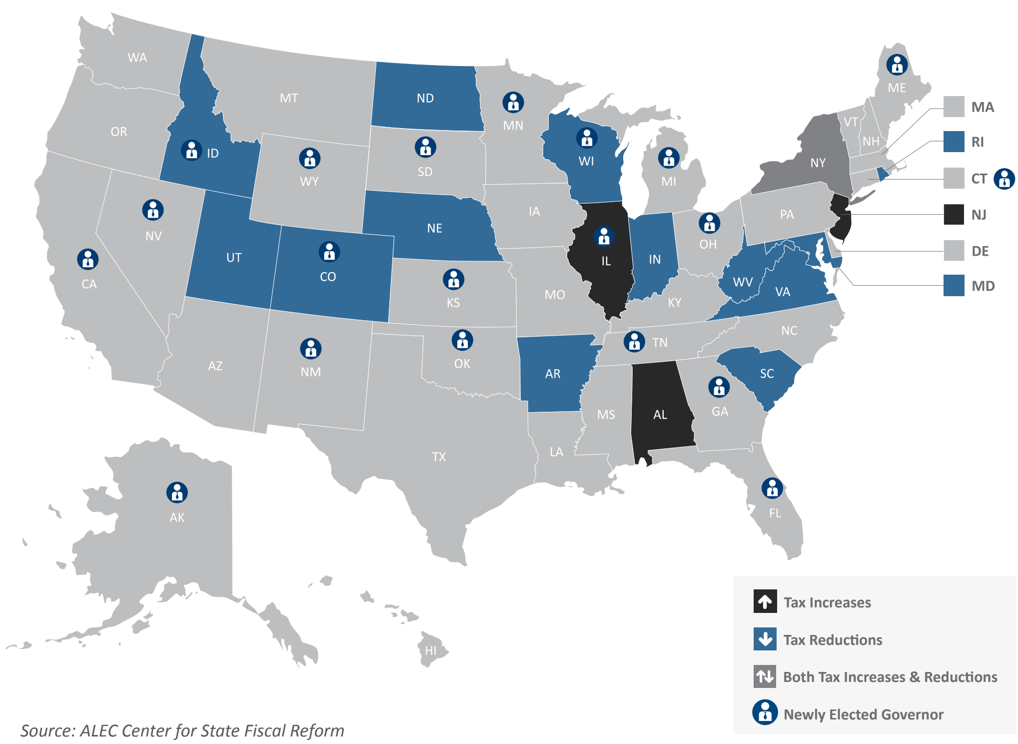
In some states, federal tax conformity increased taxes as a result of a broader tax code. Many states decided to negate this tax increase through revenue neutral and revenue negative income tax reforms designed to grow the economy while also conforming to federal tax changes. Iowa is a prime example of a state that used federal tax conformity as an opportunity to cut taxes. By passing both personal and corporate income tax cuts, Iowa saved taxpayers over $100 million in estimated FY 2019 tax burden. Assuming revenue triggers are met, annual tax savings from Iowa's conformity legislation will increase to over $640 million by FY 2024.[10]

Of the 16 states that qualified for *State Tax Cut Roundup: 2018*, 14 states used federal tax conformity as an opportunity to pass pro-growth tax reform. As of January 2019, five states have yet to bring their state codes into conformity with the new Internal Revenue Code. The 2019 legislative sessions gave these states another chance to be responsible with taxpayers' hard-earned dollars.

What America's Governors Said about Fiscal Policy in 2019

In 2019, the governors of all 50 states gave state of the state addresses. Eight governors won reelection and used their addresses to set the policy tone for their second or third terms. Fourteen governors did not face an election in 2018 but still

FIGURE 3 | **2019 Governors' Tax Proposals**



Source: ALEC Center for State Fiscal Reform laid out policy plans for the upcoming legislative sessions. In the fifth edition of its annual *State of the States* report, the Center for State Fiscal Reform reviewed economic policy proposals discussed in each governor's address.[11]

In their 2019 addresses, 18 governors made significant comments on tax policy. As a result of record state tax revenues, most governors favored returning tax dollars to taxpayers rather than clamoring for higher taxes. In all, 14 governors proposed only tax reductions, while 3 exclusively pushed for tax increases. Only Governor Andrew Cuomo of New York called for a mixture of tax increases and cuts. Figure 3 shows which governors called for tax increases, tax reductions or both.

Governor Henry McMaster of South Carolina proposed nearly $2.2 billion in personal income tax relief and offered a tax rebate to all South Carolinians, amounting to an additional $200 million in FY 2020 tax savings. In another bid to increase transparency and efficiency, Gov. McMaster called for a review of South Carolina's education funding formula to determine a "new, more efficient and modern funding model."

While record tax revenues induced some governors to call for more spending and bigger government, it is reassuring to hear many governors — even some progressive ones — call for lower taxes. This positive trend suggests that many governors understand how competitive tax rates and free market fiscal policies grow their economies and make their states more attractive places to live and work.

TABLE 1 | **State of the States 2019**

Best Policy Proposals
Gov. Asa Hutchinson (Arkansas)
Gov. Matt Bevin (Kentucky)
Gov. Phil Bryant (Mississippi)
Gov. Pete Ricketts (Nebraska)
Gov. Henry McMaster (South Carolina)

A Snapshot of Significant State Policy Battles in 2019

States Collect Record Revenues

For many states, 2018 was a record-smashing fiscal year. Every state — except Mississippi, Ohio, New Hampshire, and Wyoming — collected more tax revenue in FY 2018 than FY 2017, and 41 states exceeded their pre-recession tax revenue peaks adjusted for inflation.[12] Altogether, states collected 3.19% more revenue in FY 2018 compared to FY 2017 and 12.2% more revenue than their pre-recession peaks. Much of this increase in tax revenue came from record personal income tax collections, which grew by 7.8% compared to FY 2017. Sales tax revenue also grew by 3%, the highest rate of growth since FY 2015.[13]

North Dakota collected 70.9% more tax revenue in Q4 2018 than its Q4 2008 peak, largely due to the state's booming oil and gas industry. Unfortunately, a blessing of natural resources can also mean wildly fluctuating tax revenue as market prices change. Alaska and Wyoming saw 83% and 36.2% less tax revenue, respectively, in Q4 2018 compared to their pre-recession peaks — the largest drops in state revenue.[14]

A booming economy has boosted both income and consumption, leading to higher income and sales tax revenues. The federal Tax Cuts and Jobs Act of 2017 (TCJA) is also largely responsible for much of this increase in tax revenue. In addition to cutting effective federal tax rates, the TCJA also repealed or reduced many deductions and exemptions that affected state tax codes, including the personal exemption.[15] Because of federal tax conformity, state legislatures had to make a conscious decision to keep the personal exemption or risk an effective tax increase, potentially ranging from $30 million to $1.1 billion annually, depending on the size of the state economy.[16] Many states decided to preserve the personal exemption and avoid an increase in state tax burden, while others pocketed the revenue from this state-level tax increase.

While these conformity tax cuts are not yet reflected in state revenue data, tax cuts made during 2017 legislative sessions would influence

Table 2 | **State-Level Revenue Impact from 2018 Federal Tax Conformity by State**

State	Estimated Revenue Effect (Millions)	State	Estimated Revenue Effect (Millions)
Arizona	$236	Massachusetts	$65
Colorado	$197	Michigan	$1,700
Idaho	$97	Minnesota	$416
Indiana	$129	Nebraska	$220
Iowa	$188	New York	$1,100
Louisiana	$226	Pennsylvania	$340
Maine	$312	South Carolina	$205
Maryland	$361	Vermont	$30

Source: "State Tax Conformity: Revenue Effects," Tax Foundation, State Fiscal Notes and Revenue Estimates

state FY 2018 tax collections discussed above. Every state that passed a broad-based net tax cut during the 2017 legislative session still collected more revenue compared to FY 2017 — outside of Ohio and New Hampshire.[17] Record FY 2018 tax revenues demonstrated the strength of the American economy while providing opportunities for tax cuts at the state level. Additionally, the seven states that significantly cut taxes experienced real revenue growth, demonstrating that tax cuts do not always lead to the forecast loss in revenue.

Arizona and Virginia Conform to the TCJA — At Last

Along with California, Massachusetts and Minnesota, Arizona and Virginia began their 2019 legislative sessions conformed to a pre-Tax Cuts and Jobs Act federal tax code.[18] Conforming to an out-of-date tax code posed large problems for tax filers in these states, as the TCJA reformed significant portions of the federal tax code that had a bearing on state tax filings as well. For example, in exchange for an expanded standard deduction, the TCJA effectively repealed the personal exemption, meaning some states that conform automatically would see an unlegislated tax increase in the hundreds of millions of dollars unless they offset with tax cuts.[19] Additionally, unanswered conformity questions pose serious tax compliance problems for taxpayers. Since many deductions and exemptions were altered or repealed because of the TCJA, filers would not know how their states would conform to the new federal tax code until the legislature adjourned. This circumstance made their states' tax code more opaque, complex and unpredictable.

Arizona and Virginia decided not only to make final decisions on federal tax conformity but also to use tax conformity as an opportunity to cut taxes. In 2018, 19 states cut taxes through the tax conformity process, providing Arizona and Virginia models for conforming their tax codes to the TCJA changes.[20]

Arizona joined Iowa, Missouri and Vermont in an adjustment of their personal and corporate income tax codes.[21] In addition to matching the state standard deduction to the federal $12,000 and $24,000 deductions for single and joint filers, respectively, Arizona also consolidated personal income tax brackets from five to four by removing the second-lowest bracket. By lowering personal income tax rates on three of the four remaining tax brackets, Arizona lightened the income tax burden for nearly every filer. Arizona also moved from a dependent exemption to a child tax credit of $100 per dependent. Altogether, Arizona's 2019 tax conformity represents a 27% tax cut for the median filer.[22]

Virginia followed the model of Maryland and Nebraska by focusing on the repeal of the personal exemption and enhancing the standard deduction.[23] Rather than reinstating the state personal exemption, Virginia increased its standard deduction by 50% to $4,500 and $9,000 for single and joint filers, respectively. Virginia also opted to return $420 million in personal income tax collections through a one-time tax refund to every filer. In future fiscal years, any personal income tax revenue generated in excess of that year's tax savings, using FY 2018 revenue as a baseline, will be allocated to the Taxpayer Relief Fund to finance future tax reforms.[24]

While conforming to federal tax changes immediately would have been ideal from a tax simplicity and transparency standpoint, Arizona made the right decision to make federal tax conformity a net tax cut for income earners. Virginia's tax reform made significant progress by returning the unlegislated FY 2019 tax revenue windfall to taxpayers, but the state still stands to collect additional revenue in future fiscal years. Between additional revenue from other conformity changes and deposits in the Taxpayer Relief Fund — which is ultimately a state account — Virginia will collect an additional $280 million in FY 2020.[25] The Grand Canyon State rose to the challenge posed by late federal tax conformity, but the Old Dominion requires additional tax reform to make conformity at least revenue neutral in the future.

South Carolina Joins the Southeast in Cutting Taxes

The Palmetto State passed its first substantial net tax cut in many years. Passed in October 2018, South Carolina HB 5341 conformed the state tax code to federal Tax Cuts and Jobs Act changes. Since federal tax conformity included many base-broadening provisions, absent action at the state level, many South Carolinians would have seen a net tax increase. To avoid the negative effects of a net tax increase, the South Carolina legislature decided to increase the standard deduction to $12,000 and $24,000 for single and joint filers, respectively, and to create a dependent exemption of $4,110 for every qualifying child plus an additional $4,110 for every qualifying child under six years old. Additionally, the legislature decided to tie the personal income tax brackets to inflation. Adjusting tax brackets to inflation prevents automatic, inflation-driven tax increases and is projected to provide a net tax savings of $4 million in FY 2020.[26]

Even with these changes, federal tax conformity's effects were projected to increase tax collections by $253 million for FY 2019. To prevent an effective tax increase, South Carolina reinstated the state personal exemption at $1,525 and eliminated any effects from federal tax conformity that would have led to a tax increase at the state level.[27]

South Carolina's tax reform is the first net tax cut in recent memory and comes on the heels of major tax reforms from regional competitors. North Carolina has made consistent tax reforms almost every year since 2013, and Florida has passed net tax cuts six years in a row. Tennessee also passed net tax cuts in 2013 and 2016.[28] Even with their recent tax changes, South Carolina still has the highest top marginal personal income tax rate in the Southeast at 7%.[29] South Carolina's neighboring states' commitment to tax reform is reflected in their *Rich States, Poor States* rankings. North Carolina ranks 6th and no-income-tax Tennessee and Florida rank 8th and 9th, respectively. South Carolina trails at 32nd. South Carolina is on the right track, but the state must make committed efforts to cut taxes in future years to keep up with the increasingly competitive Southeast.

Arkansas Passes Fourth Tax Reform in Seven Years

Governor Asa Hutchinson has made tax reform a central part of his "growth agenda" to make Arkansas a more competitive state.[30] Divided into three phases, Arkansas' 2015 tax reform reduced personal income tax rates on earners between $20,000 and $75,000 and increased the exclusion on capital gains income to 50%.[31] The 2017 tax reform lowered personal income tax rates on earners below $21,000 in annual income, but each of these reforms did little to address Arkansas' abnormally complex tax code, high top marginal rates, or the tax burden on job creators.[32]

Two bills passed by the Arkansas legislature in 2019 — SB 211 and SB 576 — complete the third phase of Gov. Hutchinson's tax reform plan. SB 211 addresses Arkansas' tax code complexity by consolidating Arkansas' six personal income tax brackets into four brackets with a top marginal rate of 6.9%. Arkansas also raised the threshold for the top personal income tax bracket from income over $35,099 to income over $456,000, allowing more income to fall into lower tax rates. On January 1, 2021, the top bracket will be repealed due to a scheduled rate reduction and Arkansas' top marginal personal income tax rate will become 5.9%. These personal income tax cuts are estimated to save Arkansans $34.5 million in FY 2020 and $68.9 million in FY 2021 when the top income tax rate is repealed.[33]

SB 576 updates Arkansas sales tax policy post-*Wayfair*, allowing the state to collect sales tax on remote purchases and reforming the corporate income tax code. While expanding the state sales tax base to include online transactions is a significant net tax increase, corporate tax reforms more than offset any new revenues and create a net tax cut. By allowing companies to carry forward net operating losses for up to 10 years, companies will save an estimated $23 million on their tax bills beginning in FY 2027 and increasing annually. SB 576 also reduces the top corporate income tax rate from 6.5% to 6.2% beginning January 1, 2021 and allows for a further reduction to 5.9% in 2022. Reducing the corporate income tax saves Arkansas businesses $29.5 million in FY 2021 and $39.4 million in FY 2022 when the final rate reduction is enacted.[34]

The South has a reputation as being one of the lowest-taxed regions in the United States. For many years, Arkansas defied the South's regional low-tax trend with the second-highest top marginal corporate and personal income tax rates, the third-highest combined local and state sales tax burden and one of the most progressive income tax structures in the country.[35] Consequently, the Natural State has missed out on the economic growth its low-tax neighbors Tennessee and Texas have seen.[36] With the personal and corporate income tax changes, Arkansas makes itself more friendly to job creators.

Connecticut Commits to Tried and Failed Policies

Newly elected Governor Ned Lamont was quick to celebrate the FY 2020 budget passed by the Connecticut legislature during the 2019 legislative session. Gov. Lamont proclaimed, "On the day I took the oath of office, we were looking at a $3.7 billion deficit, and today I am proud to say that we've closed it without an increase to tax rates."[37] His clever phrasing belies the truth: Connecticut's FY 2020 budget includes a $1.7 billion net tax increase over two years.[38] Gov. Lamont is correct that no nominal tax rates were increased, but delayed and repealed tax cuts and increased effective tax rates on numerous goods and services will substantially increase the state tax burden.

The largest single increase in tax burden comes from a reintroduction of a hospital tax, which is estimated to generate over $500 million annually and likely to increase healthcare costs. A reduction in the income tax credit for pass-through businesses is projected to generate $50 million in new revenue, and a new state tax on prepared food sales at a rate of 1% is also projected to collect $48 million in the first year alone. By including digital downloads under goods taxable within the state sales tax, the FY 2020 budget increases the tax rate on e-book and movie downloads by 535% and is estimated to generate nearly $28 million in revenue for FY 2020.[39] The FY 2020 budget also lowers the tax remittance threshold on online sales to $100,000 from the previous $250,000. This change will have a significant impact on small businesses and may be challenged in the courts.[40] While Gov. Lamont's budget balances general fund expenditures, it does so at the expense of taxpayers and without any serious spending reforms.

With one of the highest overall tax burdens in the nation, Connecticut cannot afford to continually raise taxes without addressing spending. Including tax changes made during the 2018 legislative session and projected FY 2020 revenue increases, Connecticut's FY 2020 budget will cost taxpayers an average of $8.29 for every $1,000 in personal income.[41,42] At this writing, Connecticut's FY 2020 budget is the largest tax increase of any state. Worse yet, these tax increases could lower Connecticut's economic outlook ranking to 44th in a hypothetical *Rich States, Poor States* 2020, placing Connecticut below key regional competitors, Massachusetts, Maine and Rhode Island.

Connecticut's economic competitiveness should be at the forefront of policy discussions in the legislature. Referenced further in Chapter 2, "Connecticut's Economic Freefall," Connecticut's economy is the worst performing in the country with 1.32% fewer jobs than before the recession began in 2007. Job losses and a hostile economic policy environment have contributed to nearly 200,000 residents leaving Connecticut for states with more opportunity over the past 10 years alone. Connecticut lawmakers seem to realize that population loss is a growing problem for the Constitution State, particularly the loss of wealthy residents and job creators. One of the new tax provisions in the FY 2020 budget is a 2.25% sales tax on real estate sales over $2.5 million if the seller intends to leave the state.[43] Tax policy has become so backward in Connecticut that the legislature is using tax policy to hit emigrants with the door on their way out, rather than changing the tax code to become more welcoming. Until Connecticut reforms its tax policy to treat job creators as economic partners in long-term growth, the state will continue to see residents and employers exit for states with friendlier tax policy.

Illinois Could Scrap Last Vestige of Good Tax Policy

Despite a consistent ranking in the bottom 10 states for economic competitiveness, Illinois' tax code has one policy going for it: a flat personal income tax rate of 4.95%.[44] Newly elected Governor J.B. Pritzker made repealing Illinois' flat tax a headline campaign platform and followed through on that policy promise by signing Senate Joint Resolution Constitutional Amendment 1 (SRJCA 1).[45,46] Furtively couched as a "fair tax" that would deliver a net tax cut, Gov. Pritzker's proposed income tax structure gives those earning below $100,000 a miniscule 1% rate cut from 4.95% to 4.9%, but earners over $250,000 would see a 56% income tax rate increase to 7.75%. Under the proposed new income tax bracket schedule, Illinois' top marginal personal income tax rate would increase to 7.99% — a 60% rate increase.[47]

Beyond the disastrous effects this new massive tax increase will have on Illinois' ability to attract new residents, Gov. Priztker's proposed new personal income tax rate provides a "back door" to significant corporate income tax increases. Embedded in Illinois' state constitution is a provision that the corporate income tax rate cannot exceed eight-fifths of the personal income tax rate. Included in SRJCA 1 is a provision amending the corporate to personal income tax ratio as the top personal income tax rate. Since the new top personal income tax rate is 7.95%, Illinois' new income tax policy would allow for a state corporate income tax rate of 12.72% — the highest of any state.[48]

Ultimately, Illinois voters will consider the new personal income tax changes when they vote on the proposed constitutional amendment during the 2020 election. Despite Illinois' political leanings, there is no guarantee SRJCA 1 will pass. Washington state voters have defeated the imposition of a personal income tax many times.[49] While some in the Illinois General Assembly may be eager to raise taxes on Illinois workers, it is unclear if voters will consent to such a tax increase. What is clear is that raising Illinois' tax burden on income earners will only incentivize job creators and residents to avoid doing business in Illinois.

More outmigration of income earners and job creators is the last thing the Land of Lincoln needs. Illinois has the third-highest absolute outmigration figures of any state. Since 2008, over 778,000 taxpayers left Illinois.[50] Of course, Illinois' loss is neighboring states' gain. Indiana, through common sense policy reforms and a consistent dedication to tax cuts, ranked 3rd in economic outlook in *Rich States, Poor States* 2019.[51] Since *Rich States, Poor States* began analyzing state economic competitiveness in 2008, Wisconsin rose from 33rd to its best ranking of 9th in 2016.[52] Wisconsin fell back to 17th in this edition, but the Badger State's proximity to Illinois allows Wisconsin to act as a lifeboat for countless former Illinoisans. Since 1992, Illinois lost $3.18 billion in annual adjusted gross income to Wisconsin.[53] If Illinois continues its high-tax, high-spending policies, surrounding states will continue to gain at Illinois' expense.

Oregon Enacts Billions in New Taxes

The Beaver State continued its trend towards uncompetitive tax policy by enacting a new tax on businesses with sales exceeding $1,000,000 annually. The new 0.57% tax will be levied on business gross receipts, not profit. Also known as a gross receipts tax, Oregon's new business tax will apply to all businesses with sales exceeding $1,000,000, even businesses that post annual losses.[54] For small businesses struggling to stay afloat, having to pay taxes on a net loss is a disaster.

Following a party-line vote, Governor Kate Brown secured enough support to pass the new business tax after Senate minority leadership agreed to return to Salem following a protest of a proposed cap-and-trade program estimated to cost businesses $550 million in the first year alone.[55,56] If both the new business tax and the cap-and-trade program had passed, Oregon would have enacted nearly $2 billion in new taxes.[57]

The call for increased taxes in Oregon comes at a strange time. The state government is projected to collect over $2 billion in excess revenue compared to their 2017 biennium forecast.[58] However, Oregon tax policy requires legislators return $1.4 billion of the revenue surplus to taxpayers as a "kicker" refund.[59] Even with the refund, the state would still net an extra $600 million in tax revenue. Still, this increase in revenue collection was not enough for House Speaker Tina Kotek, who introduced a bill to redirect half of the taxpayer refund to transportation spending initiatives.[60]

Increasing taxes on job creators during a budget surplus, proposing nearly $2 billion in new taxes on some of the most productive sectors of Oregon's economy and introducing bills to deny Oregon taxpayers a refund is poor fiscal policy. Worse yet, when asked if there was a plan to use the tax surplus or newly-legislated tax revenue to pay down nearly $85 billion in unfunded public pension liabilities and over $678 million in unfunded other post-employment benefit (OPEB) liabilities, Gov. Brown replied "I believe that none of it will go into [the Public Employee Retirement System]."[61,62,63] Considering Oregon's economic outlook ranking is consistently in the bottom 10, the state must start looking for ways to make their tax code more competitive. As highly competitive regional neighbors like Utah and Idaho, 1st and 2nd in economic outlook, respectively, continue to attract tech companies and start-ups, Oregon's recent budget surpluses may prove fleeting.[64]

'Fight for $15' Lands Blow to Low-Skilled Workers

Raising the minimum wage took a central role in the progressive political agenda during the 2018 election and subsequent 2019 state legislative sessions. Since May, Connecticut, Illinois, Maryland and New Jersey joined California, New York and Massachusetts in raising their minimum wage to $15 per hour by 2025 or sooner.[65] Unfortunately for low-skilled workers and these already economically uncompetitive states, a minimum wage set above the price of labor costs jobs and destroys opportunity.

Before demonstrating the economically disastrous effects of a $15 minimum wage, it is important to refute the claim that poor, working families are suffering because the minimum wage is too low. First, in 2018, only 2.1% of hourly paid workers — 1.7 million Americans — earned at or below the $7.25 minimum wage. This is significantly less than the 13.4% of hourly paid workers earning at or below the federal minimum wage in 1979.[66]

Second, minimum wage earners are overwhelmingly young: 68% are 24 years old or younger.[67] Finally, many of these workers are part-time. Only 43% of minimum wage employees work more than 35 hours a week.[68]

Worse yet, a $15 per hour minimum wage would cause many workers to lose hours worked or even their jobs. By increasing the cost of labor, a $15 per hour minimum wage would force many employers to cut hours, reduce available positions or even consider substitutes to physical labor such as automation or online sales. In testimony to the U.S. House Subcommittee on Workforce, Empowerment and Government Programs, Professor Craig Garthwaite stressed "The most damaging effect is the fact that job loss is concentrated on the least skilled employees — the very individuals that supporters of a minimum wage increase are attempting to help."[69]

Job loss translates into lost opportunity and skill development in the long term. Entry-level jobs tend to have lower wages but are crucial for development of "soft skills," such as working amicably with co-workers, providing good customer service and even skills as simple as showing up on time.[70] Employees with soft skills are increasingly desirable, according to a survey of clients at Express Employment Professionals — one of the largest staffing agencies in America.[71] An Employment Policies Institute report found entry-level work that generates soft skills translated into a wage gap between those who began working early on and those who did not.[72] A $15 per hour minimum wage would prevent many low-skilled workers from developing highly-desirable soft skills, thereby trapping many workers in a low-skilled status quo.

North Dakota Takes a First Step toward Repealing Its Personal and Corporate Income Taxes

In 2019, North Dakota Representative and ALEC member Craig Headland filed House Bill 1530 to repeal the North Dakota personal income tax.[73] North Dakota's personal and corporate income tax rates are among the lowest in the country (2.9% and 4.31%, respectively) and income taxes only generated $666 million of revenue over the 2015-2017 fiscal biennium, accounting for just 16.8% of all North Dakota tax revenues.[74]

To account for this revenue gap, Rep. Headland's tax reform plan would replace income tax revenues with earnings from the North Dakota Legacy Fund, an oil and gas revenue fund. By switching investment earnings from the Legacy Fund to the "income tax reduction fund," HB 1530 would gradually reduce personal and corporate income tax rates over a decade until the final income tax rate became zero. While HB 1530 passed 61-31 in the North Dakota House of Representatives, the bill died in the Senate.[75]

Repealing income taxes would greatly increase North Dakota's ability to compete with neighboring states for residents and job creators. South Dakota and Wyoming currently levy no personal or corporate income tax.[76] As the economy booms in the northern Great Plains as a result of the lucrative Bakken Shale and other energy resources, North Dakota stands to benefit from an increased share of economic growth by repealing its personal and corporate income taxes and becoming more competitive.

Despite collecting no income tax, neighboring South Dakota maintains the same quality of infrastructure and better K-12 education compared to North Dakota.[77,78] In fact, South Dakota spends $4,525 per capita less than North Dakota on public goods. North Dakota spends roughly $7,699 per capita while South Dakota only spends $3,174 per capita.[79] Through a combination of good administrative and budget policy, South Dakota uses government funds more efficiently and requires less taxpayer money to provide its citizens with quality public goods. Careful budget reforms can ensure North Dakota provides reliable infrastructure and good public education, without levying an economically harmful income tax.

The 2021 session presents the North Dakota legislature with another opportunity to improve the competitiveness of their tax code. In fact, if North Dakota repeals the personal and corporate income taxes, the state's *Rich States, Poor States* ranking is projected to jump to 2nd overall for the 12th edition.[80] Having the 2nd most competitive economic outlook in the nation would do wonders for North Dakota and ensure the energy boom creates long-term, sustainable growth for all citizens.

Governor Sununu Ensures New Hampshire Taxpayers 'Live Free' from Income Taxes

New Hampshire is a low-tax oasis in a New England high-tax desert. With no state personal income tax on wages, sales tax or estate tax, New Hampshire benefits from neighboring states having some of the highest tax rates in the nation.[81] New Hampshire has better-than-average GDP growth, employment growth and domestic migration figures, while every New England state except Massachusetts sheds residents and job creators to other states.[82]

New Hampshire's special status as a low-tax state in the Northeast was threatened during the 2019 legislative session with newly elected majorities in the legislature passing a 0.5% tax on wage income to create a state insurance program for family leave. Altogether, the proposed tax would cost New Hampshire residents $168 million annually in new taxes.[83]

Anticipating the negative effect on long-term growth, Governor Chris Sununu vetoed the bill, saying, "No Income Tax. Not Now. Not Ever!"[84] Sacrificing New Hampshire's unique low-tax position among Northeastern states would have cost jobs, GDP growth due to lower consumption and investment, and potential new residents. By vetoing the personal income tax, Gov. Sununu preserved the only low-tax oasis in New England.

ALEC Model Policy Keeps Washington State Creditworthy

Standard & Poor's (S&P) reaffirmed Washington's high credit rating for general obligation (GO) bonds giving each bond a rating of AA+. In an article summarizing their decision, S&P justified Washington's creditworthiness citing Washington's "sales tax-based revenue structure that has demonstrated less sensitivity to economic cycles than income tax-reliant states." When rating the stability of state GO debt, S&P is primarily concerned with the ability of a state to make payments regardless of economic circumstances. Washington's reliance on consumption taxes for 71% of general fund revenue — the revenue source for GO debt repayment — means creditors can expect less risk from investing in Washington GO bonds relative to states more reliant on income taxes.[85]

S&P also cited Washington's legal and statutory restrictions on spending increases. The Revised Code of Washington requires the legislature to pass a balanced budget that leaves a general fund surplus in the current and subsequent bienniums.[86] Protecting the general fund from spending sprees guarantees Washington will be able to repay GO bond creditors, in S&P's view.

Of course, Washington's fiscal situation is not perfect. S&P found Washington's GO bond debt to be relatively high at $2,512 per capita, or 4.1% of total personal income.[87] Despite relatively high levels of debt, S&P believes Washington's consumption-based tax code will allow the state to meet obligations to creditors even in recession. Washington also has significant pension and other post-employment benefit (OPEB) debt. ALEC estimates Washington owes nearly $120 billion to state retirement funds.[88,89] Despite Washington's considerable public employee retirement debt, S&P acknowledges Washington moving down the assumed investment rate of return from 7.7% to 7.5%, and potentially further to 7.4%, as a move towards more conservative estimates of state obligations. As a result, Washington's pension debt has a more moderate effect on the state's creditworthiness compared to states with riskier investment return assumptions.

In fact, Washington's high creditworthiness is a testament to the success of ALEC model policy. Washington's consumption-based tax code aligns with the "reliability" principle from the "ALEC Principles of Taxation," as it is "stable [and] provid[es] certainty in taxation and in revenue flows."[90] Washington's balanced budget requirement follows the "State Constitutional Amendment for a Balanced Budget."[91] Even though Washington's balanced budget requirement is statutory, not constitutional, Washington is required to pass a balanced budget with a surplus remaining. Of course, a constitutional balanced budget amendment is preferable, as it restricts the ability of lawmakers to override budget restrictions and pass unbalanced budgets. While 7.5% is higher than ALEC policy prescribes, ratcheting pension investment return assumptions downward will improve the accuracy of Washington's pension debt estimates and more closely align the state with the "ALEC Statement of Principles on Sound Pension Practices."[92] While S&P deservedly credits Washington's tax and fiscal policy for the state's high credit rating, the Evergreen State's AA+ rating on GO bonds is a success story for ALEC model policy as well.

Governor Phil Murphy Devotes Too Little, Too Late to Save New Jersey's Pensions

New Jersey's pension debt looms large during every annual budget battle as lawmakers debate how to start paying down the ninth-highest per capita state public pension debt in the nation. The ALEC *Unaccountable, Unaffordable* annual pension publication has tracked New Jersey's pension performance for the past three years. Using a risk-free discount rate, ALEC finds New Jersey's public pension funding ratio — the ratio of met to unmet future pension obligations — has declined by 4.21% since 2013. ALEC estimates New Jersey's public pension plans are funded at an astonishing 33.78%, amounting to $196 billion in unfunded retirement obligations.[93]

Governor Phil Murphy pledged to reform New Jersey's chronic pension underfunding by contributing 10% more than previous budgets every year until New Jersey meets 100% of their actuarially recommended contributions (ARC) — the annual amount estimated by experts for New Jersey to meet future pension obligations. In 2019, the New Jersey legislature proposed $3.2 billion in pension funding for FY 2020. Instead, Gov. Murphy insisted the legislature increase pension contributions by $550 million to $3.75 billion for FY 2020. While these figures seem significant to external observers, they only amount to 60% and 70%, respectively, of New Jersey's ARC for FY 2020.[94]

Contributing 100% of the ARC by FY 2023 is a noble goal but fails to permanently improve New Jersey's funding ratio. For every year New Jersey does not contribute 100% to the state pension program, the state must contribute the difference between the ARC and actual contributions in future fiscal years — plus interest. Even if the General Assembly agrees to Gov. Murphy's scaling-up of pension contributions, the state will not meet 30 percentage points of its ARC for FY 2020, 20 percentage points in FY 2021 or 10 percentage points in FY 2022, but it only finally meets 100% of its ARC in FY 2023. Holding all else equal, to improve its public pension funding ratio, New Jersey would have to contribute 100% of its ARC in one year plus 60 percentage points from previous underfunded years and foregone investment returns from not contributing to pension investment funds as required. Considering Gov. Murphy's proposed $3.75 billion contribution amounts to over 9% of total state revenues from tax year 2019, yet only covers 70% of the FY 2020 ARC, 100% plus 60 percentage points in compensating ARC payments from previously underfunded years described above is nearly unthinkable from a budgeting perspective.[95]

Clearly, New Jersey's pension policy is untenable. New Jersey must choose a policy tool to save public retirement — raise taxes, cut services or reform retirement programs. Under current policy, New Jersey has the third-highest state and local tax burden of any state, with per capita collections exceeding $6,700.[96] New Jersey's high-tax policy already plagues the state with a *Rich States, Poor States* economic outlook ranking of 46th, as well as the fourth-highest outmigration statistics of any state.[97] More taxes to pay down pension obligations should be a non-starter, as already-over-taxed residents simply cannot afford them.

New Jersey is only left with one option — pursue pension reform. Senate President Stephen Sweeney's retirement reform ideas take three important first steps to saving New Jersey's retirement system. First, employees with fewer than 5 years' experience should receive a defined-benefit on the first $40,000 of income. Any income over $40,000 would be contributed to a cash balance account similar to a defined contribution plan with a guaranteed 4% investment rate of return. Seventy-five percent of any investment returns over 4% would be used to shore up other unfunded pension liabilities. Second, New Jersey should increase the state retirement age from 65 to 67 — a sensible policy as American workers are living and working longer. Third, New Jersey should reform pension plans, assumed rates of return and amortization schedules to make them more realistic and better represent financial realities.[98] President Sweeney's policy proposals are key first steps to making real pension reforms, but funding problems have been historically pervasive in New Jersey. The state must take steps beyond President Sweeny's reforms if the legislature is serious about saving the retirement of hardworking public employees.

Pension Divestment has Cost California Retirees Billions in Lost Investment Returns

In 2014, there were approximately 7.4 million public employees working in state government.[99] To give a sense of scale, there are more state public employees than the entire population of 37 states.[100] Providing a safe, stable retirement for every public employee — past, present and future — requires intensive planning and investment on the part of state legislatures and bureaucrats. Current state pension assets exceed $3.2 trillion, but ALEC estimates unfunded pension liabilities at nearly $5 trillion.[101] Since state lawmakers ultimately retain the power of the purse, they control significant portions of state retirement policy. Given the nearly $8 trillion total price tag for providing millions of public employees with a secure retirement, allowing political decisions to influence retirement policy is asking for trouble.

For California, trouble arrived in the form of pension divestment schemes. "Divestment" is an investment strategy where fiduciary responsibility takes a back seat to political goals. In other words, divestment demands an investment fund avoid purchasing assets for political reasons, even if that investment would generate more return than all other options. For example, in recent politics, the "Boycott, Divestment, and Sanctions" (BDS) movement demands public and private investors boycott investing in Israeli firms and securities.[102]

California Public Employee Retirement System (CalPERS) and California State Teachers' Retirement System (CalSTRS) follow one of the most expansive divestment policies of any state retirement system called environmental, social and governance (ESG) investing. This policy drives CalPERS and CalSTRS investment strategies, where risk factors include "Respect for the Environment" and "Investment's long-term profitability from inadequate attention to the impacts of climate change."[103] Instead of maintaining fiduciary responsibility and providing the highest return on investment for the lowest risk, ESG investment strategies play politics with state employee retirement funds. So far, California has divested from tobacco companies, gun manufacturers and coal companies. Progressive activists have called for California to divest from fossil fuel companies entirely.[104,105]

Activist investing on the part of CalPERS has cost the retirement system billions. Wilshire Associates estimates CalPERS has lost over $3 billion from its decision to divest from tobacco companies alone. This experience is not limited to California. The Boston College Center for Retirement Research found state pension systems with divestment requirements had 0.4 percentage point lower returns than states that practice true fiduciary responsibility.[106] Given the vast scale of public employee retirement assets mentioned above, lower investment returns can mean billions lost for public retirement systems.

California currently has the largest pension debt of any state — exceeding $780 billion in unfunded liability, or just under $20,000 for every man, woman, and child.[107] California's massive unfunded pension liability is not unique. The ALEC *Unaccountable, Unaffordable* pension report finds state unfunded pension liability totals $5 trillion.[108] Simply, states cannot afford to continue using political reasoning in their investment decisions. The vast unfunded pension liability endangers a safe, stable retirement for millions of public employees across the country. States must reaffirm their fiduciary responsibility and reform pension investment decisions to a criteria of maximizing return and minimizing risk.

New Mexico's Assault on Worker Freedom and Taxpayers

The New Mexico Legislature dealt a serious blow to worker freedom by denying counties the power to establish local right-to-work laws. Beginning in early 2018, 10 New Mexico counties and one village passed laws allowing workers to choose whether to join a union.[109] With newly-elected Governor Michelle Lujan Grisham's signature, HB 85 overturned right-to-work laws in every locality that passed them.

New Mexico currently has a lower economic outlook ranking than every surrounding state, and it is not coincidence that every surrounding state also protects the right to work, with the exception of Colorado.[110] Right-to-work states, on average, have better retention of manufacturing jobs, higher growth in output per worker, higher growth in real personal income, nearly double private sector employment growth and growth in construction employment six times higher than states that do not protect worker freedom.[111] When states prioritize worker freedom, everyone prospers — regardless of industry or union affiliation. Unfortunately, Gov. Lujan Grisham and the New Mexico Legislature have denied localities the freedom to protect worker rights.

Worse yet, after denying the right to work, the New Mexico legislature turned its sights on taxpayers. Despite a $1.1 billion estimated surplus, lawmakers voted to raise the top marginal personal income tax rate from 4.9% to 6.5%.[112] This rate increase and other tax changes included in HB 6 represent a $580 million increase in tax burden for New Mexican taxpayers, families and job creators.[113] All else held equal, the income tax increase alone causes New Mexico to sink from 29th to 34th in economic competitiveness. New Mexico is already in the bottom half of states when it comes to economic competitiveness. In fact, every surrounding state is more economically competitive than New Mexico. If the Land of Enchantment hopes to make itself more enchanting to job creators and potential new residents, the state must move away from harmful tax policies and affirm the right to work.

Florida Voters Approve Amendment to Reduce Threat of Tax Increases

During the November 2018 elections, Sunshine State voters overwhelmingly approved Florida Amendment 5 to include a supermajority requirement to increase taxes. Following enactment of the new constitutional requirement, any bill that increases state taxes or fees must be approved by a two-thirds majority in each legislative chamber.[114] In fact, Florida's new supermajority requirement follows the ALEC "Super-Majority Act" model policy.[115]

The new constitutional amendment offers individual taxpayers some of the strongest procedural protections against tax increases.[116] Supermajority requirements for tax increases protect long-term economic growth by warding against extractive tax policies. Without more stringent procedural requirements to pass tax increases, legislatures would only need simple majority support in each house and a governor's signature to increase taxes and make their state economies less competitive for jobs, residents and investment. By increasing procedural hurdles to tax increases, states require broad political support in both the legislative and executive branches to raise taxes and grow government. Florida has ranked in the top 10 states for economic competitiveness for 6 out of 12 *Rich States, Poor States* editions.[117] With Florida Amendment 5 enacted, Florida will be better able to protect its competitive economy from future tax-and-spend efforts.

Indiana Voters Enshrine Fiscal Responsibility in State Constitution

Indiana voters approved Indiana Public Question 1 by a landslide — over 72% of voters voted to adopt the measure.[118] Indiana Public Question 1 amends the state constitution to require the state legislature adopt a balanced budget that is less than forecasted revenue, unless a supermajority in each legislative chamber votes to override the balanced budget requirement. If expenditures exceed actual revenue collections, the constitution now requires the difference be subtracted from the next fiscal year's budget.[119]

Many states claim they have a balanced budget requirement, but there is a wide range in balanced budget policies between states. Vermont does not have a balanced budget requirement but rarely carries over a deficit in practice.[120] California requires the legislature and governor to pass a balanced budget, but also allows the state to carry over budget deficits, while Virginia requires the governor to execute — not sign — a balanced budget.[121]

Indiana's balanced budget amendment is the "gold standard." The constitution requires the legislature pass a balanced budget, the governor to sign and execute a balanced budget, and the legislature is not allowed to carry deficits over year-to-year. In fact, Indiana's balanced budget requirement reflects ALEC research on the most effective balanced budget requirements and is the closest enacted policy to the ALEC "State Constitutional Amendment for a Balanced Budget" model policy.[122]

Now with one of the strongest balanced budget requirements in the country, Indiana taxpayers will be better protected from structural deficits and sudden tax increases. Indiana ranked 3rd in economic outlook in this year's *Rich States, Poor States* ranking and the new balanced budget amendment will help preserve Indiana's ranking in the long term.[123]

Pension Reform Continues to Expand

Unfunded liabilities of public pension plans continue to loom over state governments nationwide. Worse, states continue to use actuarial assumptions that underestimate the future cost of their pension benefits. Using the most recently available actuarial valuations of state pension plans and a risk-free discount rate, which reflects the government's promise to make lifetime defined benefit pension payments to retirees, unfunded pension liabilities total almost $5 trillion, which amounts to an average of $15,080 in unfunded liabilities for every man, woman and child in the United States.

While the pension crisis is ravaging some states, such as Connecticut, Illinois, and New Jersey, other states are beginning the slow process of addressing their pension liabilities through policy reforms. Numerous states succeeded in achieving meaningful pension reform in recent years. By giving new employees the option of enrolling in defined contribution plans, granting employees more control over investment decisions, and increasing employer contributions, these states both increase the solvency of their public pension plans and give employees more liberty to make their own retirement decisions. Some of the lowest-funded states are beginning to see the necessity of serious pension reform as was mentioned in the New Jersey case study above.

State Taxes Affect State Growth

Year after year, the data presented in this publication demonstrate a relationship with states' economic condition. Dr. Randall Pozdena, formerly the research vice president at the Federal Reserve Bank of San Francisco and co-author of *Tax Myths Debunked*, compared the *Rich States, Poor States* economic outlook rankings to the Federal Reserve Bank of Philadelphia's state economic health indices from 2008 to 2012. Findings reveal a positive relationship:

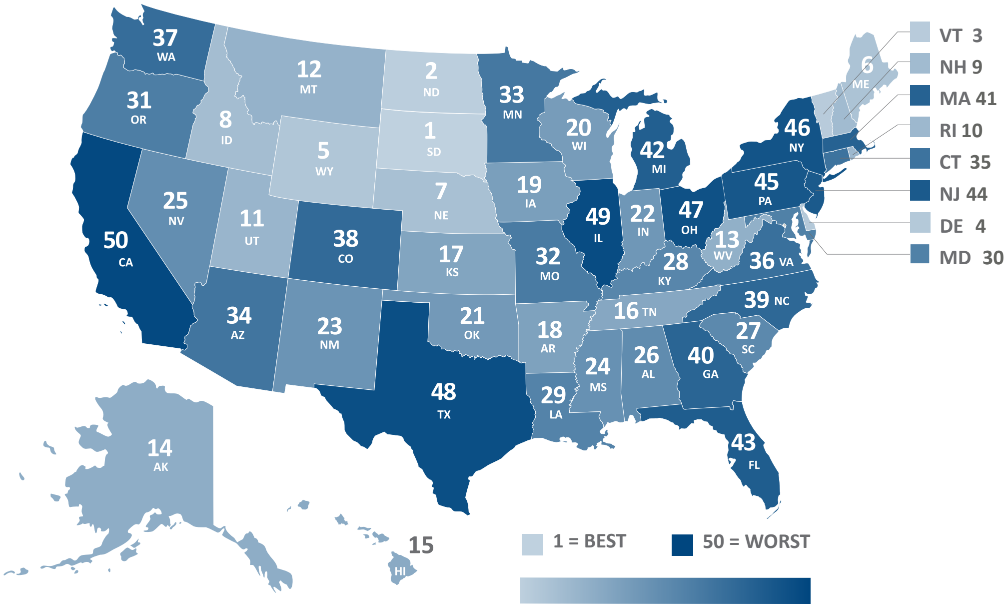
The formal correlation is not perfect (i.e., it is not equal to 100%) because there are other factors that affect a state's economic prospects. All economists would concede this obvious point. However, the ALEC-Laffer rankings alone have a 25 to 40% correlation with state performance rankings. This is a very high percentage for a single variable considering the multiplicity of idiosyncratic factors that affect growth in each state — resource endowments, access to transportation, ports and other marketplaces, etc.[124]

This study annually contrasts the nine states with no income tax — Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming — with the nine highest-income-tax states. Two of these states with no income tax — Tennessee and New Hampshire — currently tax so-called "unearned income" such as interest or investment dividends. As recently as 1960, 11 other states had no income tax but have since adopted one.

Whether, and how, a state taxes income can provide an important glimpse into its pursuit of economic growth and prosperity. This gives us a head-to-head comparison of states with no income tax and those with the highest income tax rates along with an observation of the effects experienced by the 11 states that chose to adopt an income tax over the past 57 years. For these comparisons, our research uses a 10-year rolling period to smooth out extraneous noise and one-off events so that we can see the long-term systematic effects taxes have on state economic performance. The results are remarkable. Table 4 compares the nine states which currently have no income tax to the nine states that currently have the highest tax rates.

On average, the nine no-income-tax states outperformed the nine highest-income-tax states and the nation as a whole in population, employment and personal income growth over the past decade. Gross state product growth slightly lagged in the nine no-income-tax states. How-

Figure 4, Table 3 | **Unfunded Liabilities in State Public Pension Plans**



State	Risk-Free Unfunded Liabilities	Rank	State	Risk-Free Unfunded Liabilities	Rank
South Dakota	$8,085,638,583.63	1	Alabama	$67,437,993,673.53	26
North Dakota	$8,761,680,266.46	2	South Carolina	$73,081,438,956.47	27
Vermont	$8,954,116,122.98	3	Kentucky	$78,757,474,540.66	28
Delaware	$11,209,552,268.25	4	Louisiana	$82,685,184,739.22	29
Wyoming	$11,735,339,612.67	5	Maryland	$82,864,011,589.93	30
Maine	$14,333,176,211.72	6	Oregon	$85,421,420,280.11	31
Nebraska	$15,762,090,811.49	7	Missouri	$86,896,555,657.34	32
Idaho	$15,778,713,937.19	8	Minnesota	$90,103,122,717.00	33
New Hampshire	$16,459,495,419.35	9	Arizona	$93,703,276,877.31	34
Rhode Island	$16,785,438,870.20	10	Connecticut	$94,864,011,214.24	35
Utah	$22,029,299,834.96	11	Virginia	$95,747,698,172.39	36
Montana	$24,281,056,135.81	12	Washington	$97,762,722,543.42	37
West Virginia	$27,605,493,322.79	13	Colorado	$99,566,298,766.88	38
Alaska	$29,459,806,480.10	14	North Carolina	$101,250,412,082.39	39
Hawaii	$36,692,427,005.98	15	Georgia	$126,271,834,206.80	40
Tennessee	$36,924,390,920.51	16	Massachusetts	$126,363,420,361.63	41
Kansas	$37,662,386,691.31	17	Michigan	$139,167,300,292.42	42
Arkansas	$39,464,841,630.25	18	Florida	$175,122,110,438.56	43
Iowa	$40,866,792,605.31	19	New Jersey	$196,810,498,087.95	44
Wisconsin	$42,706,299,777.93	20	Pennsylvania	$200,517,027,371.72	45
Oklahoma	$44,229,465,695.39	21	New York	$277,576,023,216.61	46
Indiana	$45,352,556,511.16	22	Ohio	$290,905,972,324.24	47
New Mexico	$49,127,169,375.79	23	Texas	$301,219,126,898.18	48
Mississippi	$61,531,351,056.57	24	Illinois	$359,553,997,754.76	49
Nevada	$63,931,899,479.58	25	California	$780,051,066,093.13	50

Source: Unaccountable and Unaffordable 2019, ALEC Center for State Fiscal Reform

Table 4 | The Nine States with the Lowest and Highest Marginal Personal Income Tax (PIT) Rates

	As of 1/1/2019	10-Year Growth				
		2008-2018				2006-2016
State	Top Marginal Earned PIT Rate†	Population	Employment	Personal Income	Gross State Product	State & Local Tax Revenue‡
Alaska	0.00%	7.30%	0.30%	34.60%	-1.40%	-22.90%
Florida	0.00%	15.00%	14.30%	44.80%	38.10%	3.20%
Nevada	0.00%	14.30%	12.60%	42.40%	28.20%	28.80%
South Dakota	0.00%	10.40%	2.90%	35.60%	40.70%	51.60%
Texas	0.00%	18.10%	19.90%	47.50%	43.50%	48.40%
Washington	0.00%	14.80%	10.10%	56.70%	58.30%	46.30%
Wyoming	0.00%	5.80%	-2.30%	31.80%	-7.50%	3.40%
New Hampshire§	0.00%	3.10%	4.00%	37.90%	39.10%	42.40%
Tennessee§	0.00%	8.40%	9.70%	46.00%	45.30%	28.00%
Avg. of 9 Zero Earned Income Tax Rate States*	0.00%	10.80%	7.90%	41.90%	31.60%	25.50%
50-State Average*	**5.63%**	**7.00%**	**5.70%**	**38.30%**	**34.80%**	**31.50%**
Average of 9 Highest Earned Income Tax Rate States*	10.53%	5.90%	5.80%	40.70%	39.60%	39.90%
Hawaii	7.85%	9.40%	9.30%	38.10%	36.80%	25.30%
Maryland	8.75%	0.30%	-0.40%	32.30%	31.30%	33.70%
Vermont	8.95%	6.30%	6.80%	35.60%	39.30%	41.20%
Minnesota	9.85%	6.90%	7.80%	40.40%	39.20%	49.70%
New Jersey	10.66%	11.20%	10.40%	49.90%	44.50%	47.70%
Maine	11.00%	6.60%	8.20%	38.00%	37.60%	49.00%
Oregon	11.75%	2.30%	-0.60%	32.90%	26.20%	27.30%
New York	12.70%	1.70%	0.50%	44.70%	52.50%	44.30%
California	13.30%	8.10%	10.30%	54.10%	49.10%	40.40%

** Averages are equal-weighted*

† Top Marginal PIT Rate is the top marginal rate on personal earned income imposed as of 1/1/2019 using the tax rate of each state's largest city as a proxy for the local tax. The deductibility of federal taxes from state tax liability is included where applicable.

‡ State & Local Tax Revenue is the 10-year growth in state and local tax revenue from the Census Bureau's State & Local Government Finances survey. Because of data release lag, these data are 2006 to 2016.

§ New Hampshire and Tennessee tax interest and dividend income—so-called "unearned" income—but not ordinary wage income.

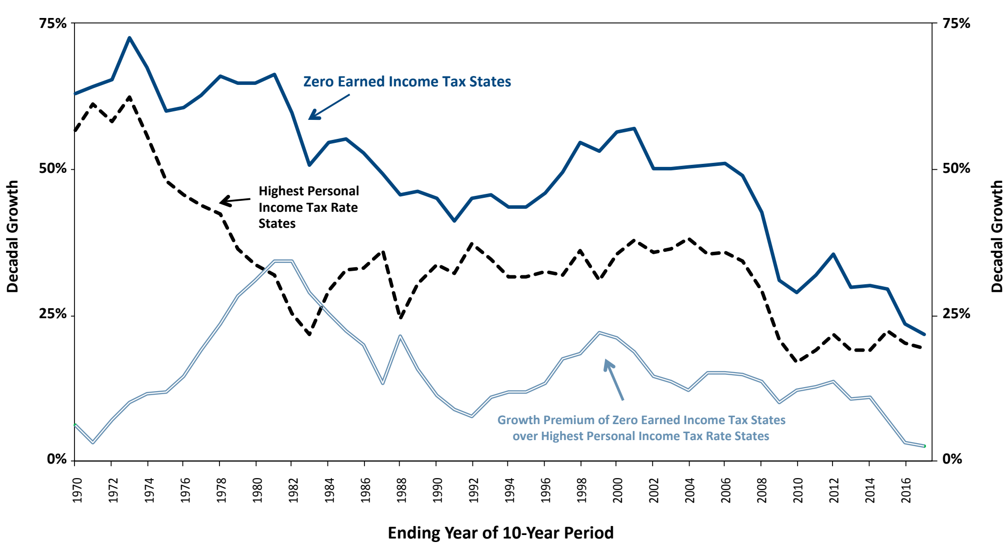
Source: Laffer Associates, U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis ever, it is important to note that Texas ranks first and Wyoming ranks third among the top 10 states in energy production.[125] In addition, Texas, Wyoming and Alaska rank among the top five states where mining is a leading contributor to GSP growth.[126] Volatile energy and commodity prices often determine the economic growth of states heavily reliant on select industries, like oil, gas and coal. Because of plunging energy prices, Alaska and Wyoming have seen disappointing GSP, and mediocre employment and population growth. The fact that no-income-tax states still outperform the nation on average despite a lagging effect from states dependent on resource extraction is a testament to how competitive tax policy really does matter for economic growth.

Using the same methodology — which for data reasons only permits comparisons back to 1970 — Figure 5 plots the 10-year growth of personal income for no-income-tax states, the equivalent number for the highest-income-tax states and the growth premium for the states that avoid income taxes. Here, too, the results are astounding. In every single year, no-income-tax states outperformed states with the highest income tax rates.

Data from the 11 states that adopted a personal income tax between 1961 and 1991 are also illuminating. These include West Virginia (1961), Indiana (1963), Michigan (1967), Nebraska (1968), Illinois (1969), Maine (1969), Rhode Island (1971), Pennsylvania (1971), Ohio (1972), New Jersey (1976) and Connecticut (1991). The authors looked at each of the primary economic metrics (population, employment, personal income, gross state product, and state and local tax revenues) in each of the 11 states for the four years prior to adopting the income tax, plus the actual year the income tax was adopted relative to the subsequent years. Each of the 11 states declined relative to the rest of the nation in each economic metric used above, including state and local tax revenues.

New Jersey may serve as the most vivid case study. In 1965, New Jersey had neither an income tax nor a sales tax, and it enjoyed some of the fastest growth in the nation. New Jersey also had a balanced budget. Contrast that with the Garden State today: excessive sales, property and income taxes, combined with one of the most sluggish economies in the nation and massive out-migration. These conditions and the gargantuan

FIGURE 5 | **10-Year Real Personal Income Growth Rates: No-Income-Tax-States and Highest-Income-Tax-States (Annual personal income deflated with GDP implicit price deflator, 1970 to 2018)**



Source: Bureau of Economic Analysis, Laffer Associates structural deficit prove that a ballooning budget and its associated tax burden can cripple economic prosperity. State taxes indeed matter for economic competitiveness.

Americans Continue to "Vote with their Feet"

Americans are constantly "voting with their feet" in response to the effects policy decisions have on state competitiveness. Net domestic migration and non-farm payroll data reveal millions of people are moving their families, businesses and incomes to more economically competitive states. Data from the Internal Revenue Service also show trillions of dollars of economic output shifting between states over the past few decades.

From 2002 to 2017, more than 20 million residents moved from one state to another.[127] That is nearly four times the number of people who live in the state of Colorado. A disproportionate share of migration occurred in just the last five years. Americans in search of better opportunities often turn to states that are economically attractive. This is a boon for states whose fiscal house is in order and outlook is bright, but a substantial growth deterrent to states whose outlook is already dire. This annual shift in domestic population represented $3 trillion in aggregate adjusted gross income (AGI) in aggregate from 1997 through 2016. Taxpayers moved from states with high personal and corporate income taxes to states with lower or — as is more often the case — no income taxes.[128] Net domestic migration differs from simple population growth by excluding deaths, births, and international migration. By eliminating the bias of happenstance, it is a reliable measure of the variables behind Americans' decisions to move from one state to another.

Americans move for many reasons, including job opportunities, higher incomes, more robust social mobility and an improvement in quality of life. While states are unable to change things like the weather or sunlight, their policy decisions can help foster economic opportunity. Those with lower taxes, reasonable regulatory burdens and sensible budgeting demonstrate a record of opportunity growth that continues to attract new residents.

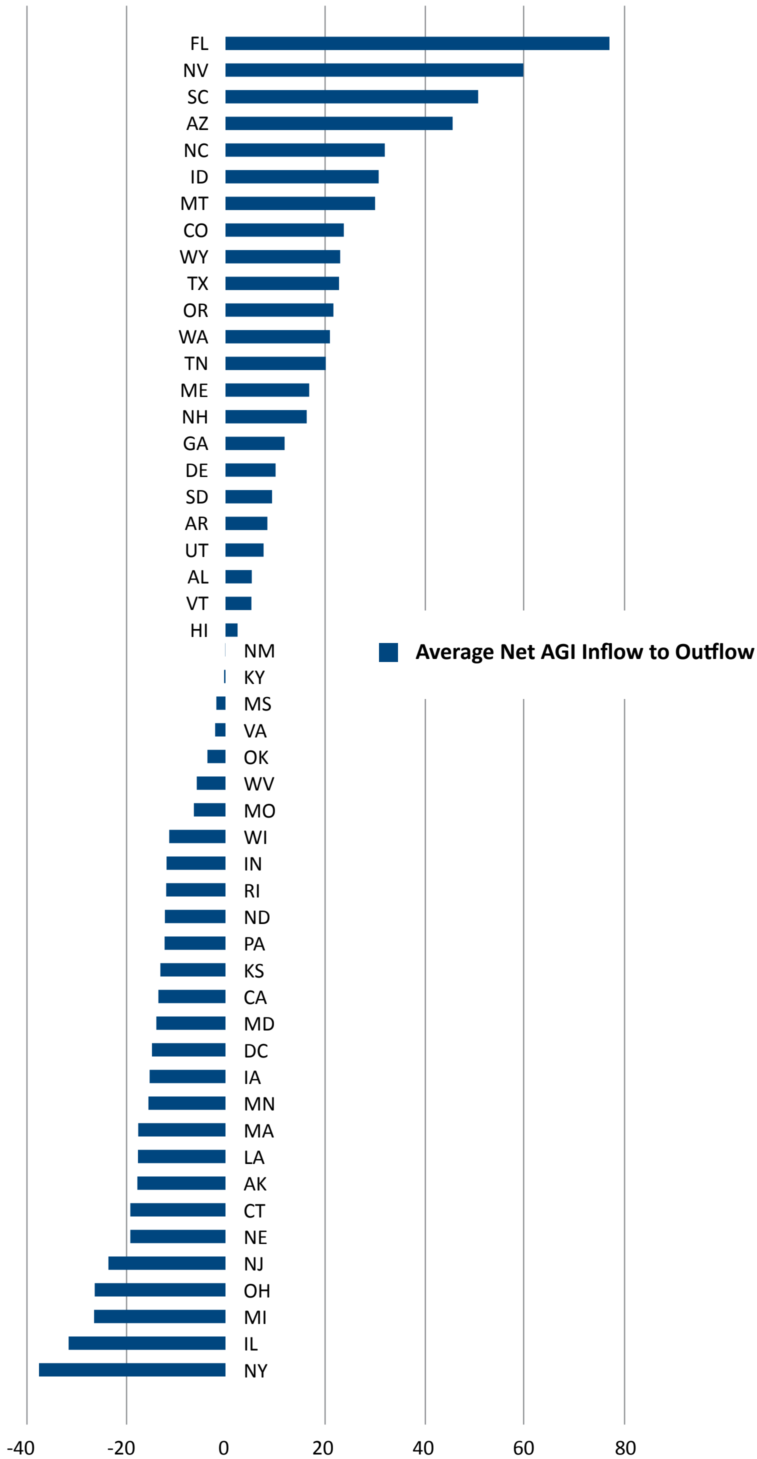
The ratio of inflowing to outflowing AGI from domestic migration is a simple way to quantify the strength of the economic tide toward or away from a state. Figure 6 graphs this AGI "premium" for each state from 1997-2016. For instance, a premium of 0.25 indicates that for every $1 lost through outmigration, the state gained $1.25 from in-migration. A negative premium of -0.25 indicates that for every $1 lost through outmigration, the state gained only $0.75 from in-migration. States with the highest AGI premiums are predominantly those without personal income taxes, while those with the worst outcomes tend to have high personal income taxes. It is no surprise that all nine states with no personal income tax experienced a net increase in AGI from domestic migration during this period. Florida and Nevada (both with no personal income tax) experienced the highest AGI premiums; for every $1.00 of AGI flowing out, Nevada gained almost $1.60 while Florida gained more than $1.75. Meanwhile, New York and Illinois languished at the bottom, the former losing nearly $1.40 for every $1.00 in incoming AGI and the latter approximately $1.31 for every $1.00 brought in by new residents. Beautiful California lost $1.12 for every $1.00 in incoming AGI over this extended timeframe.

Skeptics may point to sunny weather in Florida, Texas, Arizona and the Carolinas as a primary factor behind the flow of people and income away from places such as Illinois and New York. However, Figure 7 shows New Hampshire, Maine, South Dakota, Wyoming, Idaho and other states with snowy winters gaining AGI from domestic migration, as picturesque California experienced steady losses.

Each and every year, the nine no-income-tax states as a group have attracted a net positive amount of AGI from migrating tax filers (i.e. income earners). Meanwhile, over the past decade, the states with personal income taxes greater than 5% experienced a net decline in AGI from outmigration each and every year (Figure 8).

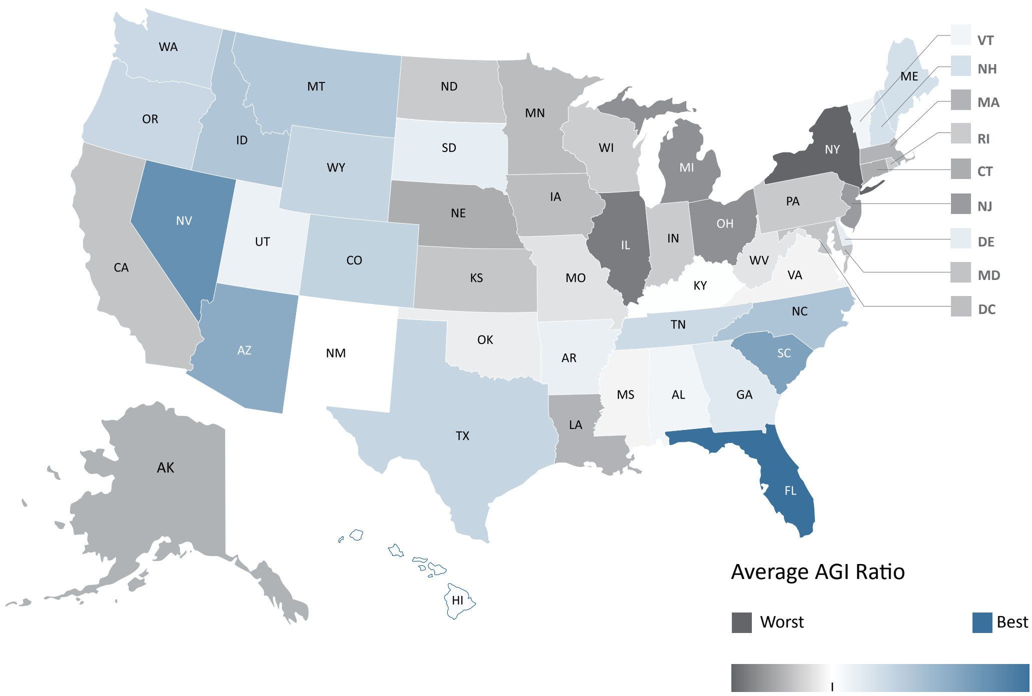
Demographic trends also affect state political power. Table 5 highlights projected gains and losses in 2020 reapportionment based on the long-term trend from 2010, according to Census data.[129] A strong, positive relationship exists

FIGURE 6 | **Wealth Flows to Low-Tax States and Away From High-Tax States, 1997 to 2017**



Source: Internal Revenue Service

FIGURE 7 | **States by Average AGI Ratio, 1997 to 2016**



Source: Internal Revenue Service

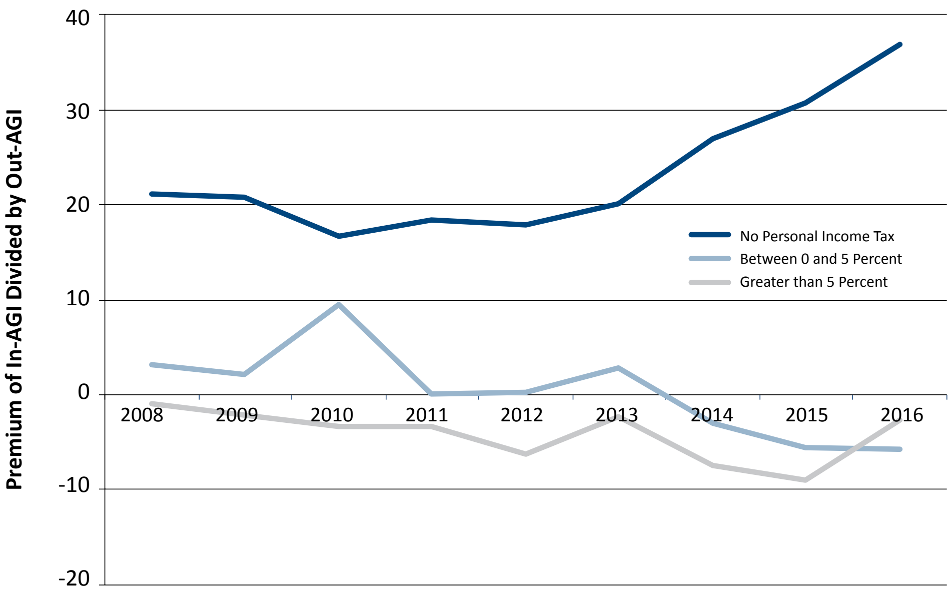
between a state's *Rich States, Poor States* economic outlook ranking and its anticipated gain (or loss) in seats as a result of reapportionment.[130] This relationship demonstrates that states experiencing higher population growth relative to others are the same states that have lower tax and regulatory burdens, better labor policies, lower government debt and greater transparency and accountability. New York, California, Illinois, Michigan and New Jersey have suffered extensive outmigration over the past decade. In California, from 2007-2016, more than 928,000 people left on net in search of sunnier economic opportunities. At 13.3%, California levies the highest top marginal personal income tax rate in the nation. On net, New York lost more than 1.3 million residents to more economically competitive states.

It is no surprise that taxpayers opt to move to greener pastures rather than endure a top combined state and local marginal personal income tax rate of 12.7% — the highest in the Northeast — and the worst economic outlook ranking in America. Contrastingly, the two states with the highest in-migration — Texas and Florida — levy no taxes on personal income. Furthermore, North Carolina has continued to phase in significantly reduced tax burdens through historic tax reform.

New estimates detail how states have grown since the last census in 2010 and provide insight on what we can expect from the upcoming 2020 Census. The United States has grown to more than 327 million residents, with economically competitive economies in Idaho, Nevada and Utah leading the way this past year in percentage growth.[131] Overall population growth takes into account birth rates, death rates, international immigration and domestic migration.

Once a decade, the political class in Washington pays close attention to state population flows, as the numbers will alter the makeup of congres-

FIGURE 8 | **Wealth is Fleeing High-Tax States.**



Source: Internal Revenue Service

TABLE 5 | **Anticipated Gains/Losses in Reapportionment (2020 projections vs. current)**

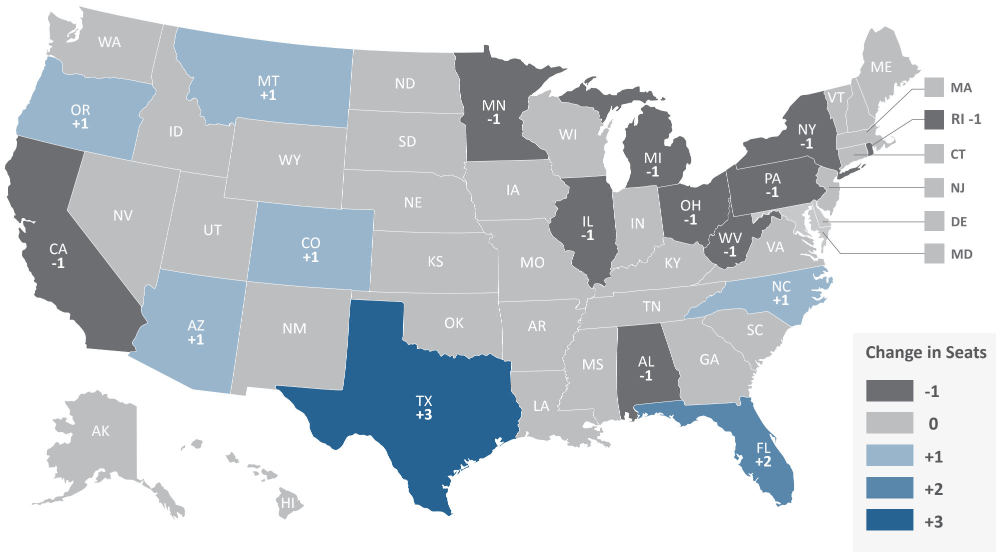
Top States Gaining	Number of Seats	RSPS Outlook	Top States Losing	Number of Seats	RSPS Outlook
Texas	3	15	Alabama	-1	21
Florida	2	9	Illinois	-1	48
North Carolina	1	6	Michigan	-1	12
Arizona	1	11	Minnesota	-1	41
Colorado	1	18	New York	-1	50
Oregon	1	44	Ohio	-1	24
Montana	1	39	Pennsylvania	-1	38
			Rhode Island	-1	43
			West Virginia	-1	31
			California	-1	47

Source: U.S. Census Bureau, Election Data Services

sional seats during the process of reapportionment and redistricting based on the total number of residents within a state.

The state facing the largest decline in political power appears to be Illinois. The Land of Lincoln suffered the largest net population loss of any state in the past year. Illinois, previously the fifth-largest state in the Union, was overtaken by Pennsylvania in 2018. Major tax increases passed in 2017 are unlikely to help this downward economic and demographic spiral.

FIGURE 9 | **Anticipated Changes in 2020 Reapportionment**



Source: U.S. Census, Election Data Services

The 2019 Census estimates also contain some troubling news for the nation's largest state, California. The 2010 Census was the first in history in which California did not gain any congressional seats, and 2020 could be worse. Some projections show high-tax California is on the bubble of actually losing a congressional seat in 2020, an occurrence which has not taken place in its more than 165 years of statehood. This is a shocking development for a state that gained seven seats between 1980 and 1990.[132]

Additionally, Rhode Island may lose one of its two congressional seats in 2020. For history buffs, this would be the first time since 1789 that Rhode Island has had only one congressional seat. New York, another state with extremely high tax burdens, is set to lose one to two seats in 2020, making this the eighth census in a row that the Empire State has forfeited seats. Since the 1940 Census, New York has lost 18 congressional seats. The new count in 2020 would add to this alarming trend.

Conversely, Florida and Texas are likely to be big winners in 2020. Current projections have Florida gaining two new seats, with Texas set to gain three new seats. This is a continuation of long-term trends for both states. Texas has gained seats every census since 1940, while Florida's uninterrupted streak extends back into the 19th Century.

Americans are voting with their feet in response to policy decisions and state competitiveness. The census migration data reveal that millions of people are moving their families, businesses and incomes to more economically competitive states. This country has always been the land of opportunity, offering immigrants the chance to live the American Dream. It is easy to forget that migration within our own borders occurs for similar reasons. People have many motives when choosing what state to reside in, like proximity to family members and better weather, but migration to pursue economic opportunity is a key factor.

When you tax something, you get less of it. Pro-growth policies, such as lighter tax and regulatory burdens, boost state economic activity and attract citizens looking to enhance their well-being. The 2019 Census estimates provide a clear manifestation of how states with competitive free market policies continue to win the day.

TABLE 6 | **State Migration Winners and Losers**

The Ten States with the Greatest Net In-Migration Net Domestic Migration (Cumulative 2005-2016)			The Ten States with the Greatest Net Out-Migration Net Domestic Migration (Cumulative 2005-2016)		
Rank	**State**	**Absolute Domestic Migration**	**Rank**	**State**	**Absolute Domestic Migration**
1	Texas	1,459,135	41	Connecticut	-184,522
2	Florida	1,127,416	42	Massachusetts	-230,305
3	North Carolina	793,431	43	Ohio	-236,617
4	Arizona	719,802	44	Louisiana	-257,292
5	Georgia	550,869	45	Alaska	-449,049
6	South Carolina	480,105	46	Michigan	-588,260
7	Colorado	423,387	47	New Jersey	-823,589
8	Washington	405,175	48	Illinois	-1,007,596
9	Oregon	306,352	49	California	-1,604,202
10	Tennessee	244,670	50	New York	-1,883,571

Source: U.S. Census Bureau

Conclusion

2019 has seen a mixture of policy successes and setbacks for taxpayers and business owners. Leftovers from the Tax Cuts and Jobs Act led to landmark tax reforms in Arizona, South Carolina and Virginia. Gov. Asa Hutchinson and legislative leaders ushered in the third phase of tax reform for Arkansas, transforming the state into a regional economic competitor. On the other hand, new governors and legislative majorities following the 2018 elections led to huge tax increases in Connecticut, Illinois and Oregon; pre-emption of worker freedoms in New Mexico; and massive minimum wage and tax hikes in NM that will cost countless low-skilled workers critical job opportunities. As some states reform policies to become more economically competitive and other take steps backward, future editions of this publication will continue to be the bellwether for how states generate long-term prosperity.

Endnotes

1 Williams, Jonathan and Estes, Skip. *State Tax Cut Roundup: 2018.* American Legislative Exchange Council. 2019. https://www.alec.org/app/uploads/2019/05/2018-State-Tax-Cut-Roundup-Web.pdf

2 Williams, Jonathan,, et al. *State Tax Cut Roundup: 2015 Legislative Session*. American Legislative Exchange Council. 2016. https://www.alec.org/app/uploads/2016/03/2016-03-15-State-Tax-Cut-Roundup_FINAL.pdf

3 Williams, Jonathan,, et al. *State Tax Cut Roundup: 2016 Legislative Session*. American Legislative Exchange Council. 2017. https://www.alec.org/app/uploads/2017/03/2017-02-14-TCR-Final-2.pdf

4 Williams, Jonathan, et al. *State Tax Cut Roundup: 2017 Legislative Session*. American Legislative Exchange Council. 2018. https://www.alec.org/app/uploads/2018/02/2018-TCR-final-02202018.pdf

5 Williams, Jonathan and Estes, Skip. State Tax Cut Roundup: 2018. American Legislative Exchange Council. 2019. https://www.alec.org/app/uploads/2019/05/2018-State-Tax-Cut-Roundup-Web.pdf

6 Gibbs, Douglas. "Fiscal Note." LB 1090. Nebraska Legislative Fiscal Office. February 6, 2018. https://nebraskalegislature.gov/FloorDocs/105/PDF/FN/LB1090_20180206-134350.pdf

7 Robinson, Jeff. "Fiscal Note." SF 2417. Fiscal Services Division. Iowa Legislative Services Agency. May 5, 2018. https://www.legis.iowa.gov/docs/publications/FN/965637.pdf

8 "Fiscal Note." House Bill 2540. Missouri Committee on Legislative Research Oversight Division. May 15, 2018. https://house.mo.gov/billtracking/bills181/fiscal/fispdf/6148-10A.ORG.pdf

9 Hauenschild, Jonathon P., Griffith, Joel, and Cleland, Bartlett. "Brief Amicus Curiae for the American Legislative Exchange Council in Support of the Respondent." South Dakota v. Wayfair, Inc. The Supreme Court of the United States. 2018. https://www.alec.org/app/uploads/2018/04/17-494bsacALEC.pdf

10 Robinson, Jeff. "Fiscal Note." SF 2417. Fiscal Services Division. Iowa Legislative Services Agency. May 5, 2018. https://www.legis.iowa.gov/docs/publications/FN/965637.pdf

11 Williams, Jonathan, Griffith, Joel, Smith, Christine, and Young, Elliot. *State of the States: An Analysis of the 2017 Governors' Addresses*. American Legislative Exchange Council. 2017. https://www.alec.org/app/uploads/2017/06/State-of-the-States-2017-1.pdf

12 Rosewicz, Barb. "Despite Year-End Dip, State Tax Revenue Is Still High." *Fiscal 50: State Trends and Analysis*. Pew Charitable Trusts. August 20, 2019. https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind0

13 Ibid.

14 Ibid.

15 "2018 Tax Cuts & Jobs Act Overview." Smith & Howard. March, 2018. https://www.smith-howard.com/2018-tax-cuts-jobs-act-overview/

16 "State Tax Conformity: Revenue Effects." Tax Foundation. N.d. https://taxfoundation.org/state-tax-conformity-revenue-effects/#resources

17 Williams, Jonathan, Young, Elliot, and Griffith, Joel. "State Tax Cut Roundup: 2017." American Legislative Exchange Council. February 2018. https://www.alec.org/app/uploads/2018/02/2018-TCR-final-02202018.pdf

18 Walczak, Jared. "Toward a State of Conformity: State Tax Codes a Year After Federal Tax Reform." Tax Foundation. January 28, 2019. https://taxfoundation.org/state-conformity-one-year-after-tcja/

19 "State Tax Conformity: Revenue Effects." Tax Foundation. N.d. https://taxfoundation.org/state-tax-conformity-revenue-effects/

20 Gilmore, Savannah. "2018 State Tax Actions." National Conference of State Legislatures. December 17, 2019. http://www.ncsl.org/research/fiscal-policy/2018-state-tax-actions.aspx

21 Williams, Jonathan and Estes, Skip. State Tax Cut Roundup: 2018. American Legislative Exchange Council. 2019. https://www.alec.org/app/uploads/2019/05/2018-State-Tax-Cut-Roundup-Web.pdf

22 Walczak, Jared. "Arizona Delivers Rate Cuts and Tax Conformity." Tax Foundation. June 6, 2019. https://taxfoundation.org/arizona-income-tax-cuts-tax-conformity/

23 Williams, Jonathan and Estes, Skip. State Tax Cut Roundup: 2018. American Legislative Exchange Council. 2019. https://www.alec.org/app/uploads/2019/05/2018-State-Tax-Cut-Roundup-Web.pdf

24 Regimbal, Jim. "Understanding the impact of Virginia Tax Reform (HB 2529, SB 1372) in response to the Federal Tax Cuts and Jobs Act of 2017." Virginia Association of Counties. February 14, 2019. https://www.vaco.org/understanding-the-impact-of-virginia-tax-reform-hb-2529-sb-1372-in-response-to-the-federal-tax-cuts-and-jobs-act-of-2017/

25 Ibid.

26 Lucas, Jolliff, and Shuford. "Statement of Estimated Fiscal Impact." H. 5341. South Carolina Revenue and Fiscal Affairs Office. September 19, 2018. https://www.scstatehouse.gov/sess122_2017-2018/fiscalimpactstatements/H5341%202018-09-18%20amended.pdf

27 Ibid.

28 Williams, Jonathan, et al. "State Tax Cut Roundup." American Legislative Exchange Council. 2014-2019. https://www.alec.org/periodical/tax-cut-roundup/

29 Loughead, Katherine and Wei, Emma. "State Individual Income Tax Rates and Brackets for 2019." Tax Foundation. March 20, 2019. https://taxfoundation.org/state-individual-income-tax-rates-brackets-2019/

30 "State of the State Address." Office of Governor Asa Hutchinson. January 15, 2019. https://governor.arkansas.gov//images/uploads/Gov_Hutchinson_State_of_the_State_01_15_19_.pdf

31 Williams, Jonathan, et al. State Tax Cut Roundup: 2015 Legislative Session. American Legislative Exchange Council. 2016. https://www.alec.org/app/uploads/2016/03/2016-03-15-State-Tax-Cut-Roundup_FINAL.pdf

32 Williams, Jonathan, et al. *State Tax Cut Roundup: 2016 Legislative Session*. American Legislative Exchange Council. 2017. https://www.alec.org/app/uploads/2017/03/2017-02-14-TCR-Final-2.pdf

33 "Legislative Impact Statement." SB 211. Department of Finance and Administration. February 11, 2019. http://www.arkleg.state.ar.us/assembly/2019/2019R/Fiscal%20Impacts/SB211-DFA3.pdf

34 "Legislative Impact Statement." SB 576. Department of Finance and Administration. April 2, 2019. http://www.arkleg.state.ar.us/assembly/2019/2019R/Fiscal%20Impacts/SB576-DFA4.pdf

35 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Arkansas." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/AR/

36 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Tennessee." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/TN/

37 "Governor Lamont Signs First State Budget: Does Not Include Any Tax Rate Increases or Cuts to Essential Services, Keeps Cities and Towns Whole." The Office of Governor Ned Lamont. June 26, 2019. https://portal.ct.gov/Office-of-the-Governor/News/Press-Releases/2019/06-2019/Governor-Lamont-Signs-First-State-Budget

38 "Zullo Votes "No" on CT Budget that Hikes Taxes $1.7B." Patch. June 6, 2019. https://patch.com/connecticut/easthaven/zullo-votes-no-ct-budget-hikes-taxes-1-7b

39 Krasselt, Kaitlyn. "A Guide to Connecticut Taxes You'll Pay in New State Budget." *The Middletown Press*. June 9, 2019. https://www.middletownpress.com/news/article/A-guide-to-taxes-you-ll-pay-in-new-state-budget-13961104.php

40 Ibid.

41 Gilmore, Savannah. "2018 State Tax Actions." National Conference of State Legislatures. December 17, 2019. http://www.ncsl.org/research/fiscal-policy/2018-state-tax-actions.aspx

42 Ibid.

43 Ibid.

44 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Illinois." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index* 12th Edition. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/IL/

45 Marin, Carol and Moseley, Don. "Illinois Victories May Fuel Pritzker's Graduated Income Tax, But It's Easier Said Than Done." NBC 5 Chicago. November 7, 2018. https://www.nbcchicago.com/blogs/ward-room/illinois-victories-may-fuel-pritzker-graduated-income-tax-499968861.html

46 Associated Press. "Pritzker Signs Illinois Budget, Income Tax Measure." CBS 2 Chicago. June 5, 2019. https://chicago.cbslocal.com/2019/06/05/pritzker-to-sign-illinois-budget/

47 Bentle, Kyle, Berlin, Jonathon, and Yoder, Chad. "Illinois Income Tax Calculator: How Would Gov. J.B. Pritzker's Proposed Graduated Income Tax Affect You?" *Chicago Tribune.* "May 4, 2019. https://www.chicagotribune.com/politics/ct-viz-graduated-income-tax-calculator-htmlstory.html

48 Berg, Austin. "Pritzker Progressive Tax Amendment Allows for Nation's Highest Tax on Business Income." Illinois Policy Institute. April 11, 2019. https://www.illinoispolicy.org/pritzker-progressive-tax-amendment-allows-for-nations-highest-tax-on-business-income/

49 "Income Tax Ballot Measures." Washington Secretary of State. https://www.sos.wa.gov/elections/research/income-tax-ballot-measures.aspx

50 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Illinois." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/IL/

51 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Indiana." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/IN/

52 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Wisconsin." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/WI/

53 "Illinois." IRS Tax Migration. How Money Walks. https://www.howmoneywalks.com/irs-tax-migration/

54 Borrud, Hillary. "Oregon Governor Signs Multibillion-Dollar Tax and Education Funding Bill into Law." *The Oregonian*. May 16, 2019. https://www.oregonlive.com/politics/2019/05/oregon-governor-signs-multibillion-dollar-tax-and-education-funding-bill-into-law.html

55 Ibid.

56 Associated Press. "Oregon is Poised to Pass Cap-and-Trade Climate Policy, Joining California." *Los Angeles Times*. June 17, 2019. https://www.latimes.com/business/la-fi-oregon-climate-policy-cap-and-trade-20190617-story.html

57 Ibid.

58 Allanach, Chris. "LRO Forecast Summary." Legislative Revenue Office. June 2019. https://olis.leg.state.or.us/liz/2019R1/Downloads/CommitteeMeetingDocument/199624

59 VanderHart, Dick. "Kotek Introduces Bill To Redirect Half Of Oregon's Record 'Kicker' Tax Refund." Oregon Public Broadcasting. May 16, 2019. https://www.opb.org/news/article/oregon-kicker-tax-refund-2020-tina-kotek-bill-half/

60 Ibid.

61 Williams, Jonathan, Savidge, Thomas, Schalk, Lee and Williams, Bob. *Unaccountable and Unaffordable 2019* (Forthcoming). American Legislative Exchange Council. 2020.f

62 Williams, Jonathan, Savidge, Thomas, and Schalk, Lee. "Other Post-Employment Benefits 2019." American Legislative Exchange Council. January 23, 2020. https://www.alec.org/app/uploads/2020/01/OPEB-FEBRUARY-WEB.pdf

63 Borrud, Hillary. "Oregon Governor Signs Multibillion-Dollar Tax and Education Funding Bill into Law." *The Oregonian*. May 16, 2019. https://www.oregonlive.com/politics/2019/05/oregon-governor-signs-multibillion-dollar-tax-and-education-funding-bill-into-law.html

64 "The Top Tech Companies in Utah and Idaho." Stevens-Henager College. August 25, 2017. https://www.stevenshenager.edu/blog/top-tech-companies-in-utah-and-idaho

65 Marr, Chris. "States With $15 Minimum Wage Laws Doubled This Year." *Bloomberg Law*. May 23, 2019. https://news.bloomberglaw.com/daily-labor-report/states-with-15-minimum-wage-laws-doubled-this-year

66 "Characteristics of Minimum Wage Workers, 2018." BLS Report 1078. Bureau of Labor Statistics. United States Department of Labor. March 2019. https://www.bls.gov/opub/reports/minimum-wage/2018/home.htm

67 Ibid.

68 Ibid.

69 Garthwaite, Craig. "Minimum Wage and Its Effects on Small Business: A Hearing Before the Subcommittee on Workforce, Empowerment, and Government Programs." Employment Policies Institute. April 29, 2004. https://www.epionline.org/wp-content/studies/epi_minimumwage_04-2004.pdf

70 Wilterdink, Ben. "Skill Formation and the Minimum Wage." Archbridge Institute. March 28, 2018. https://www.archbridgeinstitute.org/skill-formation-min-wage/

71 McGurn, William. "Bring Back the Work Ethic." *The Wall Street Journal*. September 4, 2017. https://www.wsj.com/articles/bring-back-the-work-ethic-1504549941

72 Baum, Charles L. and Ruhm, Christopher J. "The Lasting Benefits of Early Work Experience." Employment Policies Institute. August 2014. https://www.epionline.org/wp-content/uploads/2014/08/EPI_LastingBenefitsofEarlyWorkExperience2.pdf

73 H.B. 1530. 2019 Legislative Session. North Dakota House of Representatives. https://www.legis.nd.gov/assembly/66-2019/bill-actions/ba1530.html

74 Rauschenberger, Ryan. "2018 State and Local Taxes: An Overview and Comparative Guide." North Dakota Office of State Tax Commissioner. https://www.nd.gov/tax/data/upfiles/media/2018-red-book-web.pdf?20190820085921

75 Hageman, John. "North Dakota House Approves Plan to Tap Legacy Fund for Income Tax Reductions." *Inforum*. February 14, 2019. https://www.inforum.com/news/government-and-politics/970279-North-Dakota-House-approves-plan-to-tap-Legacy-Fund-for-income-tax-reductions

76 "What Are Taxes Like in Your State?" Center for State Tax Policy. Tax Foundation. 2019. https://taxfoundation.org/center/state-tax-policy/

77 "2017 Infrastructure Report Card." American Society of Civil Engineers. 2019. https://www.infrastructurereportcard.org/

78 "Best States 2019." Education Rankings. *U.S. News & World Report.* 2019. https://www.usnews.com/news/best-states/rankings/education

79 Sigritz, Brian. "State Expenditure Report: Fiscal Year 2016." National Association of State Budget Officers. 2017. https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/SER%20Archive/State_Expenditure_Report__Fiscal_2015-2017_-S.pdf

80 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org

81 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "New Hampshire." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/NH/

82 Ibid.

83 "Governor Chris Sununu Vetoes Income Tax." Governor Sununu Press Office. May 9, 2019. https://www.governor.nh.gov/news-media/press-2019/20190509-income-tax-veto.htm

84 Ibid.

85 Legnos, Jillian and Padilla, Oscar. "Summary: State of Washington; Appropriations; General Obligation." S&P Global Ratings. August 28, 2019. https://www.tre.wa.gov/wp-content/uploads/2020ABT-R-2020AB-SP-2019.08.28-Report.pdf

86 RCW 43.88.055. "Legislative Balanced Budget Requirement." Washington State Legislature.

87 Legnos, Jillian and Padilla, Oscar. "Summary: State of Washington; Appropriations; General Obligation." S&P Global Ratings August 28, 2019. https://www.tre.wa.gov/wp-content/uploads/2020ABT-R-2020AB-SP-2019.08.28-Report.pdf

88 Williams, Jonathan, Savidge, Thomas, and Schalk, Lee. "Other Post-Employment Benefits 2019." American Legislative Exchange Council. January 23, 2020. https://www.alec.org/app/uploads/2020/01/OPEB-FEBRUARY-WEB.pdf

89 Williams, Jonathan, Savidge, Thomas, Schalk, Lee and Williams, Bob. *Unaccountable and Unaffordable 2019* (Forthcoming). American Legislative Exchange Council. 2020.

90 "ALEC Principles of Taxation." Center for State Fiscal Reform. American Legislative Exchange Council. June 29, 2015. https://www.alec.org/model-policy/statement-alec-principles-of-taxation/

91 "State Constitutional Amendment for a Balanced Budget." Center for State Fiscal Reform. American Legislative Exchange Council. September 12, 2016. https://www.alec.org/model-policy/state-constitutional-amendment-for-a-balanced-budget/

92 "ALEC Statement of Principles on Sound Pension Practices." Center for State Fiscal Reform. American Legislative Exchange Council. September 12, 2016. https://www.alec.org/model-policy/alec-statement-of-principles-on-sound-pension-practices/

93 Williams, Jonathan, Savidge, Thomas, Schalk, Lee and Williams, Bob. *Unaccountable and Unaffordable 2019* (Forthcoming). American Legislative Exchange Council. 2020.

94 Steyer, Robert. "N.J. Governor Pushes for Higher Contribution to State Pension Fund."

95 Platkin, Matthew J. "Revenue Certification." Office of Management and Budget. July 1, 2019. https://www.nj.gov/treasury/omb/publications/20budget/pdf/revcert20.pdf

96 Loughead, Katherine. "How High Are State and Local Tax Collections in Your State?" Tax Foundation. January 23, 2019. https://taxfoundation.org/state-local-tax-collections-per-capita-2019/

97 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "New Jersey." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/NJ/

98 Howley, Tony. "Sweeney's Pension Proposal is What Our State Needs." Northjersey.com. August 17, 2019. https://www.northjersey.com/story/opinion/contributors/2019/08/17/sweeneys-pension-proposal-what-nj-needs-howley/2030764001/

99 "States With Most Government Employees: Totals and Per Capita Rates." Governing Magazine. 2014. https://www.governing.com/gov-data/public-workforce-salaries/states-most-government-workers-public-employees-by-job-type.html

100 Sawe, Benjamin Elisha. "The 50 US States Ranked By Population." World Atlas. August 15, 2019. https://www.worldatlas.com/articles/us-states-by-population.html

101 Williams, Jonathan, Savidge, Thomas, Schalk, Lee and Williams, Bob. *Unaccountable and Unaffordable 2019* (Forthcoming). American Legislative Exchange Council. 2020.

102 "What is BDS?" Palestinian BDS National Committee. N.d. https://bdsmovement.net/what-is-bds

103 "Investment Policy for Mitigating Environmental, Social, and Governance Risks (ESG)" California State Teachers' Retirement System (CalSTRS). 2018. Retrieved from: https://www.calstrs.com/general-information/investment-policy-mitigating-environmental-social-and-governance-risks

104 Raleigh, Helen. "You're On The Hook For Trillions In Pension Overpromises, And Divestment Is Making It Worse." The Federalist. June 20, 2019. https://thefederalist.com/2019/06/20/youre-hook-trillions-public-pension-overpromises-leftist-divestment-making-worse/

105 "Petition CalPERS and CalSTRS to Divest from Fossil Fuels!" Fossil Free California. N.d. https://actionnetwork.org/petitions/divest-calstrs-calpers-or-other-pension-fund-2/

106 Gillers, Heather. "Calpers' Dilemma: Save the World or Make Money?" *The Wall Street Journal*. June 16, 2019. https://www.wsj.com/articles/calpers-dilemma-save-the-world-or-make-money-11560684601

107 Williams, Jonathan, Savidge, Thomas, Schalk, Lee and Williams, Bob. *Unaccountable and Unaffordable 2019* (Forthcoming). American Legislative Exchange Council. 2020.

108 Ibid.

109 Lyman, Andy. "Lujan Grisham Signs Bill Invalidating Counties' Right-to-Work Laws." NM Political Report. March 29, 2019. https://nmpoliticalreport.com/2019/03/29/lujan-grisham-signs-bill-invalidating-counties-right-to-work-laws/

110 "Right to Work States." National Right To Work Legal Defense Foundation. 2018. https://www.nrtw.org/right-to-work-states/

111 Eisenach, Jeffrey A. "Right-to-Work Laws: The Economic Evidence." NERA Economic Consulting. National Economic Research Associates. June 2015. https://www.nera.com/content/dam/nera/publications/2015/PUB_Right_to_Work_Laws_0615.pdf

112 Bryan, Susan Montoya and Lee, Morgan. "New Mexico House Approves Tax Hike Despite GOP Concerns." *U.S. News and World Report*. March 2, 2019. https://www.usnews.com/news/best-states/new-mexico/articles/2019-03-01/new-mexico-contemplates-tax-hike-to-underwrite-education

113 Ibid.

114 Quinlan, Sarah. "Florida Supermajority Requirement for Tax Increases Goes into Effect." The Heartland Institute. February 1, 2019. https://www.heartland.org/news-opinion/news/florida-voters-pass-a-supermajority-requirement-for-tax-increases

115 "Super-Majority Act." American Legislative Exchange Council. January 29, 2013. https://www.alec.org/model-policy/super-majority-act-2/

116 Quinlan, Sarah. "Florida Supermajority Requirement for Tax Increases Goes into Effect." The Heartland Institute. February 1, 2019. https://www.heartland.org/news-opinion/news/florida-voters-pass-a-supermajority-requirement-for-tax-increases

117 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. "Florida." *Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition*. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org/states/FL/

118 Bongiovanni, Domenica. "Indiana's Balanced Budget Amendment, Championed by Mike Pence, Easily Passes." *Indianapolis Star.* November 6, 2018. https://www.indystar.com/story/news/politics/elections/2018/11/06/indiana-election-2018-balanced-budget-amendment-public-question-ballot-passes/1808887002/

119 Ibid.

120 Goodnough, Abby. "Vermont Exercising Option to Balance the Budget." *The New York Times.* April 23, 2011. https://www.nytimes.com/2011/04/24/us/24vermont.html

121 White, Kathryn Vesey. "Budget Processes in the States." National Association of State Budget Officers. Spring 2015. https://higherlogicdownload.s3.amazonaws.com/NASBO/9d2d2db1-c943-4f1b-b750-0fca152d64c2/UploadedImages/Budget%20Processess/2015_Budget_Processes_-_S.pdf

122 Gilroy, Leonard and Williams, Jonathan. "State Budget Reform Toolkit." American Legislative Exchange Council. 2011. https://www.alec.org/app/uploads/2011/10/Budget_toolkit.pdf

123 Laffer, Arthur B., Moore, Stephen and Williams, Jonathan. Rich States, Poor States: ALEC-Laffer Economic Competitiveness Index 12th Edition. American Legislative Exchange Council. April 15, 2019. https://www.richstatespoorstates.org

124 Fruits, Eric, and Pozdena, Randall. *Tax Myths Debunked.* American Legislative Exchange Council. 2013. https://www.alec.org/app/uploads/2013/01/2013-1-31-Tax_Myths.pdf

125 U.S. Energy Information Administration, Rankings: Total Energy Production, 2017 (trillion Btu). https://www.eia.gov/state/rankings/#/series/101

126 "Gross Domestic Product by State: Fourth Quarter and Annual 2018." Bureau of Economic Analysis. U.S. Department of Commerce. May 1, 2019. https://www.bea.gov/news/2019/gross-domestic-product-state-fourth-quarter-and-annual-2018

127 U.S. Census Bureau. "Change in Domestic Migration."

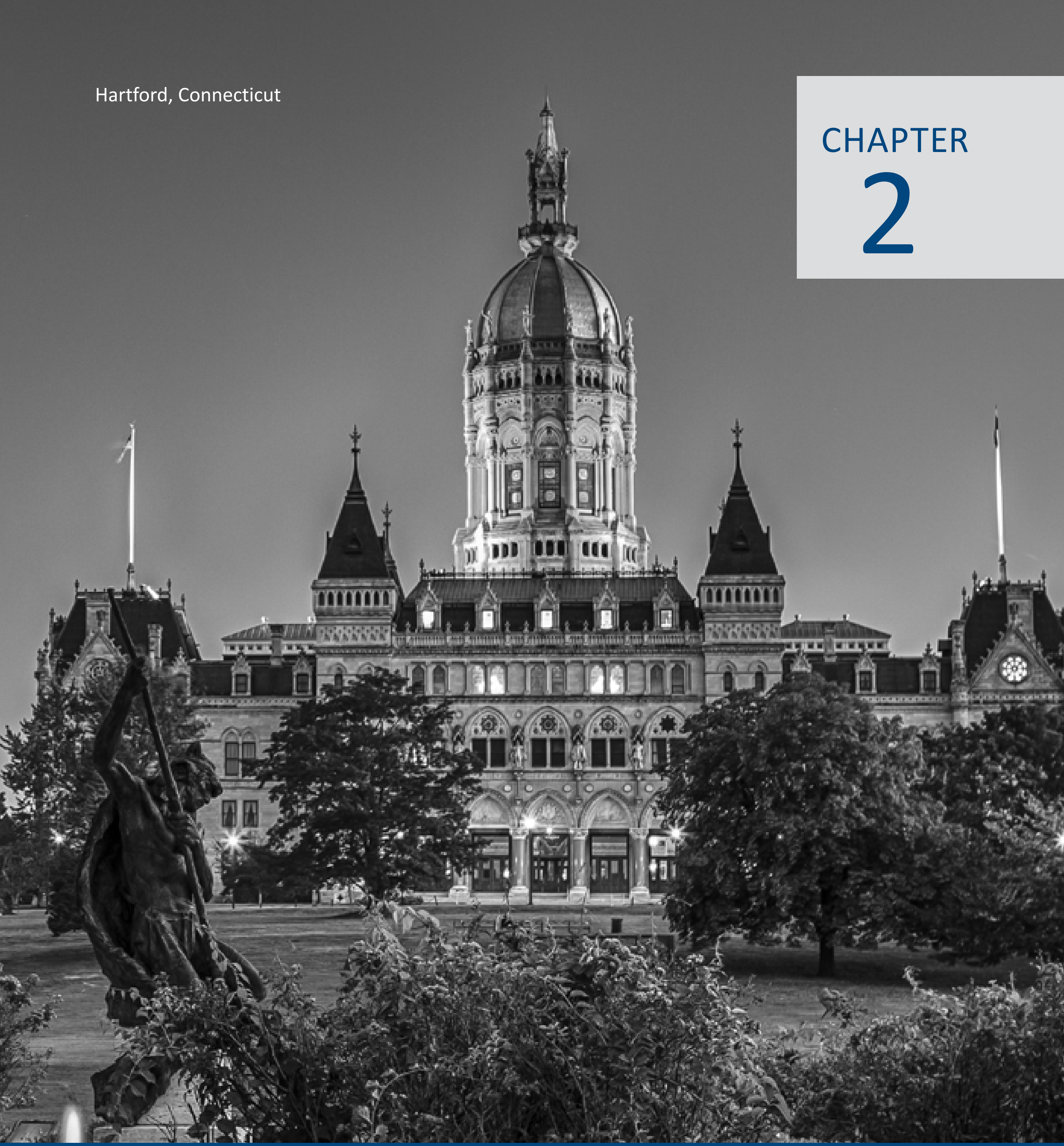
128 SOI Tax States-Migration Data. Internal Revenue Service. https://www.irs.gov/uac/soi-tax-stats-migration-data

129 "Some Change in Apportionment Allocations With New 2017 Census Estimates; But Greater Change Likely by 2020." Anticipated Gains/Losses in Reapportionment 2020 Projections, Based on long-term trend from 2010-2017. Page 14. Election Data Services. December 26, 2017. https://www.electiondataservices.com/wp-content/uploads/2017/12/NR_Appor17c3wTablesMapsC2.pdf

130 "Some Change in Apportionment Allocations With New 2017 Census Estimates; But Greater Change Likely by 2020." Anticipated Gains/Losses in Reapportionment 2020 Projections, Based on long-term trend from 2010-2017. Page 14. Election Data Services. December 26, 2017. https://www.electiondataservices.com/wp-content/uploads/2017/12/NR_Appor17c3wTablesMapsC2.pdf

131 U.S. Census Bureau. https://www.census.gov/newsroom/press-releases/2017/estimates-idaho.html

132 "Some Change in Apportionment Allocations With New 2017 Census Estimates; But Greater Change Likely by 2020." Anticipated Gains/Losses in Reapportionment 2020 Projections, Based on long-term trend from 2010-2017. Page 14. Election Data Services. December 26, 2017. https://www.electiondataservices.com/wp-content/uploads/2017/12/NR_Appor17c3wTablesMapsC2.pdf



Hartford, Connecticut

CHAPTER 2

Connecticut's Economic Freefall

Connecticut's Economic Freefall

Connecticut — What's Wrong Now

The citizens of Connecticut are up to their necks in hot water, and their government keeps throwing lead vests instead of life jackets. Since the Great Recession, Connecticut's gross state product (GSP) growth is third from the bottom of all states. Looking at Table 1, from the official trough of the Great Recession to the present (Q2 2009 to Q4 2018), Connecticut's real GSP grew at a 0.1% average annual rate, coming in about 1.8 percentage points below the U.S. average of 1.9%. Connecticut's real personal income growth is the lowest in the nation at an average growth rate of 0.72% per year since the 2008 financial crisis. For reference, the U.S. average was 2.17% per year over the same period — three times the growth rate in Connecticut! One could say the economic recovery of the last 10 years still has not reached Connecticut.

The Constitution State's anemic GSP and personal income growth is largely attributable to weak employment growth caused by misguided public policy. With the eighth-highest property tax burden, a higher-than-average state corporate income tax rate of 7.5%, and policies that do not protect the right to work, Connecticut places an ever-increasing burden on the back of individuals and job creators. Connecticut's compound annual employment growth rate ranks in the bottom five of all states at 0.45% and is well below the U.S average of 1.17%.

Table 1 outlines a few of the economic indicators discussed above and displays the weak performance of Connecticut relative to the rest of the United States.

To add insult to injury, Connecticut is hemorrhaging tax returns and income to other states at one of the highest rates in the United States. Looking at Table 2, since the Great Recession, Connecticut has experienced a net loss of nearly 11% of its tax filers (ranks 46th) and has seen nearly 6% of its 2015 adjusted gross income (AGI filed in 2016) leave the state — the second worst of any state. The people are voting with their feet, and they

TABLE 1 | **Post-Recession Recovery Growth Metrics: Connecticut (Q2-2009 through Q4-2018)**

Economic Growth Metrics	U.S. Equal Weighted Avg.	Connecticut Performance	Rank
Real GSP Growth (Compound Annual Growth Rate)	1.90%	0.14%	48
Real Personal Income Growth (Compound Annual Growth Rate)	2.17%	0.72%	50
Employment Growth (Compound Annual Growth Rate)	1.17%	0.45%	47
Adult Population (Compound Annual Growth Rate)	0.90%	0.53%	36

Source: Bureau of Labor Statistics, Bureau of Economic Analysis

TABLE 2 | Post-Recession Recovery Growth Metrics: Connecticut (Tax Year 2009 through Tax Year 2015)

Income Migration Metrics	U.S. Equal Weighted Avg.	Connecticut Performance	Rank
Net Migration of Tax Returns as a Share of Gross Migration	-0.75%	-10.91%	46
Net Migration of AGI as a Share of AGI in 2015	0.30%	-5.88%	49

Source: Internal Revenue Service

TABLE 3 | State Debt Outstanding as a Percentage of GSP (FY 2016)

State	Rank	Debt as a Share of GSP	State	Rank	Debt as a Share of GSP
NE	1	1.70%	PA	26	6.50%
TN	2	1.80%	MT	27	6.60%
WY	3	2.00%	MS	28	6.70%
NV	4	2.20%	MI	29	6.90%
GA	5	2.50%	WA	30	6.90%
TX	6	3.10%	SD	31	7.00%
IA	7	3.20%	DE	32	7.10%
NC	8	3.20%	MD	33	7.30%
FL	9	3.60%	KY	34	7.30%
AR	10	4.00%	WI	35	7.40%
AL	11	4.20%	NM	36	7.40%
ND	12	4.40%	LA	37	7.60%
UT	13	4.40%	SC	38	7.70%
AZ	14	4.70%	VT	39	8.00%
MN	15	4.80%	ME	40	8.20%
OK	16	4.80%	IL	41	8.30%
CO	17	5.20%	NY	42	9.20%
ID	18	5.20%	WV	43	9.90%
OH	19	5.30%	NH	44	10.20%
CA	20	5.80%	HI	45	10.90%
VA	21	5.80%	NJ	46	11.60%
OR	22	5.80%	AK	47	11.80%
US	**N/A**	**6.30%**	**CT**	**48**	**14.20%**
KS	23	6.30%	MA	49	15.20%
MO	24	6.40%	RI	50	15.70%
IN	25	6.50%			

Source: Bureau of Economic Analysis, U.S. Census Bureau are voting against the shortsighted thinking of Connecticut's political leadership.

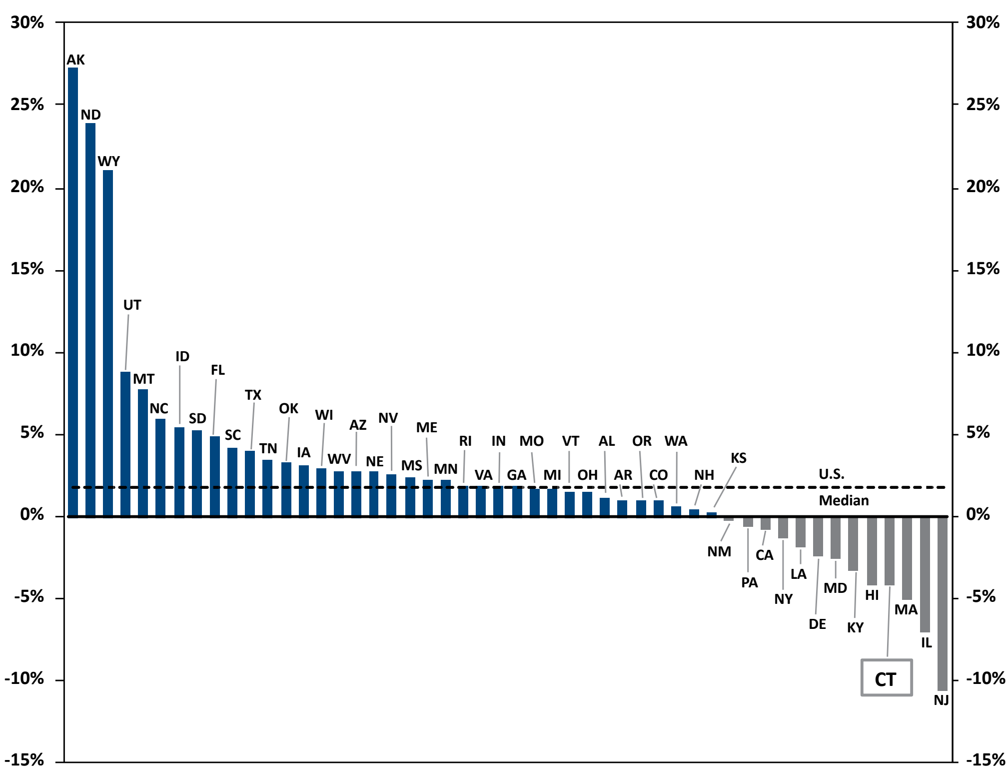
Connecticut had the worst net AGI outmigration from 2015 to 2016 of any state.[1] Since Connecticut implemented an income tax in 1991, the state has lost 10.5% of its AGI to other states. Almost 57% of that was lost since the Great Recession. Additionally, there were 671 fewer (1.8%) nonexempt corporate income tax returns filed in 2014 than there were in 2009 immediately following the trough of the recession.[2]

Connecticut's fiscal woes stem from a spending problem, not a revenue problem. Excluding local debt, Connecticut has the third-highest state debt outstanding as a share of GSP, and it is more than double the U.S. average for Fiscal Year (FY) 2016. Table 3 summarizes each state's outstanding debt statistics.

Connecticut has a history of spending more than it should, as seen in Figure 1. Since FY 2008, Connecticut's average budget deficit as a share of its expenses ranks fourth worst in the nation.[3] Elected state officials may impart new meaning to the state's moniker — the Land of Steady Habits. Individuals cannot spend themselves into prosperity, and the same is true of an entire state. Interestingly, all nine of the zero-personal income tax states experienced a budget surplus over the same time span, and all but Washington and New Hampshire were above the U.S. median of budget surplus as a share of total spending.[4]

Furthermore, Connecticut's state pension system has the fourth-lowest funding ratio in the nation as of 2017, according to Pew research.[5] This is not a new phenomenon. Connecticut's pension funding ratio has been in the bottom 10 for all states since Pew began collecting data in 2003 and has been

FIGURE 1 | **Net Revenue as a Share of Total State Spending (FY 2008-2018)**



Source: Pew Charitable Trusts

TABLE 4 | **Public Pension Funding Ratios, 2017**

State	Liability	Assets	Funding Ratio (Pew)	Funding Ratio (ALEC)	Funding Rank (Pew)	Funding Rank (ALEC)
WI	$101,772,792	$104,396,462	102.6%	60.5%	1	1
SD	$11,634,964	$11,644,039	100.1%	50.7%	2	2
TN	$47,784,482	$46,089,170	96.5%	44.0%	3	7
NY	$209,071,069	$197,602,193	94.5%	45.5%	4	5
ID	$17,261,449	$15,754,796	91.3%	47.2%	5	3
NC	$103,214,264	$93,582,364	90.7%	43.3%	6	9
UT	$35,298,933	$31,878,618	90.3%	46.2%	7	4
NE	$15,061,350	$13,586,876	90.2%	43.3%	8	10
WA	$94,992,816	$85,109,384	89.6%	41.2%	9	12
OR	$79,851,700	$66,371,700	83.1%	34.5%	10	26
DE	$11,407,205	$9,445,452	82.8%	44.5%	11	6
IA	$37,638,616	$30,966,088	82.3%	42.3%	12	11
ME	$16,574,711	$13,579,135	81.9%	43.7%	13	8
OH	$199,958,285	$160,262,482	80.1%	37.6%	14	19
FL	$194,503,364	$154,231,574	79.3%	41.2%	15	13
GA	$110,270,277	$87,379,596	79.2%	36.7%	16	21
WV	$18,591,042	$14,673,788	78.9%	34.5%	17	25
OK	$38,723,770	$30,175,396	77.9%	39.1%	18	17
MO	$71,238,465	$55,465,357	77.9%	39.1%	19	16
VA	$94,294,797	$72,814,389	77.2%	40.3%	20	14
AR	$34,061,532	$26,208,271	76.9%	39.2%	21	15
TX	$230,329,429	$175,183,708	76.1%	38.4%	22	18
WY	$11,212,407	$8,511,734	75.9%	36.8%	23	20
NV	$52,124,836	$38,805,344	74.4%	31.6%	24	35
MT	$15,027,433	$10,946,790	72.8%	34.2%	25	28

Note: For information on ALEC funding ratio calculations, see the ALEC Unaccountable and Unaffordable, 2019 pension report at www.alec.org/PensionDebt2019

Source: Pew Charitable Trusts and American Legislative Exchange Council

TABLE 4 (Continued) | **Public Pension Funding Ratios, 2017**

State	Liability	Assets	Funding Ratio (Pew)	Funding Ratio (ALEC)	Funding Rank (Pew)	Funding Rank (ALEC)
AL	$52,327,602	$37,076,506	70.9%	32.0%	26	33
CA	$612,146,078	$421,792,874	68.9%	32.2%	27	30
MD	$71,852,918	$49,260,184	68.6%	35.1%	28	24
KS	$27,762,469	$18,633,840	67.1%	28.5%	29	44
AK	$21,700,590	$14,457,587	66.6%	29.8%	30	39
MI	$93,093,601	$60,610,310	65.1%	26.8%	31	47
LA	$52,179,809	$33,969,301	65.1%	33.1%	32	29
IN	$49,554,000	$32,227,797	65.0%	36.0%	33	23
VT	$6,390,406	$4,106,510	64.3%	30.4%	34	37
ND	$8,246,065	$5,258,928	63.8%	32.1%	35	31
MN	$101,465,050	$64,266,179	63.3%	36.2%	36	22
NH	$13,171,981	$8,253,988	62.7%	31.3%	37	36
NM	$43,981,389	$27,496,516	62.5%	34.4%	38	27
AZ	$72,500,565	$45,084,197	62.2%	32.1%	39	32
MS	$43,685,282	$26,902,158	61.6%	28.8%	40	42
MA	$89,131,000	$53,420,841	59.9%	28.4%	41	45
PA	$149,240,741	$82,560,336	55.3%	29.4%	42	40
HI	$28,648,631	$15,698,324	54.8%	28.7%	43	43
SC	$55,699,110	$30,216,928	54.3%	28.9%	44	41
RI	$11,774,878	$6,320,816	53.7%	30.4%	45	38
CO	$103,273,872	$48,677,420	47.1%	31.7%	46	34
CT	**$64,137,263**	**$29,326,228**	**45.7%**	**20.3%**	**47**	**50**
IL	$222,268,370	$85,386,816	38.4%	25.2%	48	48
NJ	$221,600,901	$79,312,468	35.8%	27.5%	49	46
KY	$64,898,380	$21,982,322	33.9%	24.8%	50	49
U.S. Total	**$4,132,630,938**	**$2,856,964,082**	**69.1%**	**35.8%**	--	--

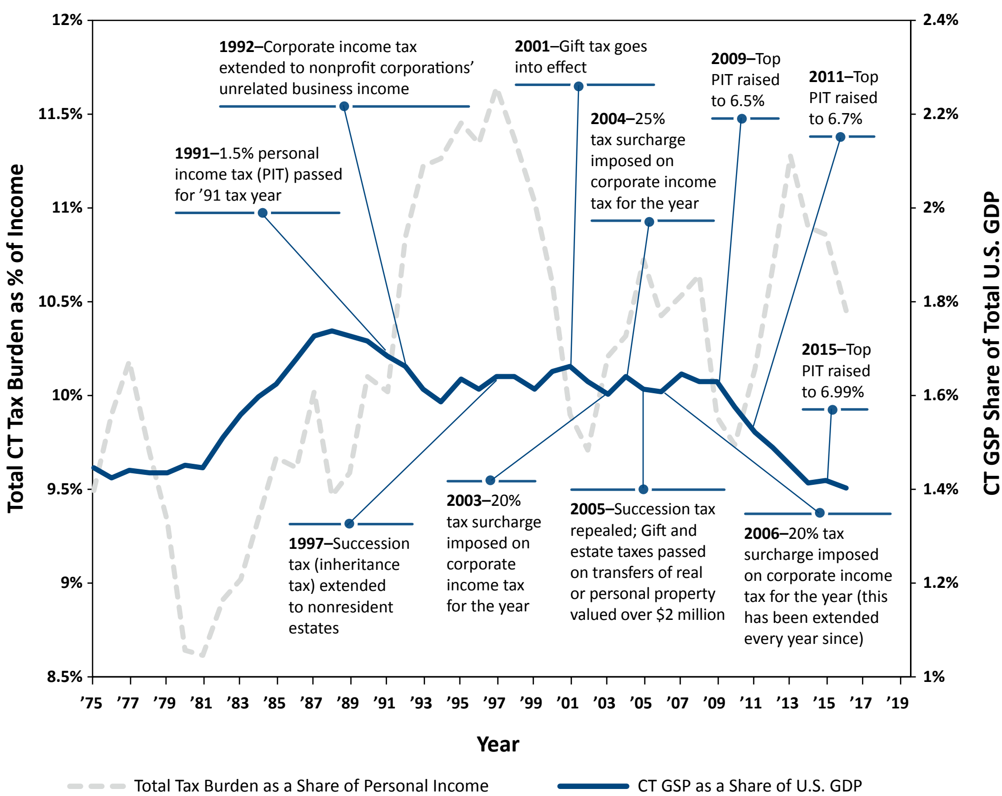
Note: For information on ALEC funding ratio calculations, see the ALEC Unaccountable and Unaffordable, 2019 pension report at www.alec.org/PensionDebt2019

Source:Pew Charitable Trusts and American Legislative Exchange Council in the bottom five every year except 2009 (ninth worst). According to Pew, which uses the liability estimates that states self-report, Connecticut had the fourth worst funding ratio in 2003 at 66.1%, compared to the U.S. average of 86%. The state remains fourth worst as of 2017 with a funding ratio that now sits at 45.7% compared to the 50-state unweighted average of 71.2%. Stanford University's Hoover Institution, using the market value from a sample of pension funds, reveals Connecticut's funding ratio to be only 34.5%.[6] The ALEC *Unaccountable and Unaffordable* annual state pension report finds Connecticut's public retirement system is in even worse shape than Pew and Stanford estimate. Using a more prudent risk-free discount rate, ALEC estimates that a mere 20.3% of Connecticut's pension obligations are funded – the worst in the country.[7] The American Academy of Actuaries notes pension plans should have enough assets to cover all pension liabilities (a 100% funding ratio).[8] Table 4 contains a snapshot of state pension funding and ranks states by the Pew Charitable Trusts' methodology, which uses state-reported data, and the ALEC *Unaccountable and Unaffordable* (UAUA) methodology, which uses a more prudent risk-free discount rate. The risk-free discount rate used by the ALEC report reflects a state's inability to default on its pension obligations, giving pension liabilities a higher present value (and thus a lower funding ratio) than Pew estimates.

What's Wrong in the Long Term?

As previously mentioned, Connecticut has suffered the slowest employment growth rate of all 50 states since adopting a state income tax in 1991. When an activity like work is taxed, the activity is hindered. Connecticut affirms this taxa-

FIGURE 2 | **Connecticut GSP as a Share of Total U.S. GDP vs. Connecticut's Tax Burden[9,10] (1975-2016)**



Source: Bureau of Economic Analysis, U.S. Census Bureau, Laffer Associates tion principle as state output and employment bear the brunt of the income tax. We have plotted Connecticut's GSP as a share of total U.S. GDP versus Connecticut's tax burden in Figure 2. Figure 2 also plots various income tax changes that took place in 1992, 2003, 2009, 2011 and 2015. In the 1980s, before the deleterious income tax was imposed, Connecticut was growing relative to the nation. Since then, Connecticut's prosperity has plummeted compared to other states.

Connecticut's state and local tax revenue sources also indicate the state is more reliant on income taxation for total revenue than other states. Table 5 breaks down Connecticut's total tax revenue into component categories, then compares the percentage of total tax revenue from each category to the corresponding nationwide averages. Two items are immediately clear when comparing Connecticut to the rest of the country. First, property taxes constitute the largest revenue source, making up about 32% more of Connecticut's total state and local tax revenue than the average. Second, individual income tax revenue accounts for a whopping 29% of total tax revenues, compared to the U.S. average of 21%.

By placing such a large tax burden on owning property and creating wealth through generating income, Connecticut is disincentivizing activities that cultivate prosperity through success and achievement. In plain English, the Connecticut government has rigged the game to the point that no one wants to play. People do not work to pay taxes; they work to put food on the table and enhance their quality of life. If they cannot attain these goals because of a tax wedge driven so deep it causes economic asphyxiation, then what is the point?

As previously mentioned, property tax revenues, overwhelmingly collected by local units of government, occupy an outsized share of state and local tax revenues. High property tax burdens slow down the rate at which home prices appreciate due to decreased demand in the housing market. High property tax burdens increase the cost of owning a home and erode potential financial

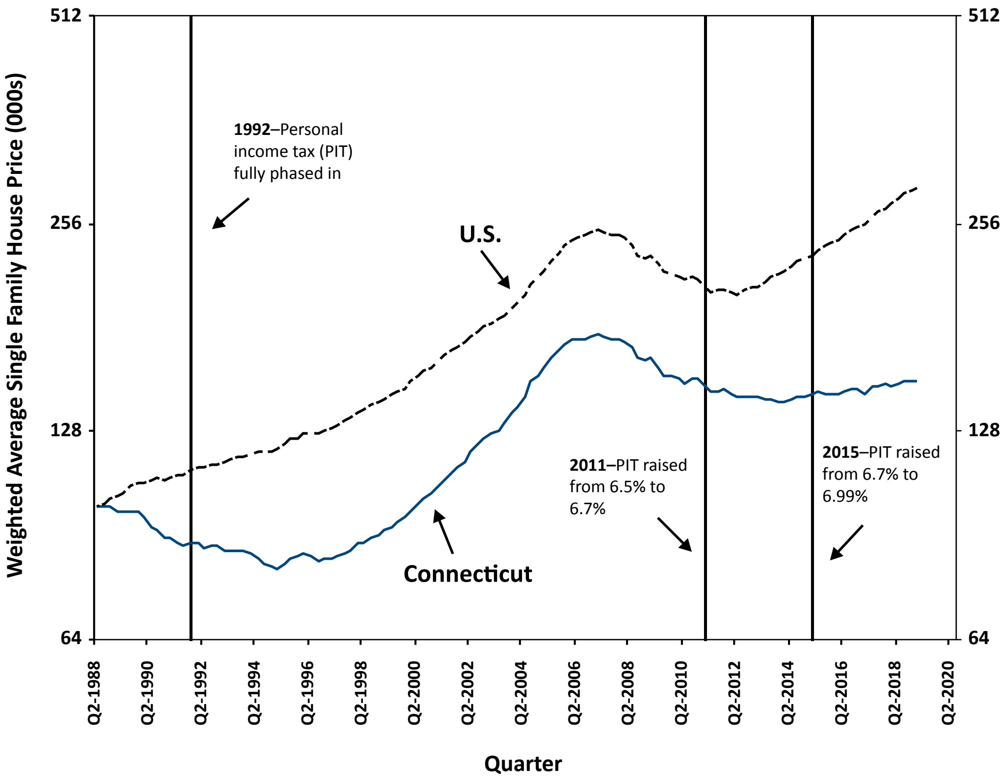
TABLE 5 | **State and Local Tax Revenue, Connecticut vs. the U.S. Average (FY 2016)**

Revenue Source	Dollars (000s)	% of Total Tax Revenue	U.S. Equal-Weighted Average % of Total Tax Revenue*
Property	$10,501,407	41%	31%
Sales and Gross Receipts	$6,149,782	24%	36%
General Sales	$3,752,793	14%	24%
Selective Sales and Excise	$2,396,989	9%	12%
Motor Fuel	$467,749	2%	3%
Alcoholic Beverage	$56,345	0%	1%
Tobacco Products	$350,723	1%	1%
Public Utilities	$298,858	1%	2%
Other Selective Sales	$1,223,314	5%	6%
Individual Income	$7,557,153	29%	21%
Corporate Income	$719,467	3%	3%
Motor Vehicle License	$224,287	1%	2%
Death and Gift Taxes	$195,157	1%	0%
Other Taxes	$557,392	2%	6%
Total	$25,904,645		

**Equal-weighted percentages do not add to 100%*

Source: U.S. Census Bureau

FIGURE 3 | **House Price Index, Connecticut vs. U.S.**[12]



Not seasonally adjusted, quarterly, Q2-1988 through Q1-2019, semi-log scale, indexed to 100 in Q2-1988

Source: Federal Housing Finance Agency

benefits from home ownership, all else being held equal. In turn, decreased potential benefits both drive down the price homebuyers are willing to pay for a home and lead to a lower rate of growth in home prices.[11] Since Q2-1988, Connecticut has ranked last for home price appreciation. Home prices in the state appreciated by about 52% (1.4% annual average) compared to the national average home price appreciating by 187% (3.5% annual average). Figure 3 maps the dismal growth in home price appreciation for Connecticut compared to the rest of the nation.

Property tax collections are higher in Connecticut compared to the rest of the U.S., with the exception of New Hampshire and New Jersey. In 2016, property tax revenue collections per adult were the third-highest of any state at $2,927, compared to the national average of $1,556. As a share of GSP, total property taxes were sixth-highest in the nation in 2016.[13]

Effective property tax rates in Connecticut's 169 municipalities range between 0.8% and 5.2% with an average effective tax rate of 2.2% (see Figure 4). A *Hartford Courant* story from July 2019 perfectly captures the tragedy that looms in the state from the unbridled levies:[14]

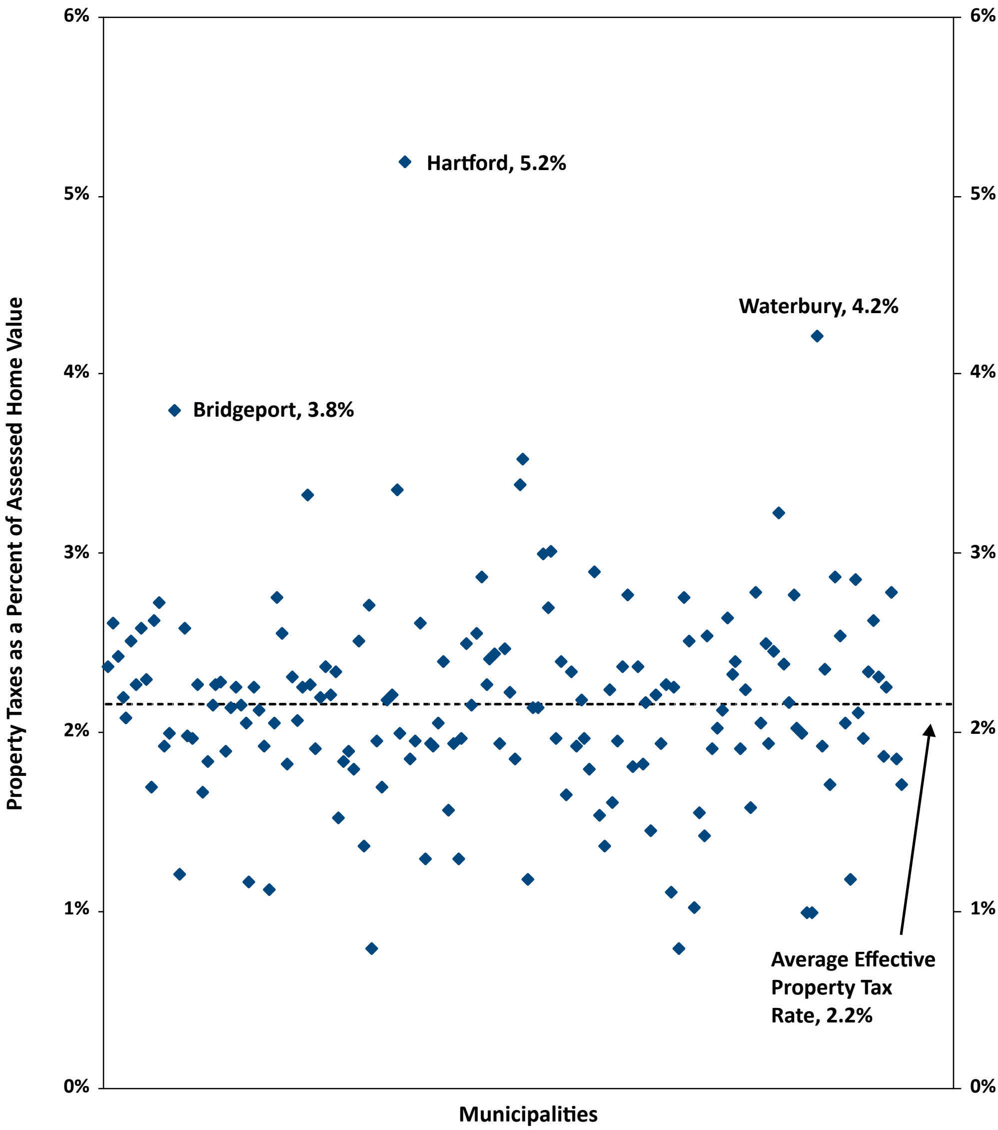
When D&D Market closed its Franklin Avenue storefront in September 2016, Hartford lost more than a landmark small business.... Shifting demographics, a shrinking customer base and higher rents all made doing business in Hartford more difficult, Daniel D'Aprile said in a recent interview.

But the biggest pain point was property taxes. Though D'Aprile didn't own D&D's old Hartford quarters at 276 Franklin Ave. — his father actually does — he was still responsible for paying real estate and personal property taxes. At its peak, he owed $54,000 a year to the city — a sum that became too much to bear and led him to buy a smaller property less than 4 miles away in Wethersfield, where he'd eventually relocate his entire business and 38 employees.

Since opening the Wethersfield location on Wolcott Hill Road in 2014, sales are up 35%, D'Aprile said. Just as important, he's paying less than a quarter of the property taxes — $12,000 annually — than he did in Hartford.

"I never wanted to move my business out of Hartford, but the rent was skyrocketing, the property taxes were skyrocketing, and sales weren't going

FIGURE 4 | **Connecticut Effective Property Tax Rates (FY 2019, 169 municipalities)**



Source: Connecticut State Office of Policy and Management

TABLE 6 | **Selected ALEC-Laffer Economic Outlook Rank Variables and Tax Foundation Tax Burden**

State	Economic Outlook Rank	State	Top Personal Income Tax Rate	Rank	State	Top Corporate Income Tax Rate	Rank	State	Property, Sales, and Remaining Tax Burden per $1,000 in income	Rank	State	Estate or Inheritance Tax?	State	RTW?	State	Tax Freedom Day 2019	Rank
UT	1	AK	0.00%	1	SD	0.00%	1	OR	$53.92	1	AL	No	AL	Yes	AK	84	1
ID	2	FL	0.00%	1	WY	0.00%	1	AK	$54.46	2	AK	No	AZ	Yes	OK	89	2
IN	3	NV	0.00%	1	NV	0.64%	3	MT	$55.49	3	AZ	No	AR	Yes	FL	94	3
ND	4	NH	0.00%	1	NC	2.50%	4	VA	$57.01	4	AR	No	FL	Yes	LA	94	3
NV	5	SD	0.00%	1	TX	2.62%	5	OK	$58.75	5	CA	No	GA	Yes	AL	95	5
NC	6	TN	0.00%	1	OH	3.67%	6	MO	$59.36	6	CO	No	ID	Yes	TN	95	5
SD	7	TX	0.00%	1	ND	4.31%	7	KY	$59.75	7	DE	No	IN	Yes	TX	95	5
TN	8	WA	0.00%	1	CO	4.63%	8	UT	$60.93	8	FL	No	IA	Yes	ID	96	8
FL	9	WY	0.00%	1	AZ	4.90%	9	GA	$61.00	9	GA	No	KS	Yes	MT	96	8
WY	10	ND	2.90%	10	UT	4.95%	10	AL	$61.01	10	ID	No	KY	Yes	GA	97	10
AZ	11	LA	3.78%	11	MS	5.00%	11	MD	$61.87	11	IN	No	LA	Yes	SD	97	10
MI	12	AL	4.15%	12	SC	5.00%	11	MA	$62.45	12	KS	No	MI	Yes	AR	98	12
OK	13	AZ	4.54%	13	FL	5.50%	13	NC	$62.53	13	LA	No	MS	Yes	NM	98	12
VA	14	CO	4.63%	14	IN	5.75%	14	ID	$62.58	14	MI	No	NE	Yes	AZ	99	14
TX	15	NM	4.90%	15	NM	5.90%	15	IN	$63.81	15	MS	No	NV	Yes	IN	99	14
NH	16	IL	4.95%	16	OK	6.00%	16	CO	$64.10	16	MO	No	NC	Yes	MS	99	14
WI	17	UT	4.95%	16	AL	6.03%	17	SC	$64.72	17	MT	No	ND	Yes	MO	99	14
CO	18	MS	5.00%	18	LA	6.32%	18	CA	$66.70	18	NV	No	OK	Yes	WY	99	14
MS	19	OK	5.00%	18	GA	6.38%	19	DE	$66.95	19	NH	No	SC	Yes	KY	100	19
GA	20	MA	5.05%	20	HI	6.40%	20	MI	$68.01	20	NM	No	SD	Yes	SC	100	19
AL	21	NC	5.25%	21	AR	6.50%	21	PA	$69.05	21	NC	No	TN	Yes	WV	100	19
MO	22	IN	5.25%	22	TN	6.50%	21	WV	$70.18	22	ND	No	TX	Yes	NC	101	22
AR	23	IA	5.37%	23	WV	6.50%	21	OH	$70.26	23	OH	No	UT	Yes	UT	101	22
OH	24	KS	5.70%	24	MO	6.59%	24	TN	$70.43	24	OK	No	VA	Yes	DE	102	24
IA	25	GA	5.75%	25	WA	6.75%	25	WI	$70.52	25	SC	No	WV	Yes	NE	102	24
KS	26	VA	5.75%	25	MT	6.75%	26	CT	$70.98	26	SD	No	WI	Yes	CO	104	26
LA	27	RI	5.99%	27	ID	6.93%	27	AR	$72.67	27	TN	No	WY	Yes	OH	104	26
MA	28	MO	6.40%	28	KS	7.00%	28	AZ	$73.25	28	TX	No	AK	No	IA	105	28
NM	29	WV	6.50%	29	RI	7.00%	28	LA	$73.84	29	UT	No	CA	No	KS	105	28
AK	30	MI	6.65%	30	KY	7.20%	30	FL	$74.24	30	VA	No	CO	No	MI	106	30
WV	31	NE	6.84%	31	CT	7.50%	31	MN	$74.28	31	WV	No	DE	No	PA	106	30
SC	32	AR	6.90%	32	VA	7.62%	32	NM	$74.89	32	WI	No	HI	No	VA	106	30
KY	33	MT	6.90%	32	NH	7.70%	33	NE	$74.95	33	WY	No	IL	No	NV	108	33
NE	34	ID	6.93%	34	NE	7.81%	34	NH	$75.23	34	HI	Yes	ME	No	OR	108	33
MD	35	PA	6.95%	35	WI	7.90%	35	ND	$75.41	35	IL	Yes	MD	No	MD	109	35
DE	36	CT	6.99%	36	MA	8.00%	36	KS	$75.75	36	IA	Yes	MA	No	NH	109	35
WA	37	SC	7.00%	37	MI	8.00%	36	IA	$77.66	37	KY	Yes	MN	No	WI	109	35
PA	38	ME	7.15%	38	MD	8.25%	38	MS	$80.06	38	ME	Yes	MO	No	CA	110	38
MT	39	KY	7.20%	39	VT	8.50%	39	SD	$80.22	39	MD	Yes	MT	No	ME	110	38
CT	40	OH	7.50%	40	CA	8.84%	40	WY	$80.28	40	MA	Yes	NH	No	WA	110	38
MN	41	WI	7.65%	41	ME	8.93%	41	NJ	$81.31	41	MN	Yes	NJ	No	ND	111	41
ME	42	DE	7.85%	42	AK	9.40%	42	TX	$82.64	42	NE	Yes	NM	No	VT	112	42
RI	43	VT	8.75%	43	IL	9.50%	43	IL	$82.66	43	NJ	Yes	NY	No	HI	113	43
OR	44	MD	8.95%	44	MN	9.80%	44	WA	$83.03	44	NY	Yes	OH	No	MA	113	43
HI	45	MN	9.85%	45	NJ	11.50%	45	RI	$84.36	45	OR	Yes	OR	No	IL	114	45
NJ	46	OR	10.66%	46	IA	11.64%	46	ME	$88.88	46	PA	Yes	PA	No	CT	115	46
CA	47	HI	11.00%	47	OR	11.65%	47	VT	$91.18	47	RI	Yes	RI	No	MN	115	46
IL	48	NJ	11.75%	48	DE	11.74%	48	NY	$91.34	48	VT	Yes	VT	No	RI	115	46
VT	49	NY	12.70%	49	PA	16.88%	49	NV	$96.93	49	WA	Yes	WA	No	NJ	120	49
NY	50	CA	13.30%	50	NY	17.23%	50	HI	$98.02	50	CT	Yes	CT	No	NY	123	50

Source: American Legislative Exchange Council, Tax Foundation, Laffer Associates *up," D'Aprile said. "We were working very hard for nothing. There was no money left over after paying property taxes."*

"If we stayed in Hartford we would have been out of business."

D&D Market's story isn't unique. For years, Hartford's small and large businesses have complained they're paying an exorbitant and disproportionate share of property taxes, hurting their ability to prosper.

The *Hartford Courant* goes on to say the effective property tax rate for a commercial landlord in Hartford is higher than the rate New York City, Boston and Chicago landlords face. As a result, since 1988, the all-transactions housing price index for the Hartford-East Hartford-Middletown, CT Metropolitan Statistical Area (MSA) has grown at less than half the rate of the rest of the United States.[15]

Table 6 combines six of the 15 ALEC-Laffer *Rich States, Poor States* variables and highlights Connecticut's rank among them. Connecticut is in the bottom half of each variable, affirming its position in the 2019 rankings as 40th overall in economic outlook (forward-looking) and last in economic performance (backward-looking). Workers' compensation costs in Connecticut are also notable, as they rank seventh-highest in the nation at $2.20 per $100 of payroll.

Connecticut is the only state with both a state gift tax and an estate tax, also known as a "death tax."[16] A gift tax is a tax levied on asset transfers made while the benefactor is alive, while estate taxes are levied on asset transfers made following the death of the benefactor as a part of their will. Although former Connecticut Governor Dannel Malloy signed legislation to increase the exemption amounts for the gift and estate taxes to the $11.4 million federal exemption by 2023 and to lower the cap on taxes owed from $20 million to $15 million, the proper course of action would be to repeal the gift and estate taxes entirely.[17]

In 1976, only one state did not have an estate or inheritance tax, another form of "death tax." Today, 33 states do not have a death tax.

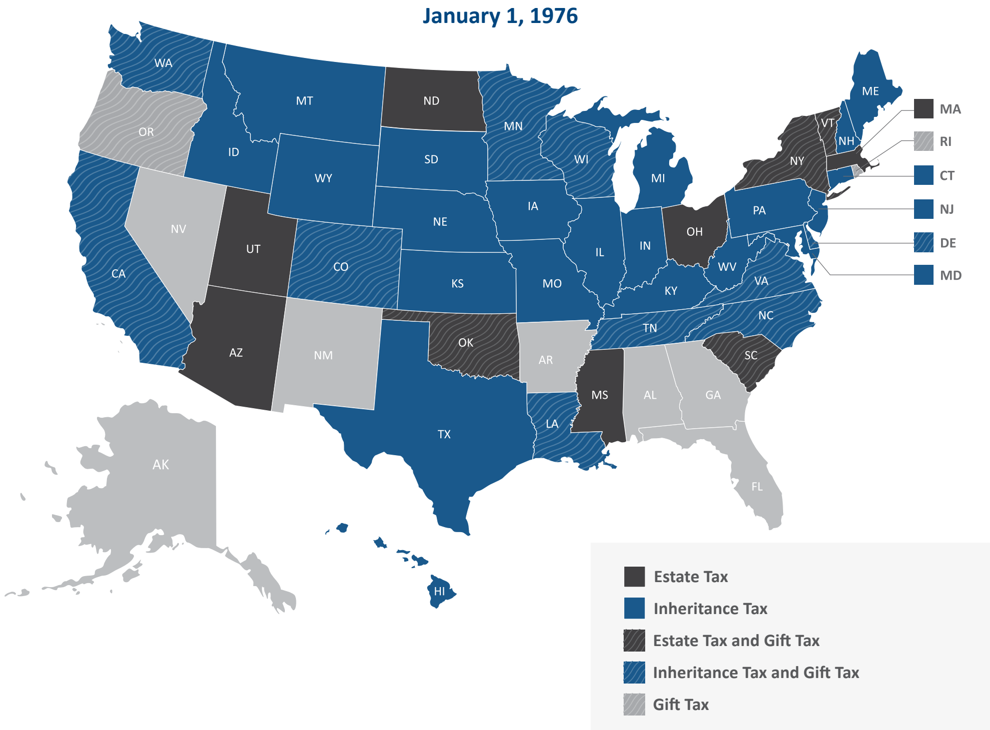
Connecticut currently pays its public employees some of the highest salaries of any state. Public employee salaries for Connecticut full-time equivalent employees (FTEs) were the fifth-highest in 2018 (see Table 7). Compared to the other 49 states, Connecticut spends the seventh-most on state and local government employment, when adjusted for population (FTEs per 10,000 population). However, since implementing the income tax in 1991, the state ranks 44th in public employee wage growth rate, yet its public workforce is the fifth-fastest growing in the U.S. In fact, before the income tax, Connecticut had some of the fastest-growing wages for public employees.

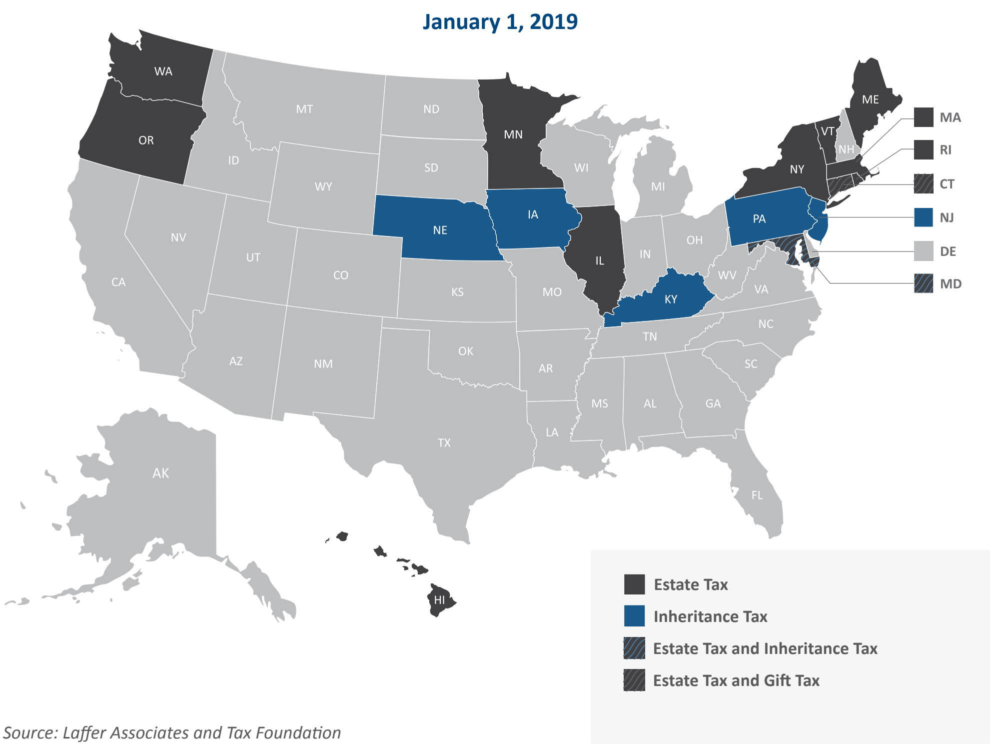
In 1992, Connecticut had 50 fewer FTE government employees per 10,000 population than the national average. In 2016, Connecticut had 8 more FTE government employees per 10,000 population than the national average. It appears state and local government employment in recent years is on the decline in the Nutmeg State, yet the long-term trend is alarming. Given the private sector employment figures above, Connecticut's public sector employment growth rate far outpaces growth in private sector employment. Connecticut cannot rely on public employment. It must get back to strong private sector employment growth to sustain and advance its economy.

To get Connecticut growing again, one must consider the state's past record of success. Between 1976 and 1991 (before the state income tax existed), Connecticut's per capita gross state product growth ranked first in the nation. Table 8 shows what happened to the 11 states that added an income tax after 1960, including Connecticut. Each of these states experienced a decline in every major economic metric, relative to the rest of the U.S.

Taxes make a difference in other states as well. Table 9 provides an overview of the top five and bottom five states from the Tax Foundation's 2012 tax burden calculations. The four resource rich states with small populations – Alaska, North Dakota, West Virginia, and Wyoming – are excluded as outliers because their economies are more dependent on the energy sector compared to other states, so including them would bias the analysis.

FIGURE 5 | **State Death Tax Policy, 1976 vs. 2019**





Source: Laffer Associates and Tax Foundation

TABLE 7 | State and Local Full-Time Equivalent Employees (FTEs), and Their Salaries (2018)

Rank	State	FTEs per 10,000 (2018 Level)	State	Average Salaries (2018 Level)	State	Total Salary Spending per 10,000 Population (2018 Level)
1	WY	868	CA	$79,265	AK	$48,124,055
2	AK	703	NY	$73,611	WY	$47,010,370
3	KS	695	NJ	$73,001	NY	$45,398,565
4	VT	633	WA	$71,989	NJ	$38,819,610
5	NE	632	**CT**	**$70,604**	CA	$37,522,844
6	MS	626	RI	$69,543	VT	$36,657,477
7	ND	619	AK	$68,410	**CT**	**$36,472,665**
8	NY	617	MA	$68,127	WA	$36,319,191
9	NM	594	MD	$66,374	ND	$33,882,667
10	IA	590	OR	$64,132	IA	$33,757,656
11	AL	581	IL	$62,868	MA	$33,674,019
12	WV	566	NV	$62,581	NE	$33,667,979
13	AR	562	MN	$61,475	KS	$33,402,455
14	LA	554	PA	$61,272	MD	$33,377,665
15	NC	550	CO	$59,959	MN	$33,153,959
16	KY	546	**US**	**$59,585**	OR	$31,644,045
17	SD	545	HI	$59,333	CO	$31,543,398
18	MN	539	MI	$59,113	RI	$31,507,964
19	MT	538	VT	$57,915	HI	$31,304,418
20	SC	532	DE	$57,621	IL	$30,399,865
21	NJ	532	IA	$57,175	**US**	**$30,325,022**
22	VA	531	WI	$56,026	DE	$29,401,270
23	OK	529	AZ	$55,838	VA	$29,336,062
24	HI	528	VA	$55,196	NM	$29,227,881
25	TX	526	OH	$55,040	NC	$29,031,938
26	CO	526	ND	$54,734	AL	$28,275,617
27	ME	520	NH	$54,495	NH	$28,093,391
28	MO	520	UT	$54,277	OH	$27,751,340
29	**CT**	**517**	WY	$54,144	TX	$27,543,255
30	NH	516	NE	$53,303	WI	$27,384,531
31	DE	510	NC	$52,796	MT	$27,228,246
32	**US**	**509**	TX	$52,346	PA	$26,791,668
33	WA	505	FL	$51,809	UT	$26,678,306
34	OH	504	MT	$50,580	MS	$26,431,569
35	MD	503	ME	$49,875	LA	$25,995,981
36	GA	497	ID	$49,673	ME	$25,954,460
37	TN	496	GA	$49,297	MI	$25,826,773
38	IN	495	NM	$49,206	KY	$25,570,381
39	MA	494	AL	$48,675	SC	$25,542,579
40	OR	493	KS	$48,060	SD	$25,493,719
41	UT	492	SC	$48,001	WV	$24,636,333
42	WI	489	IN	$47,382	GA	$24,499,641
43	ID	488	TN	$47,349	AR	$24,419,052
44	IL	484	LA	$46,947	OK	$24,270,944
45	CA	473	SD	$46,815	ID	$24,223,069
46	RI	453	KY	$46,810	NV	$23,969,319
47	PA	437	MO	$45,932	MO	$23,889,194
48	MI	437	OK	$45,864	IN	$23,475,693
49	FL	422	WV	$43,535	TN	$23,474,535
50	AZ	389	AR	$43,432	FL	$21,882,410
51	NV	383	MS	$42,190	AZ	$21,705,643

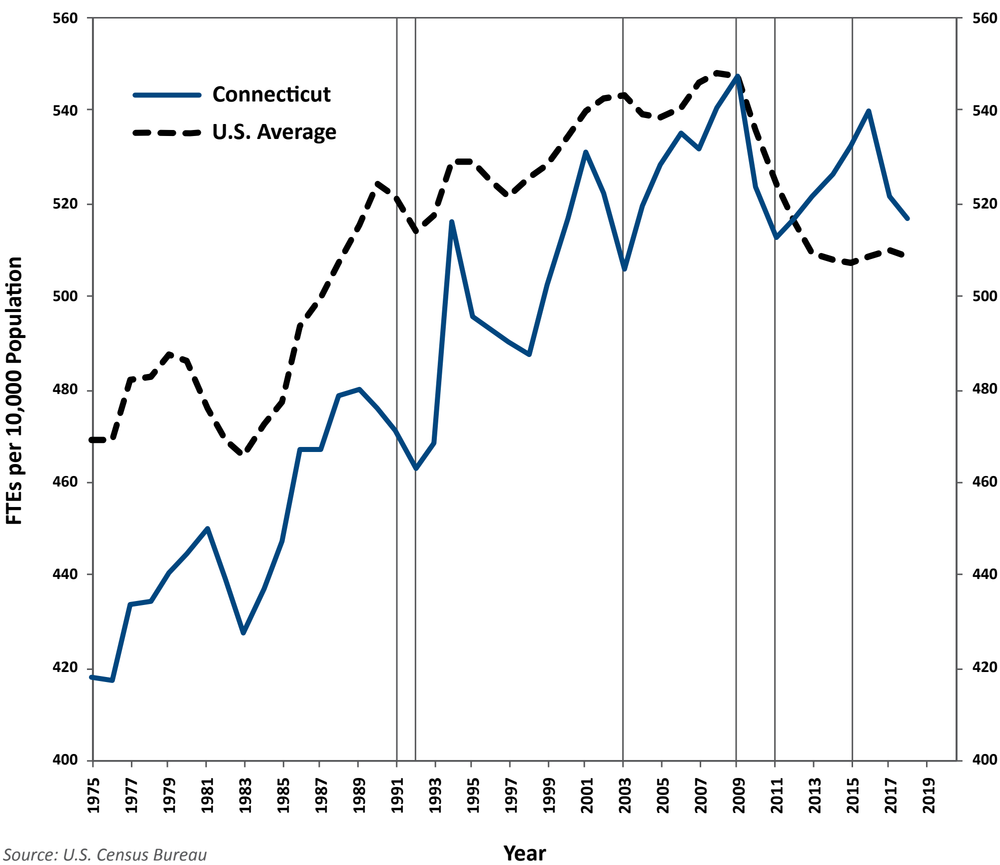
Source: U.S. Census Bureau

TABLE 8 | **Metrics of the 11 States that Adopted an Income Tax Post-1960 as a Percentage Relative to the 39 Remaining States**

		Top Marginal Tax rate		Population			GSP			Total State and Local Tax Revenue		
State	First Year of the Tax	Initial	Current	5 Years Before	2018	% Change	5 Years Before	2018	% Change	5 Years Before	2016	% Change
Connecticut	1991	1.50%	6.99%	1.80%	1.40%	-21.70%	2.40%	1.80%	-23.40%	2.40%	1.20%	-47.50%
New Jersey	1976	2.50%	10.75%	4.90%	3.50%	-28.60%	5.40%	4.20%	-22.50%	5.40%	3.10%	-43.50%
Ohio	1972	3.50%	5.00%	7.60%	4.60%	-38.90%	8.00%	4.50%	-43.80%	6.10%	3.50%	-43.10%
Rhode Island	1971	5.25%	5.99%	0.70%	0.40%	-38.30%	0.60%	0.40%	-36.30%	0.70%	0.30%	-46.70%
Pennsylvania	1971	2.30%	3.07%	8.50%	5.10%	-40.30%	8.50%	5.30%	-38.00%	7.70%	4.00%	-48.20%
Maine	1969	6.00%	7.15%	0.70%	0.50%	-28.20%	0.60%	0.40%	-25.90%	0.60%	0.40%	-37.60%
Illinois	1969	2.50%	4.95%	8.10%	5.10%	-37.40%	9.80%	5.80%	-41.20%	7.80%	3.80%	-51.00%
Nebraska	1968	2.60%	6.84%	1.10%	0.80%	-30.40%	1.00%	0.80%	-20.30%	0.90%	0.70%	-27.90%
Michigan	1967	2.00%	4.25%	6.30%	4.00%	-37.30%	7.90%	3.50%	-55.20%	6.60%	2.50%	-61.90%
Indiana	1963	2.00%	3.23%	3.80%	2.70%	-30.10%	3.80%	2.40%	-35.70%	3.40%	1.70%	-48.60%
West Virginia	1961	5.40%	6.50%	1.50%	0.70%	-53.50%	1.20%	0.50%	-56.50%	1.10%	0.50%	-53.30%

Source: Bureau of Economic Analysis, U.S. Census Bureau

FIGURE 6 | **Connecticut State and Local FTEs per 10,000 Population vs. U.S. Average (1975-2018, annual, bars indicate year of personal income tax rate increases)**



Source: U.S. Census Bureau

TABLE 9 | Top Five Lowest Taxed States vs. Top Five Highest Taxed States

	2012	2008-2018	2006-2016	2008-2018	2008-2018	2008-2018	2006-2016	Average Since FY 08
State	Tax Foundation 2012 Tax Burden	Population Growth	Net Domestic Migration of Tax Returns (% of Gross Migration)	Nonfarm Payroll Employment Growth	Personal Income Growth	Gross State Product Growth	State and Local Tax Revenue Growth	Total Budget Surplus as % of Total Spending
South Dakota	7.10%	10.4%	2.6%	6.8%	35.6%	40.7%	51.6%	5.2%
Tennessee	7.40%	8.4%	7.3%	10.4%	46.0%	45.3%	28.0%	3.5%
Louisiana	7.60%	5.1%	-6.6%	2.2%	26.3%	17.2%	17.6%	-1.8%
Texas	7.60%	18.1%	12.9%	17.5%	47.5%	43.5%	51.7%	4.1%
New Hampshire	7.90%	3.1%	-1.4%	5.0%	37.9%	39.1%	42.4%	0.5%
Average for 5 Lowest Tax Burdens (Contiguous U.S., non small oil)	7.52%	9.0%	2.9%	8.4%	38.7%	37.2%	38.3%	2.3%
50-State Equal Weighted Average	9.47%	7.0%	0.6%	6.6%	38.3%	34.8%	31.5%	2.5%
Average for 5 Highest Tax Burdens (Contiguous U.S., non small oil)	11.90%	1.6%	-10.9%	3.8%	33.2%	32.8%	33.0%	-4.0%
Illinois	11.00%	-0.0%	-11.6%	2.9%	31.4%	33.8%	39.6%	-7.0%
Wisconsin	11.00%	3.1%	-6.1%	3.6%	34.4%	37.7%	23.5%	3.0%
New Jersey	12.20%	2.3%	-11.9%	2.9%	32.9%	26.2%	27.3%	-10.6%
Connecticut	12.60%	0.8%	-10.6%	-0.8%	22.7%	13.8%	30.3%	-4.2%
New York	12.70%	1.7%	-14.1%	10.2%	44.7%	52.5%	44.3%	-1.4%

Source: U.S. Census Bureau, Bureau of Economic Analysis, Tax Foundation, Pew Charitable Trusts[18]

The above table illustrates the job-killing and income-killing aspects of excessive taxation. Moreover, the highest-taxed states do not collect more tax revenues. Even among the highest-taxed states, Connecticut is below average in every growth metric, including population, non-farm payrolls, personal income, gross state product and state and local tax revenue.[19]

What to do: the Connecticut Rescue Plan

First, Connecticut should ease the tax burden on its workforce and business environment through a reduction in personal and corporate income tax rates. For example, Massachusetts has successfully lowered its flat-rate personal income tax over the last 15 years to 5.05% in a methodical way through revenue triggers. Upon meeting inflation-adjusted benchmarks, Massachusetts' personal income tax rate is scheduled to be reduced every year by 0.05 percentage points until the rate rests at 5%, and which would give Massachusetts the second-lowest personal income tax rate in the Northeast behind New Hampshire.[20] Over the last 10 years, Massachusetts' growth has performed above the U.S. average in employment, personal income, gross state product and tax revenue.

TABLE 10 | **Massachusetts vs. the U.S.**

	Top Personal Income Tax Rate	2008-2018 Population Growth	2008-2018 Nonfarm Payroll Employment Growth	2008-2018 Personal Income Growth	2008-2018 Gross State Product Growth	2006-2016 State & Local Tax Revenue Growth
50-State Equal Weighted Avg.	5.63%	7.00%	5.70%	38.30%	34.80%	31.50%
Massachusetts	5.05%	6.70%	12.80%	44.20%	46.00%	44.10%

Source: Bureau of Economic Analysis, Bureau of Labor Statistics, U.S. Census Bureau

Another success story can be found in Arizona. Under Governor Fife Symington in 1995, the top income tax rate was cut from 8.7% to 5.6% with a similar revenue target system from 1992 to 1996. The Cato Institute conducted a study of the top 10 tax-increasing states versus the top 10 tax-decreasing states from 1990 to 1995. The tax-increasing states averaged 0% employment growth, while the tax-decreasing states averaged 10.8% employment growth. Arizona, in particular, experienced 18% growth in employment over the five-year period.[21]

Finally, North Carolina may be the poster child for tax cuts via revenue thresholds. North Carolina successfully cut its corporate tax rate from 6.9% in 2013 to 2.5% in 2019. The General Assembly did this by establishing a rule to only cut the rate if the predetermined revenue targets were met.[22] More cuts are planned in the future should revenue continue to grow.[23]

In addition to income tax rate cuts, Connecticut should implement policies for accountability and waste reduction. ALEC model policies have been tried in many states successfully and can act as a model for Connecticut. Adopting fiscal rules, such as Colorado's Taxpayer Bill of Rights (TABOR), would be a good start.[24] Requiring a supermajority (by constitutional amendment) to enact tax or fee hikes ensures tax increase proposals cannot rely on narrow legislative margins to pass.[25] As mentioned above, Connecticut has one of the highest property tax burdens in the country. Tax and expenditure limits like Colorado's TABOR and Utah's Truth in Taxation help their states get spending under control and made taxation more accountable.[26,27]

Connecticut should adjust spending to revenue — not the other way around. The state and local government employee workforce should be reduced by attrition to a reasonable level, in order to stimulate private sector growth. A Little Hoover Commission, otherwise known as a Grace or Blue Ribbon Commission, could be established with the goals of consolidating and reducing the number of state agencies; evaluating departments and agencies to eliminate redundancy, fraud, inefficiencies and obsolete concepts; and reducing regulatory burdens and associated costs that hinder business growth. If something is necessary and provides benefit, keep it. Otherwise, purge it.

Connecticut should also reform its workers' compensation system, which is still one of the costliest programs in the nation. Finally, Connecticut could contract out many of its public services and transition these services into private sector models where possible, thereby giving Connecticut an economic advantage over neighboring states, which all have higher than average workers' compensation costs.

Endnotes

1 Internal Revenue Service, Population Migration Data. 2015-2016 data are the most up-to-date data available from the IRS as of September 2019.

2 Annual Reports, Connecticut Department of Revenue. http://www.ct.gov/drs/cwp/view.asp?a=1442&q=266020&drsPNavCtr=|49946|

3 “Fiscal 50: State Trends and Analysis,” Pew Charitable Trusts, October 26, 2017. https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind9

4 Staff. “Fiscal 50: State Trends and Analysis.” The Pew Charitable Trusts. November 19, 2018. https://www.pewtrusts.org/en/research-and-analysis/data-visualizations/2014/fiscal-50#ind9

5 “The State Pension Funding Gap: 2017,” Pew Charitable Trusts, June 27, 2019. https://www.pewtrusts.org/en/research-and-analysis/issue-briefs/2018/04/the-state-pension-funding-gap-2016

6 Joshua D. Rauh, “Hidden Debt, Hidden Deficits: 2017 Edition,” Hoover Institution, May 15, 2017. http://www.hoover.org/research/hidden-debt-hidden-deficits-2017-edition

7 Williams, Jonathan, Smith, Christine, Powers, Thurston, and Williams, Bob. “Unaccountable and Unaffordable 2018.” American Legislative Exchange Council. March 2019. https://www.alec.org/app/uploads/2019/03/Unaccountable-and-Unaffordable-WEB.pdf

8 “Issue Brief: The 80% Pension Funding Standard Myth.” American Academy of Actuaries, July 2012. https://www.actuary.org/sites/default/files/files/80_Percent_Funding_IB_071912.pdf

9 State GDP in Current Dollars, Bureau of Economic Analysis

10 Judith Lohman, “State Tax Changes 1990-2008,” Connecticut Office of Legislative Research, July 14, 2008. https://www.cga.ct.gov/2008/rpt/2008-R-0408.htm

11 Valadez, Ray M. and Smith, David M. “The Burden of Property Taxes on Home Appreciation: A Relationship Study Between Property Taxes and Home Values in the U.S.” Pepperdine University. Journal of Finance and Accountancy. Volume 25. Pg. 1-16. N.d. https://www.aabri.com/manuscripts/182935.pdf

12 “House Price Index, All-Transactions Indexes,” Federal Housing Finance Agency, 2019. https://www.fhfa.gov/DataTools/Downloads/Pages/House-Price-Index-Datasets.aspx#qpo

13 Loughead, Katherine. “How Much Does Your State Collect in Property Taxes Per Capita?” Tax Foundation. March 13, 2019. https://taxfoundation.org/property-taxes-per-capita-2019/

14 Greg Bordonaro and Matt Pilon, “Hartford’s stifling property taxes make it difficult for businesses to prosper — and remain in the city,” *Hartford Courant*, July 7, 2019.
https://www.courant.com/community/hartford/hc-news-hartford-high-commercial-tax-rate-20190707-rvwi-ub3c2jhznfl7c26hjzrs7i-story.html

15 U.S. Federal Housing Finance Agency

16 Fox, C. “State Death Tax Chart.” The American College of Trust and Estate Counsel. August 2, 2019. https://www.actec.org/resources/state-death-tax-chart/

17 McGuireWoods LLP, “State Death Tax Chart,” July 25, 2019. https://media.mcguirewoods.com/publications/State-Death-Tax-Chart.pdf

18 “Fiscal 50: State Trends and Analysis,” Pew Charitable Trusts, November 7, 2017. http://www.pewtrusts.org/en/multimedia/data-visualizations/2014/fiscal-50#ind9

19 This growth occurred in spite of the immense fall in the price of oil in 2014. Three out of the five low-tax states are heavy oil producers

20 “Income tax rate to drop to 5.05% on Jan. 1,” Massachusetts Executive Office for Administration and Finance, December 14, 2018. https://www.mass.gov/news/income-tax-rate-to-drop-to-505-on-jan-1

21 Stephen Moore, “The States Move to the Supply Side,” Cato Institute, November 5, 1996. https://www.cato.org/publications/commentary/states-move-supply-side

22 Freeland, Will. “Pro-Growth Tax Reform Crosses the Finish Line in North Carolina.” American Legislative Exchange Council. July 23, 2013. https://www.alec.org/article/pro-growth-tax-reform-crosses-the-finish-line-in-north-carolina/

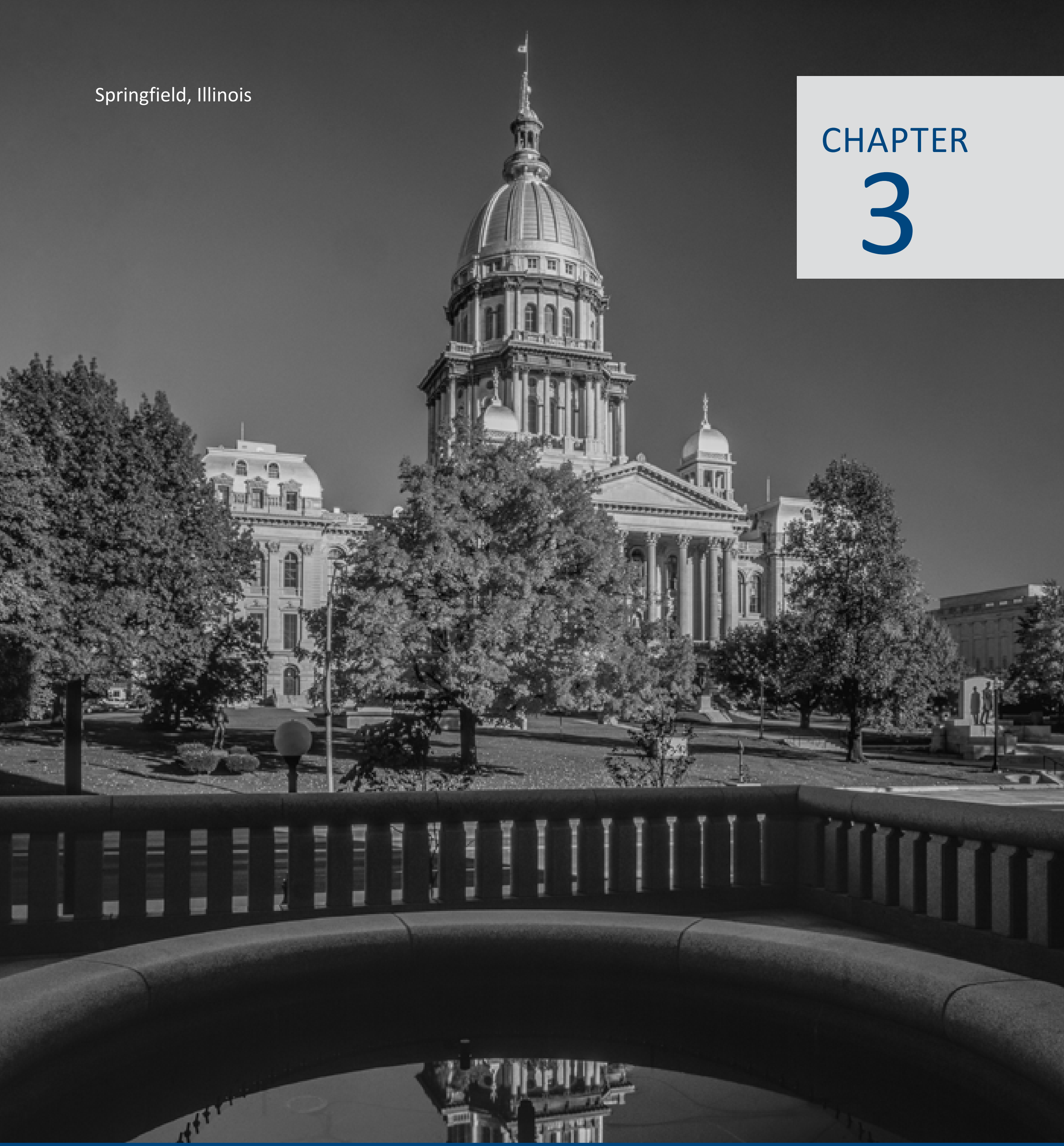
23 Williams, Jonathan and Estes, Skip. “State Tax Cut Roundup: 2018.” American Legislative Exchange Council. May 2019. https://www.alec.org/app/uploads/2019/05/2018-State-Tax-Cut-Roundup-Web.pdf

24 “Tax and Expenditure Limitation Act.” American Legislative Exchange Council. January 12, 2017. https://www.alec.org/model-policy/tax-and-expenditure-limit-reform/

25 “Super-Majority Act.” American Legislative Exchange Council. January 29, 2013.

26 “Tax and Expenditure Limitation Act.” American Legislative Exchange Council. January 12, 2017. https://www.alec.org/model-policy/tax-and-expenditure-limit-reform/

27 “Statement of Principles on Truth in Property Taxation.” American Legislative Exchange Council. September 3, 2019. https://www.alec.org/model-policy/statement-of-principles-on-truth-in-property-taxation/



Springfield, Illinois

CHAPTER

3

The Illinois Political Economy in Retrospect

The Illinois Political Economy in Retrospect

The newly elected governor of Illinois claims to have a trick up his sleeve that will solve all problems in the Land of Lincoln. His trick? "Raise fair taxes." Governor J.B. Pritzker signed significant changes to Illinois' tax code that will go into effect if passed through ballot referendum. The legislation would make the following changes:[1,2]

- Increases the top marginal personal income tax rate from 4.95% to 7.99%.
- Starts the top tax bracket at $750,000 for individuals and $1 million for joint filers.
- For the top bracket, the tax rate of 7.99% applies to all income, rather than a typical graduated rate structure with lower rates for lower income brackets.
- Subjects filers with total income under the highest income tax bracket to a graduated tax schedule with the top rate of 7.85%.[3]
- Increases the top marginal corporate tax rate from 9.5% to 10.49%.
- Establishes a tax amnesty program for evaders of all franchise tax and license fees.
- Phases out and repeals the Illinois franchise tax by January 1, 2024.

These proposals are in addition to the governor's doubling of the gas tax from $0.19 to $0.38 per gallon in 2019.[4] Plus, Illinois is one of the 17 states with a "death tax" and has a top rate of 16% on taxable estates. Interestingly, Illinois' death tax threshold starts at $4 million, while the federal death tax starts at $11.4 million for 2019.[5,6] As if Illinoisans are not taxed enough, Chicago Mayor Lori Lightfoot is proposing a tax on pension income over $100,000 per year.[7]

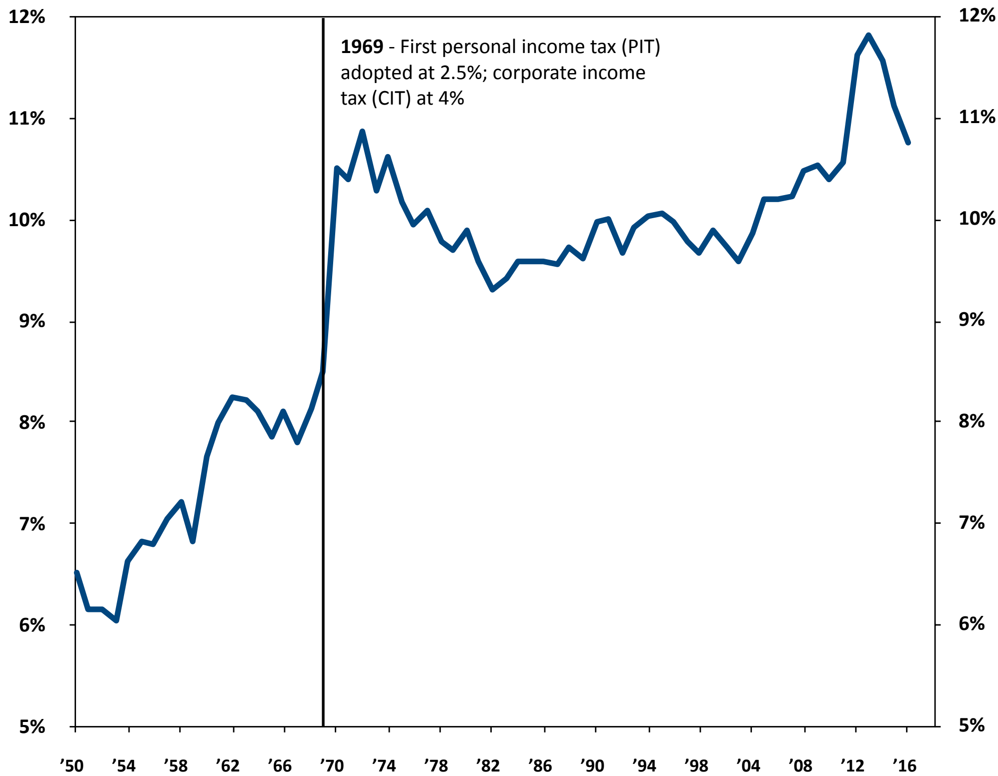
Gov. Pritzker offers the following rationale of why his tax is "fair" and thus workable:

"Now, there are those who want to scare people by claiming this proposal will cause residents and businesses to flee Illinois. They couldn't be more wrong. They ignore the fact that people and businesses are fleeing our state now under our current regressive tax system, yet states with fair tax systems on average grow faster and create more jobs than Illinois."[8]

What Gov. Pritzker fails to mention is virtually every state has grown faster and created more jobs than Illinois since 2008. Before 1969, Illinois had no personal or corporate income tax, despite the fact that a number of states adopted an income tax during the first half of the 20th century.[9] The Illinois government, like other tax-increasing governments, wanted an income tax but was blocked in 1932 by an Illinois Supreme Court decision that ruled an income tax was unconstitutional.[10] In 1969, this hurdle was overcome (Figure 1).

Even without an income tax, state and local taxes in Illinois rose substantially from 1954 through 1962. The primary contributors to Illinois' ever-increasing tax burden were increases and changes to the sales tax code. In 1955, Illinois adopted a use tax to recoup lost sales tax revenues from out-of-state shoppers. Alas, the imposition of an income tax in 1969 was a watershed moment for tax increases in Illinois.

FIGURE 1 | **Illinois State and Local Tax Revenues as a Share of Personal Income[11] (1950-2016)**



Note: Data points from 1950-52 and 1954-56 were interpolated due to an incomplete dataset. State data for 2001 and 2003 were not released and is interpolated.

Source: U.S. Census Bureau, Bureau of Economic Analysis

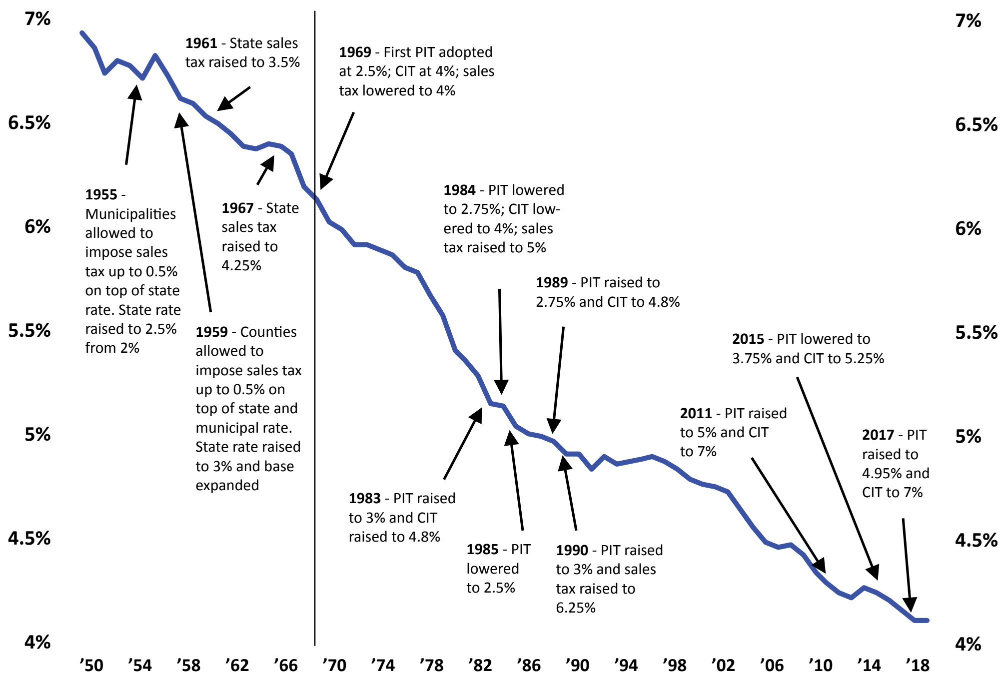
On July 1, 1969, then-Governor Richard Ogilvie signed into law a 2.5% flat rate tax on individual income, as well as a 4% tax on corporate income. Figure 1 shows all tax revenues collected by Illinois state and local governments as a share of the state's personal income from 1950 to the present. Without context, Figure 1 may seem like a big win for those advocating income taxes. But recalling the Laffer Curve, there are two effects higher tax rates have — more tax revenue per dollar of tax base and a smaller tax base.

Upon initial inspection, politicians in Illinois must have thought they struck gold on an untaxed asset, assuming there would be no economic consequences to taxing income. Some economists even argue that people work harder and earn more income when taxes are high to maintain their after-tax standard of living.

To the chagrin of tax-and-spenders, supply side responses eventually take hold. In the case of Illinois, the Laffer Curve sought its own version of revenge. Figure 1 only tells us that tax revenues increased relative to income. One must look to Figure 2 to understand the damaging impact higher tax rates had on the tax base before and after the new income tax. Figure 2 plots Illinois' personal income relative to U.S. personal income from 1950 to the present.

Figure 2 demonstrates, from 1950 through 1969, Illinois declined relative to the rest of the nation by less than one percentage point (from 6.9% in

FIGURE 2 | **Illinois Personal Income as a Share of Total U.S. Personal Income (1950-2017)**[12]



Source: Bureau of Economic Analysis, Illinois Department of Revenue

1950 to 6.1% in 1969). Enter Gov. Ogilvie's personal income tax, and in just 16 years, from 1969 to 1985, Illinois went from 6.1% of U.S. personal income to 5.0%. By 2010, another 25 years, Illinois dropped to 4.3% of U.S. personal income. As of the most recent data available, Illinois sits at 4.1% of total U.S. personal income.

Since 1976, among all U.S. states, Illinois has the fourth-lowest growth in employment, 10th-lowest growth in gross state product (GSP), fifth-lowest rate of personal income growth and the sixth-lowest increase in its labor force. In 2018, Illinois had an average unemployment rate of 4.3%, ranking 39th compared to the U.S. national unemployment rate of 3.8%.

The negative effects of income taxation are not limited to Illinois. Table 1 contains a comparison of the 11 states that adopted an income tax after 1960 with the other 39 states. Each of the 11 states' performances since adopting an income tax has been bad, including Illinois. The Land of Lincoln's share of the U.S. population relative to the other 39 states fell by 37.4%, GSP fell by 41.2% and state and local tax revenues dropped by 51.0%. Illinois is not unique in suffering from the adoption of an income tax. Every one of the other 10 states had a similar experience. If Illinois hopes to reverse its decline, state policymakers should look to the low-income-tax states, which, on average, outperform high-tax states in many different economic indicators over 12 years of this *Rich States, Poor States* analysis.

A Catch-22

On June 6th, 2019, Gov. Pritzker signed a 2020 fiscal year (FY) state budget that shows state coffers with a $1.3 billion deficit, even accounting for the governor's over $1 billion in new fees and tax hikes.[13]

TABLE 1 | **Metrics of the 11 States That Adopted an Income Tax Post-1960 as a Percentage Relative to the 39 Remaining States.**

		Top Marginal Tax Rate		Population			GSP			Total State and Local Tax Revenue		
State	First Year of the Tax	Initial	Current	5 Years Before	2018	% Change	5 Years Before	2018	% Change	5 Years Before	2016	% Change
Connecticut	1991	1.50%	6.99%	1.80%	1.40%	-21.70%	2.40%	1.80%	-23.40%	2.40%	1.20%	-47.50%
New Jersey	1976	2.50%	10.75%	4.90%	3.50%	-28.60%	5.40%	4.20%	-22.50%	5.40%	3.10%	-43.50%
Ohio	1972	3.50%	5.00%	7.60%	4.60%	-38.90%	8.00%	4.50%	-43.80%	6.10%	3.50%	-43.10%
Rhode Island	1971	5.25%	5.99%	0.70%	0.40%	-38.30%	0.60%	0.40%	-36.30%	0.70%	0.30%	-46.70%
Pennsylvania	1971	2.30%	3.07%	8.50%	5.10%	-40.30%	8.50%	5.30%	-38.00%	7.70%	4.00%	-48.20%
Maine	1969	6.00%	7.15%	0.70%	0.50%	-28.20%	0.60%	0.40%	-25.90%	0.60%	0.40%	-37.60%
Illinois	1969	2.50%	4.95%	8.10%	5.10%	-37.40%	9.80%	5.80%	-41.20%	7.80%	3.80%	-51.00%
Nebraska	1968	2.60%	6.84%	1.10%	0.80%	-30.40%	1.00%	0.80%	-20.30%	0.90%	0.70%	-27.90%
Michigan	1967	2.00%	4.25%	6.30%	4.00%	-37.30%	7.90%	3.50%	-55.20%	6.60%	2.50%	-61.90%
Indiana	1963	2.00%	3.23%	3.80%	2.70%	-30.10%	3.80%	2.40%	-35.70%	3.40%	1.70%	-48.60%
West Virginia	1961	5.40%	6.50%	1.50%	0.70%	-53.50%	1.20%	0.50%	-56.50%	1.10%	0.50%	-53.30%

Source: Bureau of Economic Analysis, U.S. Census Bureau

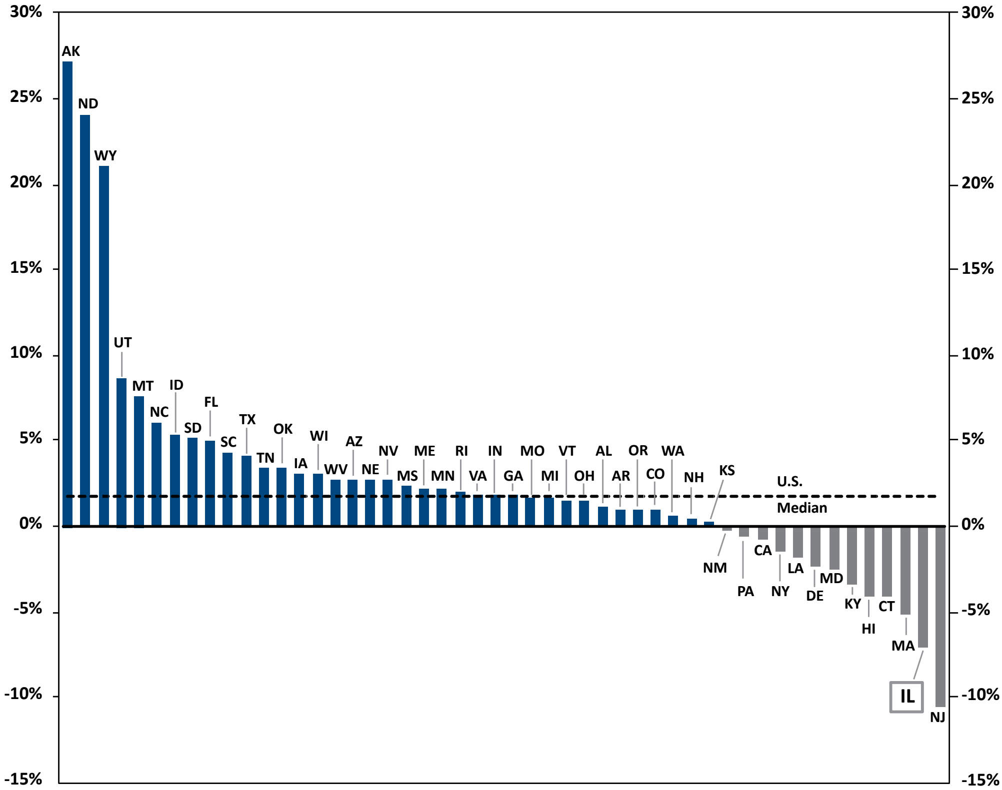
Budget woes have long troubled Illinois, because it is easier to spend than produce sustainable growth. FY 2020 is the 19th consecutive year Illinois has had a budget deficit. Figure 3 shows each state's average budget surplus as a share of state spending over the latest 10-year period for which data are available. Illinois has the second-largest consistent budget deficit only "bested" by New Jersey.

Many of the problems currently plaguing The Land of Lincoln stem from the state's misaligned incentive structure. Businesses and workers want to be located where they get the most return on their efforts after taxes. Over the years, Illinois has become known as a high-tax state whose government tends to spend too much money.

In 2019, Illinois' Tax Freedom Day (the day that marks the point in the year when taxpayers have worked enough to produce sufficient tax revenues to cover their annual federal, state and local taxes) came 114 days into the year — ranking 45th in the nation and eight days more than the national average (see Table 2).[14] Illinois' total state and local tax burden in 2016 was 10.83%, the seventh-highest in the country.[15] Again, just look at the crowd Illinois hangs out with: Vermont (42nd), Massachusetts (43rd), Connecticut (46th), Minnesota (46th), Rhode Island (46th), New Jersey (49th), and New York (50th).

Many politicians, including some from Illinois, do not understand how policies shape the economic environment and affect population and income growth, and thus tax revenue growth. Taxes impact the size of the tax base (income), the composition of income, the location of income and the timing of income. Illinois' government has effectively been advertising their state as a place that taxes work, output and employment, while subsidizing non-work, leisure and unemployment. Illinois has been doing this for a very long time. Naturally, the market (i.e., potential workers and beneficiaries of government programs) responded.

FIGURE 3 | **Net Revenue as a Share of Total State Spending (FY 2008-2018)**



Source: Pew Charitable Trusts

TABLE 2 | **Tax Freedom Day (2019)**

Rank	State	Tax Freedom Day	Days into Year	Rank	State	Tax Freedom Day	Days into Year	Rank	State	Tax Freedom Day	Days into Year
1	Alaska	25-Mar	84	14	Wyoming	9-Apr	99	35	Maryland	19-Apr	109
2	Oklahoma	30-Mar	89	19	Kentucky	10-Apr	100	35	New Hampshire	19-Apr	109
3	Florida	4-Apr	94	19	South Carolina	10-Apr	100	35	Wisconsin	19-Apr	109
3	Louisiana	4-Apr	94	19	West Virginia	10-Apr	100	38	California	20-Apr	110
5	Alabama	5-Apr	95	22	North Carolina	11-Apr	101	38	Maine	20-Apr	110
5	Tennessee	5-Apr	95	22	Utah	11-Apr	101	38	Washington	20-Apr	110
5	Texas	5-Apr	95	24	Delaware	12-Apr	102	41	North Dakota	21-Apr	111
8	Idaho	6-Apr	96	24	Nebraska	12-Apr	102	42	Vermont	22-Apr	112
8	Montana	6-Apr	96	26	Colorado	14-Apr	104	43	Hawaii	23-Apr	113
10	Georgia	7-Apr	97	26	Ohio	14-Apr	104	43	Massachusetts	23-Apr	113
10	South Dakota	7-Apr	97	28	Iowa	15-Apr	105	45	Illinois	24-Apr	114
12	Arkansas	8-Apr	98	28	Kansas	15-Apr	105	46	Connecticut	25-Apr	115
12	New Mexico	8-Apr	98	30	Michigan	16-Apr	106	46	Minnesota	25-Apr	115
14	Arizona	9-Apr	99	30	Pennsylvania	16-Apr	106	46	Rhode Island	25-Apr	115
14	Indiana	9-Apr	99	30	Virginia	16-Apr	106	49	New Jersey	30-Apr	120
14	Mississippi	9-Apr	99	33	Nevada	18-Apr	108	50	District of Columbia	3-May	123
14	Missouri	9-Apr	99	33	Oregon	18-Apr	108	50	New York	3-May	123

Source: Tax Foundation

Income Migration

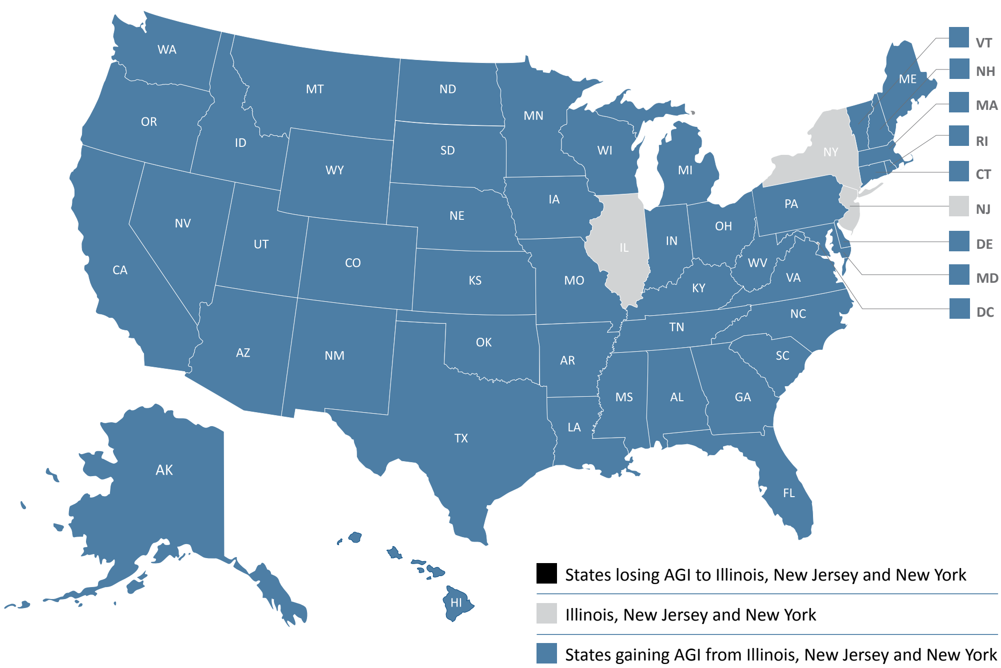
Figure 4 uses IRS tax return data over the latest 10-year period (2006-2016) to show the migration of adjusted gross income (AGI) into and out of Illinois, New York and New Jersey. This trio lost net-AGI to every single state. We predict the limitation of state and local tax (SALT) deduction which was a major feature of the federal Tax Cuts and Jobs Act of 2017, combined with continued negligent policies in those three states, will increase the AGI outflows as high-income earners have more incentive to flee high-tax states.[16,17]

Illinois' story is not new. Table 3 uses the same IRS migration data for each state from 1992 to 2016. Each column represents a three-year period and identifies the net amount of AGI that left or entered each state as a share of average AGI filed within that state. Over the 24-year period, Illinois languished at the bottom, year in and year out. Since 1992, 12.4% of Illinois' AGI has left the state; New Jersey lost 10.5% and New York lost 13.8%.

Illinois' population growth rate of 0% since 2008 is ranked 49th in the nation — only besting West Virginia at -0.19%. Over the last 10-year period, Illinois also ranked 48th in domestic net migration having lost close to 850,000 residents — equivalent to about 6.6% of their total population in 2008. Plotted in Figure 5 are indexed values of the share of U.S. population residing in Illinois and select U.S. states from 1976 to 2018.

Illinois' loss in population relative to other states is also reflected in Chicago. Figure 6 plots the share of U.S. population living in the Chicago metropolitan area. Before the adoption of an Illinois state income tax, Chicago was expanding relative to the rest of the U.S. Chicago's decline began when the state adopted its income tax in 1969. In 2017, Chicago lost of 156 people on net per day.[18]

FIGURE 4 | **Illinois, New Jersey and New York Aggregate Net AGI Flow (2006-2016)**



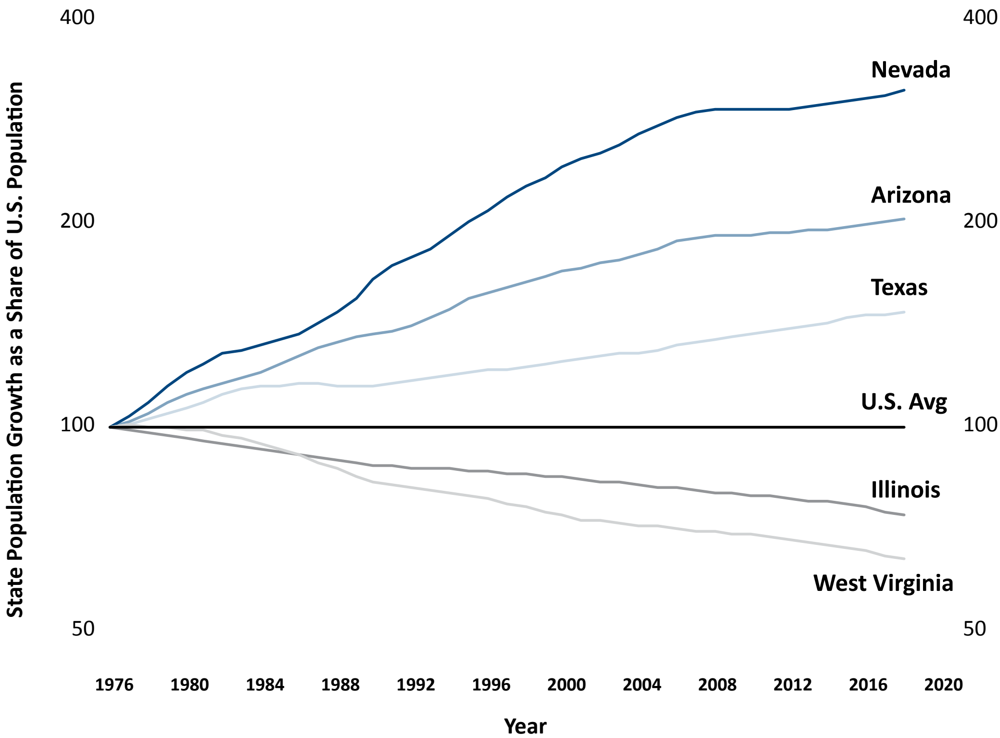
Source: Internal Revenue Service

TABLE 3 | Net AGI Migration as a Percentage of State AGI Filed (Three-Year Periods)

Net AGI Migration as a % of State AGI Filed (Three-Year Periods)																Sum of % of Net AGI Migration (1992-2016)		
92-95		95-98		98-01		01-04		04-07		07-10		10-13		13-16				
NV	11.5%	NV	11.4%	NV	9.7%	NV	9.2%	NV	6.5%	SC	4.2%	FL	4.9%	FL	7.7%	1	NV	30.7%
AZ	8.2%	AZ	6.9%	FL	6.0%	FL	6.9%	AZ	6.2%	MT	3.9%	SC	4.1%	NV	5.4%	2	FL	27.2%
ID	6.2%	FL	5.6%	AZ	5.8%	AZ	5.2%	FL	6.0%	WY	3.2%	NV	3.8%	SC	5.0%	3	AZ	21.7%
CO	5.5%	CO	3.9%	CO	3.6%	MT	3.7%	SC	5.3%	FL	2.9%	WY	3.0%	ID	2.9%	4	SC	20.9%
FL	5.4%	NC	3.6%	NH	3.3%	ID	3.2%	ID	4.8%	NC	2.6%	MT	2.6%	AZ	2.9%	5	ID	15.7%
MT	4.6%	SC	3.4%	ID	3.1%	SC	3.2%	NC	3.9%	AZ	2.4%	ID	2.5%	OR	2.7%	6	MT	14.3%
NC	4.0%	ID	3.2%	SC	3.1%	NH	3.1%	MT	3.2%	NV	2.0%	AZ	2.5%	MT	2.5%	7	NC	13.6%
NM	3.9%	GA	2.9%	WY	2.9%	ME	3.1%	WY	2.9%	CO	2.0%	CO	2.0%	CO	2.3%	8	WY	12.3%
GA	3.9%	OR	2.3%	NC	2.6%	WY	2.6%	OR	2.7%	TX	1.7%	TX	2.0%	NC	2.0%	9	CO	11.6%
OR	3.9%	WY	2.3%	ME	2.4%	NC	1.8%	TN	2.6%	SD	1.6%	NC	1.9%	WY	2.0%	10	OR	9.7%
AR	3.5%	NH	2.3%	VT	2.1%	DE	1.7%	WA	2.3%	TN	1.6%	ND	1.8%	WA	1.9%	11	TN	8.9%
UT	3.2%	WA	2.2%	MT	1.6%	OR	1.4%	CO	2.1%	WA	1.4%	WA	1.4%	TN	1.9%	12	NH	8.2%
TN	2.9%	TN	1.9%	GA	1.5%	VT	1.4%	NM	2.0%	OR	1.4%	HI	1.4%	TX	1.5%	13	WA	7.6%
WA	2.8%	MT	1.9%	DE	0.9%	NM	1.3%	UT	1.8%	ID	1.3%	OR	1.2%	DE	1.3%	14	TX	6.3%
WY	2.5%	VT	1.4%	WA	0.8%	HI	1.3%	AR	1.8%	NM	1.0%	TN	1.1%	UT	1.3%	15	GA	6.2%
SC	2.3%	TX	1.2%	TN	0.8%	TN	1.1%	NH	1.8%	UT	1.0%	ME	0.9%	HI	1.0%	16	ME	5.7%
VT	1.8%	AR	1.1%	OR	0.7%	AR	1.1%	TX	1.8%	DE	1.0%	SD	0.9%	SD	0.7%	17	DE	5.6%
NH	1.8%	ME	0.8%	AR	0.6%	WA	0.8%	GA	1.7%	AL	0.9%	NH	0.7%	NH	0.6%	18	SD	4.3%
SD	1.7%	MS	0.8%	TX	0.6%	GA	0.7%	DE	1.6%	AR	0.8%	UT	0.7%	ME	0.4%	19	AR	4.2%
MS	1.3%	UT	0.7%	VA	0.6%	VA	0.7%	SD	1.4%	GA	0.8%	DE	0.5%	GA	0.4%	20	UT	4.0%
TX	1.2%	AL	0.5%	SD	0.4%	RI	0.7%	AL	1.2%	OK	0.5%	OK	0.3%	AL	-0.3%	21	VT	2.8%
AL	1.0%	KY	0.1%	RI	0.1%	SD	0.6%	VT	0.9%	WV	0.2%	AL	0.2%	AR	-0.3%	22	AL	2.2%
KY	0.7%	DE	0.0%	CA	-0.1%	CO	0.5%	ME	0.7%	KY	0.2%	GA	0.0%	CA	-0.4%	23	NM	1.0%
DE	0.7%	VA	-0.3%	KY	-0.1%	TX	0.4%	KY	0.4%	VT	0.2%	KY	-0.0%	OK	-0.5%	24	HI	0.3%
WV	0.5%	OK	-0.3%	MS	-0.1%	AL	0.4%	HI	0.3%	NH	0.2%	AR	-0.2%	ND	-0.7%	25	KY	0.0%
VA	0.5%	MO	-0.3%	WI	-0.3%	WV	0.3%	WV	0.3%	VA	0.1%	CA	-0.4%	MO	-0.8%	26	MS	-0.6%
WI	0.5%	SD	-0.4%	AL	-0.4%	KY	0.2%	OK	0.1%	MS	0.1%	VT	-0.5%	MI	-0.8%	27	OK	-1.4%
IN	0.4%	NM	-0.4%	MA	-0.7%	MS	0.2%	MS	-0.0%	ME	0.0%	IA	-0.5%	KY	-0.9%	28	VA	-1.4%
MO	0.3%	IN	-0.5%	MN	-0.7%	WI	-0.0%	MO	-0.1%	HI	-0.1%	IN	-0.5%	IN	-0.9%	29	WV	-2.3%
MN	0.3%	WI	-0.5%	MO	-0.8%	PA	-0.4%	VA	-0.4%	LA	-0.2%	MS	-0.6%	IA	-0.9%	30	MO	-2.6%
ME	-0.3%	WV	-0.7%	MD	-0.8%	MO	-0.4%	PA	-0.4%	MO	-0.3%	LA	-0.6%	WI	-1.0%	31	WI	-3.0%
OK	-0.4%	MA	-0.7%	UT	-0.9%	MD	-0.5%	WI	-0.6%	PA	-0.3%	PA	-0.7%	LA	-1.0%	32	IN	-3.8%
KS	-0.6%	KS	-0.8%	IN	-1.0%	UT	-0.6%	IN	-0.7%	IA	-0.3%	VA	-0.7%	VT	-1.1%	33	PA	-4.2%
PA	-0.6%	MN	-0.8%	HI	-1.1%	CT	-0.6%	MN	-0.9%	ND	-0.4%	MO	-0.7%	MA	-1.2%	34	ND	-4.4%
NE	-0.7%	MI	-0.9%	PA	-1.1%	MN	-0.8%	IA	-0.9%	CA	-0.6%	WV	-0.8%	MS	-1.2%	35	CA	-4.4%
MD	-0.8%	CA	-1.0%	MI	-1.2%	OK	-0.9%	KS	-1.0%	IN	-0.7%	WI	-0.8%	MN	-1.2%	36	MN	-4.4%
IA	-0.9%	PA	-1.2%	WV	-1.3%	IN	-0.9%	NE	-1.2%	MA	-0.7%	NE	-0.8%	NE	-1.3%	37	IA	-5.6%
OH	-1.0%	OH	-1.3%	CT	-1.5%	MI	-1.1%	CT	-1.5%	MN	-0.7%	MI	-1.0%	RI	-1.3%	38	MA	-6.3%
MI	-1.0%	IA	-1.5%	OK	-1.6%	CA	-1.1%	AK	-1.6%	WI	-0.8%	NM	-1.0%	WV	-1.3%	39	KS	-6.6%
LA	-1.2%	NE	-1.5%	NJ	-1.7%	LA	-1.1%	ND	-1.8%	KS	-0.9%	MN	-1.0%	PA	-1.4%	40	NE	-6.8%
MA	-1.3%	MD	-1.5%	NM	-1.8%	NJ	-1.2%	MD	-1.8%	NE	-0.9%	MA	-1.1%	KS	-1.4%	41	MD	-7.1%
NJ	-1.6%	LA	-1.6%	OH	-1.9%	IA	-1.4%	CA	-1.9%	MD	-1.0%	KS	-1.1%	OH	-1.5%	42	LA	-7.7%
ND	-1.8%	NJ	-1.8%	KS	-2.0%	NE	-1.4%	IL	-1.9%	AK	-1.1%	OH	-1.4%	NM	-1.5%	43	RI	-8.2%
CT	-1.9%	RI	-1.9%	IA	-2.2%	OH	-1.5%	OH	-2.0%	DC	-1.2%	RI	-1.4%	VA	-1.5%	44	MI	-8.6%
IL	-1.9%	CT	-2.0%	LA	-2.5%	AK	-1.6%	MI	-2.3%	CT	-1.3%	MD	-1.5%	MD	-2.0%	45	OH	-9.0%
HI	-2.1%	IL	-2.3%	IL	-2.5%	KS	-1.6%	NJ	-2.5%	IL	-1.4%	NJ	-1.9%	NY	-2.7%	46	CT	-10.5%
RI	-3.4%	ND	-2.5%	NE	-2.6%	MA	-2.1%	MA	-2.5%	NJ	-1.6%	NY	-2.1%	NJ	-2.8%	47	NJ	-10.5%
CA	-3.5%	HI	-2.9%	NY	-2.8%	IL	-2.2%	RI	-2.8%	OH	-1.7%	IL	-2.4%	AK	-3.0%	48	IL	-12.4%
AK	-3.7%	AK	-3.4%	DC	-3.2%	ND	-2.3%	NY	-3.5%	RI	-2.2%	CT	-2.9%	IL	-3.2%	49	AK	-13.5%
NY	-3.8%	NY	-3.8%	AK	-3.5%	NY	-3.1%	DC	-3.5%	NY	-2.2%	AK	-3.9%	CT	-3.3%	50	NY	-13.8%
DC	-12.1%	DC	-9.8%	ND	-3.8%	DC	-5.9%	LA	-4.2%	MI	-2.8%	DC	-4.4%	DC	-3.9%	51	DC	-19.6%

Source: IRS, Laffer Associates

FIGURE 5 | **Illinois Population Growth as a Share of Total U.S. Population Compared to Select States (1976-2018)**



Note: Semi-log scale, index = 1976

Source: Bureau of Economic Analysis

Of Dwindling Relevance

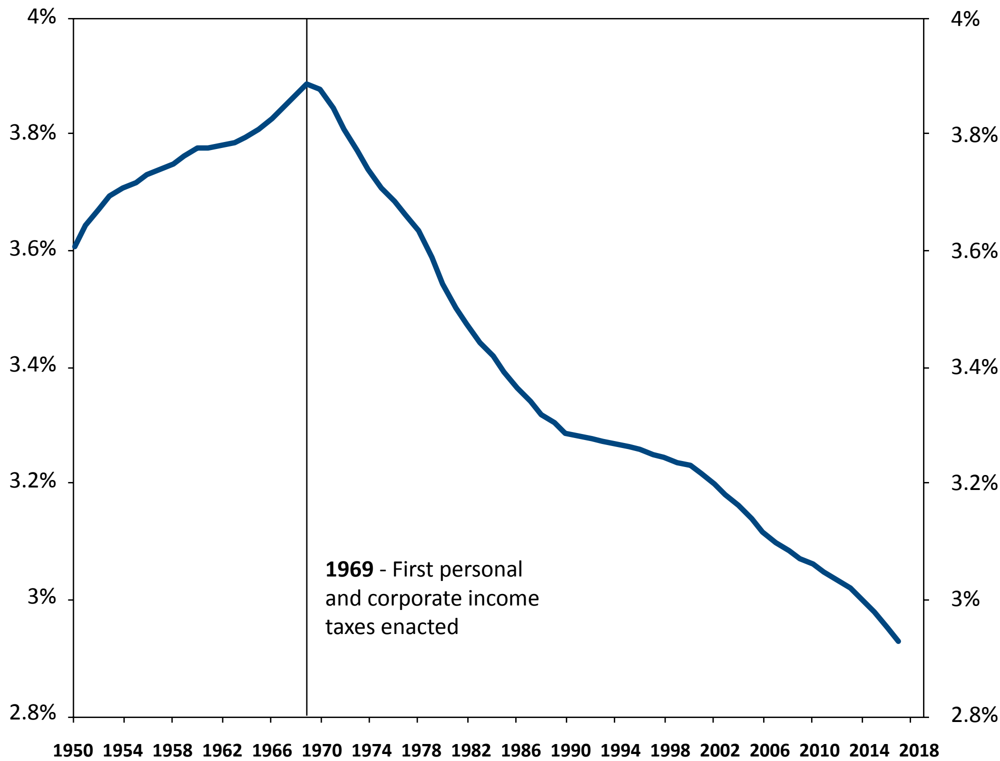
It's not just people leaving the state — companies are also moving their headquarters to more business-friendly states.[19] The recent tax increases won't help the cause. For example, the aforementioned gasoline tax hike signed by Gov. Pritzker that doubles the state gas tax from $0.19 to $0.38 per gallon will not be insignificant for Illinois drivers and business owners.[20] A plan to raise the minimum wage to $15 an hour by 2025, also signed by the governor in 2019, will further weaken downstate Illinois and the viability of small businesses.[21] Illinois' outmigration of people and businesses has a compounding effect on economic conditions. States need jobs to attract people and need people to attract jobs. As citizens continue to leave the state, Illinois is projected to lose yet another U.S. House seat after the 2020 Census (Table 4).[22]

Property Taxes

In FY 2016, Illinois had the ninth-highest state and local property taxes as a share of GSP. Property tax revenues constituted the largest share of Illinois' state and local tax revenues at 37.5% (Table 5).

In comparison, the 50-state unweighted average for state and local property tax revenues as a share of all tax revenues was 31.4% for FY 2016. In Illinois, property taxes are almost exclusively the domain of local jurisdictions — 99.8% of property tax revenues in Illinois go to local governments, while the remaining 0.2% is collected at the state level. Local governments in Illinois source almost 81% of their revenues through property tax collections. Consequently, local governments are highly dependent on this revenue stream.

FIGURE 6 | **Chicago Metropolitan Statistical Area Population as a Share of U.S. Population (1950-2017)**



Note: Data points for 1951-1959 and 1961-1968 were interpolated based on decennial Census data
Source: Bureau of Economic Analysis, U.S. Census Bureau

TABLE 4 | **Congressional Seat Apportionment for Illinois**

1820	1830	1840	1850	1860	1870	1880	1890	1900	1910
1	3	7	9	14	19	20	22	25	27
1930	1940	1950	1960	1970	1980	1990	2000	2010	2020
27	26	25	24	24	22	20	19	18	17

Note: Seats were not reapportioned in 1920 (2020 is projected)

Source: History, Art & Archives, U.S. House of Representatives, Insights Association

Illinois property tax revenues have become increasingly important for Illinois relative to the rest of the nation. While the ratio of property tax revenues to GSP in Illinois is nearly the same as it was in the 1960s, property tax revenues to GSP in the rest of the nation have fallen (Figure 7).

In 1968, a year before Illinois adopted the income tax, Illinois' local property tax share of GSP was 2.8% — 27th-highest in the nation and one-tenth of a percentage point lower than the rest of the U.S. unweighted average (excluding Illinois) of 2.9%. In 2016, however, Illinois' local property tax as a share of GSP was ranked seventh-highest in the U.S. at 3.4% compared to the U.S. unweighted average of 2.5%. Figure 6 illustrates this divergence of Illinois, while other states are becoming less reliant on property taxes as a source of tax revenues.

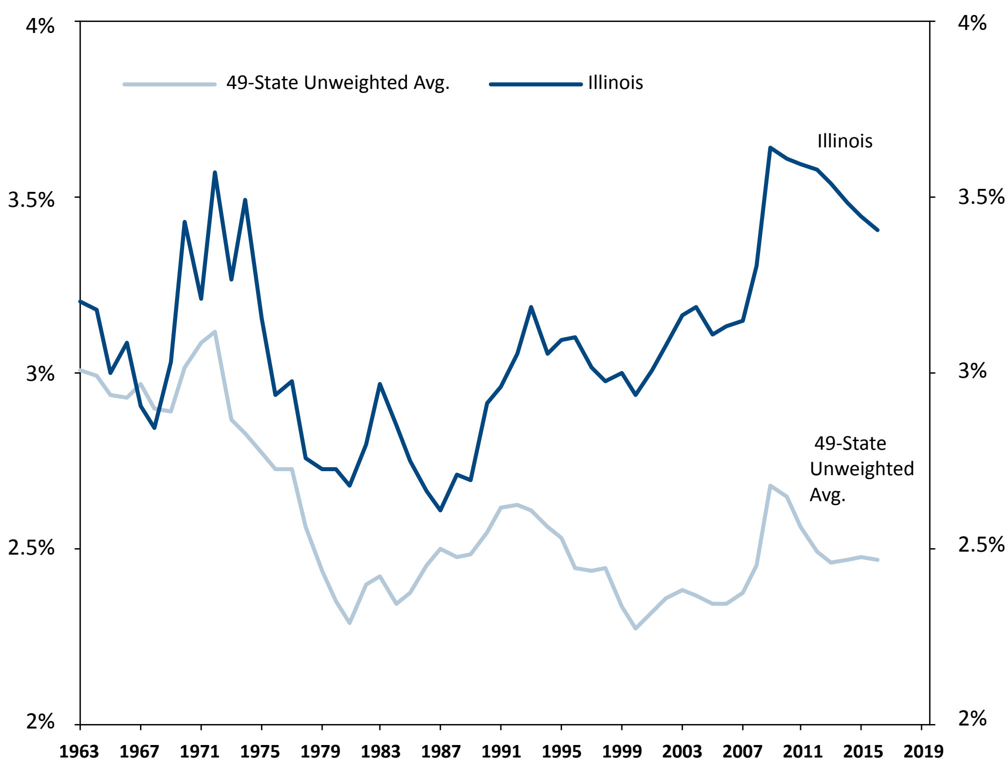
TABLE 5 | **State and Local Tax Revenue, Illinois vs. the U.S. Average (FY 2016)**

Revenue Source	Dollars (000s)	% of Total Tax Revenue	U.S. Equal-Weighted Average % of Total Tax Revenue*
Property	$27,210,946	37.5%	31.4%
Sales and Gross Receipts	$24,128,313	33.2%	35.8%
General Sales	$14,008,593	19.3%	23.5%
Selective Sales and Excise	$10,119,720	13.9%	12.3%
Motor Fuel	$1,533,982	2.1%	3.3%
Alcoholic Beverage	$358,040	0.5%	0.5%
Tobacco Products	$1,010,531	1.4%	1.4%
Public Utilities	$2,611,442	3.6%	1.5%
Other Selective Sales	$4,605,725	6.3%	5.6%
Individual Income	$13,806,525	19.0%	21.0%
Corporate Income	$3,367,461	4.6%	3.2%
Motor Vehicle License	$1,740,773	2.4%	1.9%
Death and Gift Taxes	$325,230	0.4%	0.3%
Other Taxes	$1,995,711	2.7%	6.5%
Total	$72,574,959		

**Equal-weighted percentages do not add to 100%*

Source: U.S. Census Bureau

FIGURE 7 | **Local Property Tax Revenue as a Share of GSP, Illinois Compared to the U.S. (FY 1963-2016)**



Source: U.S. Census Bureau, Bureau of Economic Analysis

Property values in Illinois in general, and Chicago specifically, are showing weakness, while property values have been increasing in other parts of the country. Chicago's average home price is below the national average, and 6-year equity growth is 43% slower than the national average, indicating how Chicagoland homeowners own less of their homes than most Americans.[23] Significant property tax increases under former Mayor Rahm Emanuel, fear of additional property tax increases by newly elected Mayor Lori Lightfoot and the limitation of the aforementioned federal SALT deduction further contribute to poor sale prices and low homeowner equity. A July 1, 2019 article in Crain's Chicago Business highlighted how even high-end real estate transactions in Chicago's elite Gold Coast neighborhood are turning out very poorly for sellers.[24] Crain's reported that one condo hit the market in early 2016 at $9.1 million and recently sold for $4.5 million. A second condo sold for $2 million after the property was initially purchased for $4.5 million, not including "an unspecified additional amount [spent] on extensive renovations."

However, for those searching for a housing silver lining, Demographia's 2019 Housing Affordability Survey points to an improvement in Chicago's housing affordability as home prices in Chicago have underperformed other cities since the last recession, a statistic that provides no solace to sellers or other holders of high-end real estate in the city.[25]

Illinois is cited as having the second-highest property taxes in the nation.[26] Table 6 is a summary of effective property tax rates in Illinois and the rest of the nation from 2007 through 2017 (ranked by highest to lowest in 2017).

Illinois counties and municipalities operating under "home rule" law do not have limitations on property taxes, allowing local jurisdictions to impose higher rates. In Illinois, "home rule" automatically applies to communities with over 25,000 residents. Communities under 25,000 residents can vote to implement home rule via a referendum. Since 2017, at least 19 separate localities in Illinois have tried to become home rule communities. Eighteen of those campaigns failed because voters didn't trust that their taxes would be kept under control.[27]

The city of Chicago has continued to raise property tax rates to cover increased spending. Anecdotally, some have seen property tax bill increases of 40% or higher in the past year.[28] Effective property tax rates in Illinois are already double the U.S. average — 2.2% compared to 1.1% (Table 6). For one Cook County native, "the words 'legalized robbery' come to mind."[29]

A great reckoning occurred under Mayor Emanuel in 2015 as Chicago faced a $230 million shortfall for its 2016 budget, along with an astounding $20 billion in unfunded pension liabilities. The result was the Chicago mayor proposing the largest tax increase in the city's modern history, consisting of $2.5 billion in additional taxes and fees over the subsequent four years.[30] The largest component of this proposal came in the form of a property tax increase amounting to roughly $1.77 billion from 2015 to 2018 that, by some estimates, would increase total city property tax collections by 70%.[31] The proposal also included garbage collection fees, taxes on ride-sharing and taxis, higher building permit fees and new electronic cigarette taxes.

Illinois expects to tax its way back to prosperity, and property tax hikes are how Illinois policymakers expect to raise much of the revenue. Figure 8 compares median home prices in Illinois and Chicago to the U.S. average from 1997 to 2018. In 1997, Illinois' home prices were 5% above the average U.S. median home price. At the end of 2018, Illinois' median home value dropped to just 80% of the U.S. average. Chicago also experienced a large drop in median home value relative to the U.S. average. In 2002, the Chicago median home value was about 33% above the U.S. average. That figure dropped to a mere 1.5% above the U.S. average by the end of 2018. In stark contrast to the high-tax tendencies of Chicago, median home values of the low-tax champion, Nashville, Tennessee, have increased from 95% of the U.S. average in 1997 to 113% in 2018.

Home sales in Chicago are down 13.3% as of June 2019 on a year-over-year basis, marking the 12th consecutive month of declines.[32] Property tax increases inhibit demand for Illinois/Chicago real estate as a result of the effective property tax rate increasing from 2007-2017 and Chicago and

TABLE 6 | **Median Property Tax Rate as a Percentage of Median Home Value**

State	Effective Property Tax Rates in the U.S.										
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017 (Ranked)
New Jersey	1.6%	1.7%	1.9%	2.0%	2.2%	2.3%	2.4%	2.4%	2.4%	2.4%	2.4%
Illinois	1.5%	1.6%	1.7%	1.9%	2.1%	2.3%	2.3%	2.3%	2.3%	2.2%	2.2%
New Hampshire	1.7%	1.7%	1.9%	1.9%	2.0%	2.1%	2.2%	2.2%	2.2%	2.2%	2.1%
Connecticut	1.4%	1.5%	1.6%	1.7%	1.8%	1.9%	2.0%	2.0%	2.1%	2.1%	2.1%
Vermont	1.6%	1.5%	1.6%	1.6%	1.7%	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%
Wisconsin	1.7%	1.7%	1.8%	1.8%	1.9%	2.0%	2.0%	2.0%	1.9%	1.9%	1.8%
Texas	1.8%	1.8%	1.8%	1.9%	1.9%	1.9%	1.9%	1.9%	1.8%	1.8%	1.8%
Nebraska	1.7%	1.7%	1.8%	1.8%	1.9%	1.9%	1.8%	1.8%	1.8%	1.7%	1.7%
New York	1.1%	1.1%	1.2%	1.4%	1.5%	1.6%	1.6%	1.7%	1.7%	1.7%	1.7%
Rhode Island	1.1%	1.2%	1.4%	1.5%	1.5%	1.6%	1.7%	1.6%	1.6%	1.6%	1.6%
Pennsylvania	1.4%	1.3%	1.3%	1.4%	1.4%	1.5%	1.5%	1.5%	1.6%	1.6%	1.6%
Iowa	1.2%	1.2%	1.3%	1.3%	1.4%	1.5%	1.5%	1.5%	1.5%	1.6%	1.5%
Ohio	1.3%	1.3%	1.4%	1.4%	1.5%	1.6%	1.6%	1.6%	1.6%	1.5%	1.5%
Michigan	1.4%	1.4%	1.6%	1.8%	1.8%	1.8%	1.8%	1.7%	1.6%	1.6%	1.5%
Kansas	1.2%	1.2%	1.3%	1.3%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%	1.4%
Maine	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%	1.3%	1.3%	1.4%	1.4%	1.3%
South Dakota	1.3%	1.2%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%	1.3%
Alaska	1.1%	1.0%	1.0%	1.2%	1.2%	1.2%	1.2%	1.2%	1.1%	1.2%	1.2%
Massachusetts	0.9%	1.0%	1.0%	1.1%	1.1%	1.2%	1.2%	1.2%	1.2%	1.2%	1.2%
Minnesota	0.9%	0.9%	1.0%	1.1%	1.2%	1.2%	1.2%	1.1%	1.1%	1.1%	1.1%
Maryland	0.7%	0.8%	0.9%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%
Missouri	0.9%	0.9%	0.9%	0.9%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Washington	0.8%	0.8%	0.9%	1.0%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	1.0%
North Dakota	1.4%	1.4%	1.4%	1.4%	1.3%	1.2%	1.1%	1.0%	1.0%	1.0%	0.9%
Oregon	0.8%	0.8%	0.9%	1.0%	1.0%	1.1%	1.1%	1.1%	1.0%	1.0%	0.9%
Georgia	0.8%	0.8%	0.8%	0.9%	1.0%	1.0%	1.0%	0.9%	0.9%	0.9%	0.9%
Oklahoma	0.7%	0.7%	0.7%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%
Florida	0.8%	0.9%	1.0%	1.1%	1.1%	1.1%	1.1%	1.0%	1.0%	0.9%	0.9%
Kentucky	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.9%	0.8%	0.9%	0.9%
North Carolina	0.8%	0.8%	0.8%	0.8%	0.8%	0.9%	0.8%	0.9%	0.9%	0.8%	0.8%
Indiana	1.0%	1.0%	0.9%	0.8%	0.9%	0.9%	0.9%	0.9%	0.9%	0.9%	0.8%
Montana	0.8%	0.8%	0.8%	0.9%	0.8%	0.9%	0.9%	0.8%	0.8%	0.8%	0.8%
Virginia	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
New Mexico	0.5%	0.5%	0.5%	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.8%	0.8%
Mississippi	0.5%	0.5%	0.5%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%
California	0.5%	0.6%	0.7%	0.8%	0.8%	0.8%	0.8%	0.8%	0.8%	0.7%	0.7%
Tennessee	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Idaho	0.7%	0.7%	0.7%	0.7%	0.8%	0.8%	0.7%	0.8%	0.7%	0.7%	0.7%
Arizona	0.5%	0.6%	0.7%	0.8%	0.9%	0.9%	0.8%	0.8%	0.7%	0.7%	0.7%
Utah	0.6%	0.6%	0.6%	0.6%	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%	0.6%
Wyoming	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Arkansas	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Nevada	0.5%	0.6%	0.8%	1.0%	1.0%	1.0%	0.9%	0.7%	0.7%	0.6%	0.6%
West Virginia	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Delaware	0.4%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%	0.6%	0.6%
South Carolina	0.6%	0.5%	0.5%	0.5%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%
Louisiana	0.1%	0.1%	0.2%	0.4%	0.4%	0.5%	0.5%	0.5%	0.5%	0.5%	0.5%
Colorado	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.6%	0.5%	0.5%	0.5%
Alabama	0.3%	0.3%	0.3%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%
Hawaii	0.2%	0.2%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%	0.3%
U.S. Unweighted Average	0.9%	0.9%	1.0%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%	1.1%

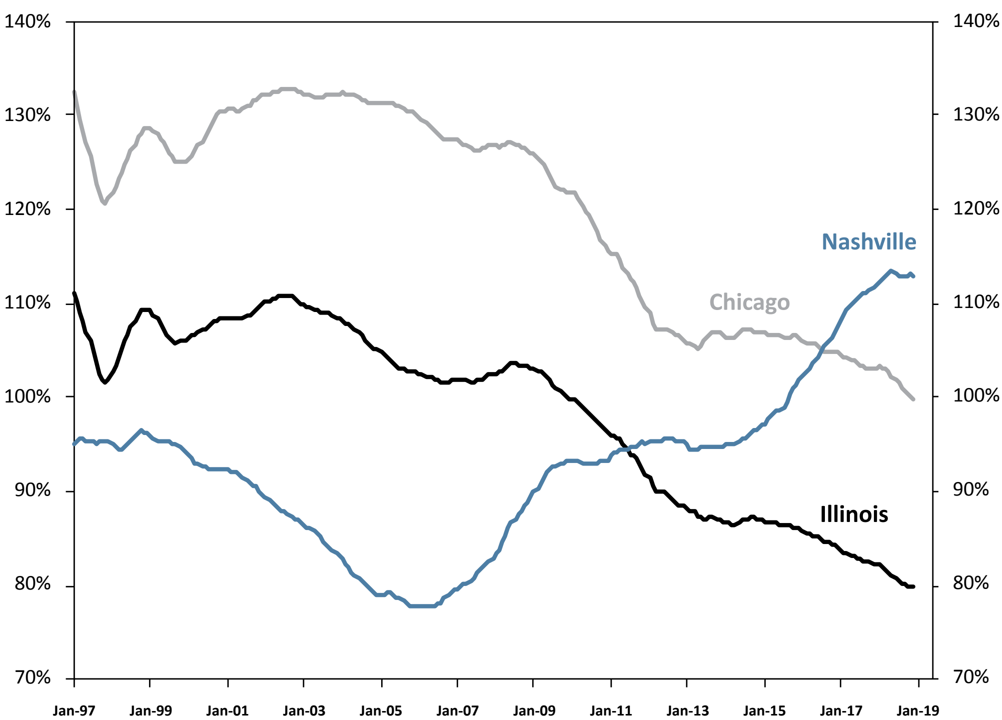
Source: U.S. Census Bureau, Laffer Associates

Illinois home prices plummeting relative to U.S. average around the same time. From the Laffer Curve, we know that taxing something results in getting less of it. Since the supply of housing is relatively inelastic, increasing the tax rate on property in Illinois had the unintended consequence of artificially reducing demand for real estate in the state's markets. The result in Illinois is an oversaturated market with too many sellers and not enough purchasers. For the market to get back to equilibrium, the price of real estate needs to decrease to attract more buyers. Put simply, government officials in Illinois have been contributing to home value depreciation in the state. Unfortunately, the government's response to this is to increase effective tax rates further to recoup lost revenues from outmigration.

The diminished demand for real estate in Illinois is just one consequence of higher tax rates, domestic outmigration and slow population growth. When this type of environment becomes the status quo, hardship surely follows. Figure 9 tracks housing price indices for Illinois and the U.S. average in quarterly increments from 1975 to the first quarter of 2019. While the overall trends of Illinois and the nation are similar, the magnitudes of growth are different. The Housing Price Index (HPI) for all homes in the U.S. has increased by a factor of about seven compared to homes in Illinois, which have increased by a factor of about five.

Today, Mayor Lori Lightfoot is faced with the daunting task of solving city finances, which remain under water. Mayor Lightfoot has already said, "there's no question we're going to have to come to the taxpayers and ask for additional revenue."[33] Early into her term, she suggested a tax on professional services such as legal and accounting services.[34] This tax would require state approval and, if successful, would be a Band-Aid toward solving the growing city budget deficit and its unfunded pension liabilities, which have now escalated to an estimated $883 million and $28 billion, respectively.[35,36]

FIGURE 8 | **Median Home Values as a Percentage of the U.S. Average (Monthly, 1997-2018)**



Source: Zillow

A 2019 report from the Cook County Clerk's Office details the average market value, average tax rate and average tax bill from the three assessment districts of Cook County — Chicago Proper, the north suburbs and the south suburbs.[37] In 2018, all of Chicago was reassessed. The increased assessed values ranged from 12% to a jaw-dropping 112%.[38] For residential, single-family dwellings, average assessed values jumped almost 20% in the northern and central parts of Chicago. The southern part of Chicago saw only an 8% increase. The average tax rate for all three dropped from about 7.3% to 6.8%, yet the average tax bill increased in every single region of Chicago — upwards of 11% in the northern and central areas. For all of Cook County, taxable values increased by 5.1% from 2017 to 2018. In contrast, the northern and southern suburbs of Chicago saw their assessed values decrease from 2017 to 2018. Nonetheless, the average effective tax rate increased for both districts and resulted in a net increase in property tax bills.

As we mentioned earlier, property tax revenues are by far the largest source of revenues for local governments across the United States. The biggest difference between the rest of the nation and Illinois is that Illinois has far more local governments (Table 7).

As of 2017, Illinois had 6,918 local-level governments — almost 1,600 more than the next highest state, Texas. Per capita, Illinois had far more local governments with 54.1 per 100,000 residents. In 2014, about 61% of the Illinois population had three or more property tax layers of general purpose local government (county, municipal and township) compared to 95% of the U.S. that had two property tax layers or less.[39] In Illinois there are 102 county governments, 1,297 municipal governments and 1,429 township governments. The remaining local government taxing authorities in Illinois are comprised of 3,204 special district governments and 886 independent school district governments. Over 1,400 of these local taxing authorities are located in Cook County alone, nearly 20% of all Illinois local taxing authorities.[40,41]

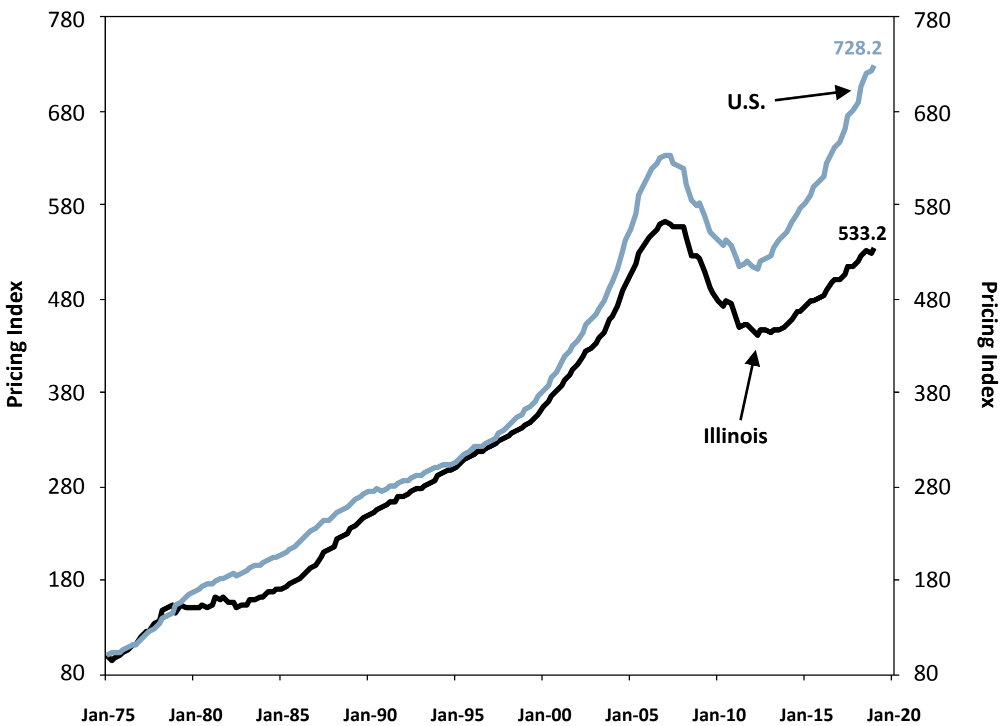
From November 2017 to November 2018, a staggering 25% of new jobs in Illinois were government positions.[42] It is more difficult to consolidate Illinois' local governments than it is to amend the Illinois Constitution.[43] Local government consolidation requires a petition signed within 90 days by 10% of the registered voters in each township located within a county. Then, a 3/4 majority of the townships must approve the referendum. Amending the Illinois State Constitution, however, only requires a petition signed by about 4% of the state's electorate within 540 days and only needs a 3/5 majority to approve the referendum.

Sustaining all these local government jobs ties back into the public pension woes Illinois has been experiencing. When coupled with high wages for government-contracted jobs due to their prevailing-wage requirements and forced union designation, Illinois' labor policies compound the cost of government at the state and local level and stick taxpayers with the bill. Chicago Mayor Lori Lightfoot signaled the city may not be able to solve its own pension crisis by asking Governor Pritzker if the state could assume responsibility for Chicago's pensions. The Governor declined and expressed the sentiment that almost every Illinoisan likely feels: "I've got enough problems."[44]

Corruption

In a 2018 study of corruption, illegal corruption was defined as, "the private gains in the form of cash or gifts by a government official in exchange for providing specific benefits to individuals or groups."[45] On the flipside, legal corruption was defined as, "the political gains in the form of campaign contributions or endorsements by a government official in exchange for providing specific benefits to private individuals or groups."[46] This study, fittingly from the Institute for Corruption Studies at Illinois State University, has characterized illegal corruption in the Illinois executive and legislative branches as "moderately common;" illegal corruption in the judicial branch as "slightly common;" legal corruption in the executive and legislative branches as "very common;" and legal corruption in the judicial branch as "moderately common."[47] Overall, the Institute ranked Illinois 7th-worst in both legal and illegal corruption among the 50 states

FIGURE 9 | **All-Transactions Housing Price Indices, Illinois Compared to the U.S. (Quarterly, 1975-2019, Index - January 1975)**



Source: Federal Housing Finance Agency

TABLE 7 | **Local Governments in the Ten Most Populous States (2017, Sorted by Population)**

Rank	State	Local Governments	2017 Population	Local Governments per 100,000 Residents
1	California	4,444	39,399,349	11.3
2	Texas	5,343	28,322,717	18.9
3	Florida	1,712	20,976,812	8.2
4	New York	3,450	19,590,719	17.6
5	Pennsylvania	4,830	12,790,447	37.8
6	Illinois	6,918	12,786,196	54.1
7	Ohio	3,897	11,664,129	33.4
8	Georgia	1,380	10,413,055	13.3
9	North Carolina	970	10,270,800	9.4
10	Michigan	2,863	9,976,447	28.7

Source: U.S. Census Bureau, Bureau of Economic Analysis

Several of the state's former governors were indicted on charges while in office or faced charges after their term in office ended. Otto Kerner Jr., governor from 1961-1968, was sentenced to three years in prison on bribery charges. Gov. "Walkin" Dan Walker, in office from 1973-1977, served a year and a half in federal prison related to bank fraud charges. In the early 2000s, Gov. George Ryan was convicted of racketeering and sentenced to a six-and-a-half-year stint in federal prison. Succeeding him was Rod Blagojevich, the first Illinois governor to be impeached, after he tried to sell the U.S. Senate seat vacated by Barack Obama in 2008. Blagojevich was serving a 14-year sentence after being convicted on corruption and extortion charges, but was released after his sentence was commuted in February 2020. Most recent was Pat Quinn: the Democrat surrounded by allegations of unethical hiring at the State Department of Transportation, although no formal charges were brought.

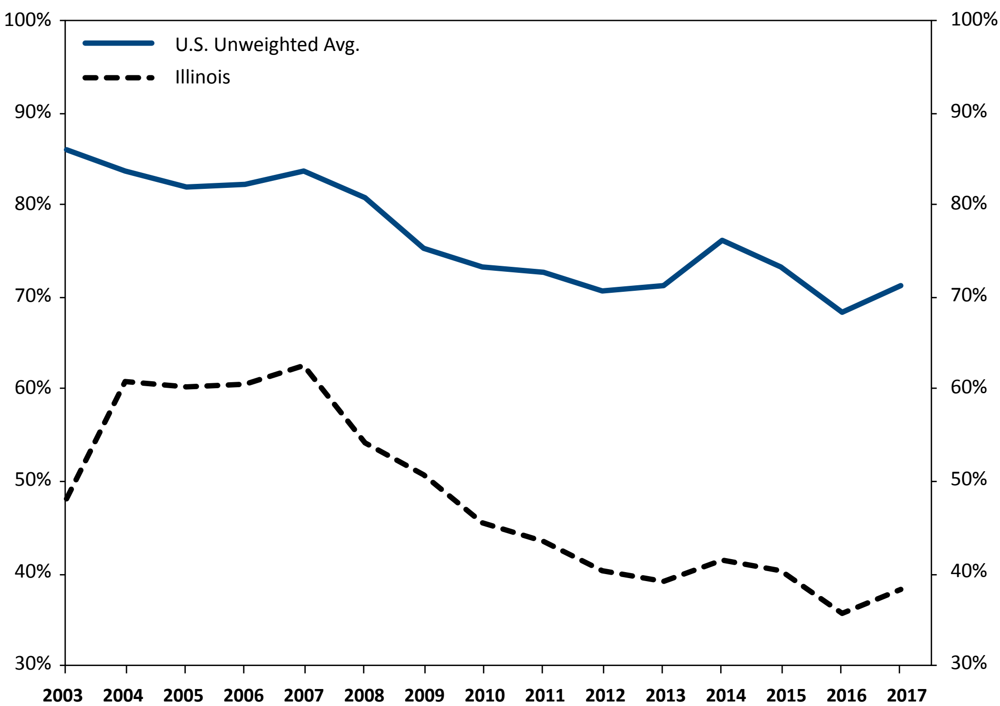
It is not just former governors who got caught abusing their power. A study from the University of Illinois at Chicago finds Chicago is the most corrupt big city and Illinois is the third-most corrupt state in the country.[48] Since 1976, 1,731 officials in the Chicago area have been convicted on public corruption charges.[49]

Public Pensions

Budget, revenue and economic growth issues always spell trouble for public pensions. Illinois is no exception. Figure 10 plots the pension funding ratio for Illinois and the U.S. Illinois' rankings are shown above the line. Illinois' best performance was 46 out of 50 in 2004, and its highest funding ratio was at an abysmal 62.6% in 2007. The funding ratio has been falling every year since 2007 and fell to a low of 35.6% in 2016. Unfortunately, the victims of these bad policies are not the politicians who caused them.

For a more in-depth look, Table 8 shows the state's pension fund liabilities, assets, net indebt-

FIGURE 10 | **State Pension Funding Ratio, Illinois Compared to the the U.S. (2003-2017)**



Source: Pew Charitable Trusts

edness, funding ratio and funding ratio rank. The state is making promises it cannot keep. Note the growth in liabilities from 2008-2013. Then compare those numbers with the growth (or lack thereof) in pension assets. Liabilities grew 39% while assets only managed 0.4% growth over the five-year period. Net pension debt has more than tripled since 2007. The ALEC *Unaccountable and Unaffordable* annual pension publication uses a more realistic risk-free discount rate when estimating pension obligations. Using a risk-free rate, it becomes clear that Illinois' pension crisis is extremely dire. As of FY 2017, Illinois' state pension debt exceeded $370 billion, leaving 77.5% of future retirement obligations unfunded. Illinois must make pension reforms to save retirement for nearly 700,000 Illinois pension participants.[50] As if the situation is not challenging enough, a 2015 Illinois Supreme Court decision ruled it was unconstitutional to alter the pension benefit formula.[51]

Speaking of poor performance, in this publication, Illinois is once again ranks near the bottom — 48th in economic outlook (forward-looking) and 46th in economic performance (backward-looking). Boasting the worst credit rating in the nation (BBB- from S&P, just one level above junk status), Illinois' public spending on debt service is astronomical compared to other states. As of 2016, Illinois' debt service to tax revenue ratio was 10%, coming in as the second-worst in the nation. Illinois' credit rating was downgraded 21 times across the three major credit rating agencies (Fitch, Moody's and S&P) from 2009 through 2017. Table 9 displays the S&P state general obligation bond ratings. Illinois is caught in a death spiral.

Labor Unions and Employment Growth

In 2018, Illinois had the 13th-highest rate of unionization in the nation with 13.8% of Illinois' employed population being members of a labor union.[52] Illinois is not a right-to-work state, even though at one point every state it borders was right-to-work (Missouri voters repealed right-to-work in 2018). In 1944, there were two right-to-work states: Arkansas and Florida. Today, there are 27 right-to-work states. Right-to-work states

TABLE 8 | **Summary of Illinois State Public Pension Funding (FY 2003-2017, Billions of Current Dollars)**

FY	Liability	Assets	Net Pension Debt	Funding Ratio	Funding Rank
2003	$83.83	$40.42	$43.40	48.20%	49
2004	$89.83	$54.74	$35.09	60.90%	46
2005	$97.18	$58.58	$38.60	60.30%	47
2006	$103.07	$62.34	$40.73	60.50%	47
2007	$112.91	$70.73	$42.18	62.60%	47
2008	$119.08	$64.70	$54.38	54.30%	50
2009	$126.44	$64.00	$62.44	50.60%	50
2010	$138.79	$63.05	$75.74	45.40%	50
2011	$146.46	$63.55	$82.91	43.40%	50
2012	$158.61	$64.03	$94.58	40.40%	50
2013	$165.46	$64.96	$100.50	39.30%	50
2014	$190.18	$78.63	$111.55	41.30%	49
2015	$199.09	$80.02	$119.07	40.20%	48
2016	$219.35	$78.18	$141.17	35.60%	48
2017	$222.27	$85.39	$136.88	38.40%	48

Source: Pew Charitable Trusts

TABLE 9 | **S&P State Credit Ratings, 2017**

State	Credit Rating	Rank	State	Credit Rating	Rank	State	Credit Rating	Rank
TN	AAA	1	NY	AA+	16	MT	AA	26
DE	AAA	1	ND	AA+	16	NV	AA	26
FL	AAA	1	OH	AA+	16	NH	AA	26
GA	AAA	1	OR	AA+	16	NM	AA	26
IN	AAA	1	SC	AA+	16	OK	AA	26
IA	AAA	1	VT	AA+	16	RI	AA	26
MD	AAA	1	WA	AA+	16	WI	AA	26
MN	AAA	1	WY	AA+	16	CA	AA-	42
MO	AAA	1	AL	AA	26	KS	AA-	42
NE	AAA	1	AK	AA	26	LA	AA-	42
NC	AAA	1	AZ	AA	26	WV	AA-	42
SD	AAA	1	AR	AA	26	PA	A+	46
TX	AAA	1	CO	AA	26	CT	A	47
UT	AAA	1	ME	AA	26	KY	A	47
VA	AAA	1	MA	AA	26	NJ	A-	49
HI	AA+	16	MI	AA	26	IL	BBB-	50
ID	AA+	16	MS	AA	26			

Source: Bloomberg, CNBC

grow faster than non-right-to-work states, on average, because free market states are able to allocate the demand for labor and wages more efficiently than closed shop states.[53] Employment in Illinois has fallen by 0.8% since 2008. Tennessee, a right-to-work state, has increased employment by 9.7%.

Conclusion

Illinois policymakers have quite a host of problems in front of them. A looming public pension crisis, stark budget shortfalls, public corruption and rampant outmigration. *Rich States, Poor States* has demonstrated in every edition since 2008 that Illinois' devotion to tax-and-spend policies is to blame for the Land of Lincoln's decline. High taxes push homeowners, income earners, and job creators to states with lower taxes and freer markets. Since 1992, Illinois has lost over $25 billion in adjusted gross income to Florida, Texas, and Arizona.[54] Outmigration of taxpayers has driven budget shortfalls, led to anemic pension contributions and pushed tax rates higher as public officials refused to take a hard look at spending. Higher tax rates will only drive more wealth from Illinois. Since Illinois' personal income tax was increased in 2011, the rate of outmigration increased.[55] Combined with the fact that Illinois already has one of the highest tax burdens of any state, raising taxes higher is only a double-down on the policy status quo.

To generate a change in trends for Illinois toward new residents, new jobs, and long-term growth, policymakers must change their strategy. Illinois must take a hard look at spending to match both sides of the balance sheet, while also financing tax reform without piling on state debt. Cutting taxes and matching spending to income — while not a radical departure for many states on the receiving end of Illinois outmigration — are the key to an economically competitive Illinois. Fortunately, the ALEC *State Budget Reform Toolkit* provides lawmakers a roadmap toward a sustainable budget based on responsible spending and pro-growth tax policies. Reforming the tax code to be less reliant on highly volatile income taxes, making the revenue forecast a reliable, nonpartisan process to boost accuracy, and devoting revenue to a budget stabilization fund are all ways to improve Illinois' fiscal situation without saddling taxpayers with a larger tax burden.[56] Of course, it would be remiss not to mention state debt reform. ALEC research finds restructuring retirement liabilities toward defined contribution plans and enacting constitutional tax and expenditure limitations are proving successful in states across the country in limiting state debt to make state finances and retirement benefits more sustainable.[57,58,59] With sensible fiscal and free-market policies, Illinois can finance a responsible public pension program, provide quality public goods and generate opportunity for young, old and new Illinoisans.

Appendix

IRS Tax Return and Adjusted Gross Income Migration, Illinois, Tax Years 2006-2016									
State	Tax Returns			AGI per Person (000s)			AGI (000s)		
	Inflow from	Outflow to	Net Inflow from	Inflow from ($)	Outflow to ($)	Net Inflow from ($)	Inflow from ($)	Outflow to ($)	Net Inflow from ($)
Ohio	41,443	34,776	6,667	59	65	6	2,453,184	2,260,602	192,582
New Jersey	16,981	15,572	1,409	88	88	1	1,499,339	1,363,825	135,514
Pennsylvania	21,459	19,884	1,575	72	75	3	1,551,262	1,490,900	60,362
New York	41,242	43,085	1,843	79	74	5	3,259,012	3,200,443	58,569
Michigan	61,410	49,404	12,006	53	65	12	3,243,303	3,190,350	52,953
West Virginia	2,210	2,139	71	48	46	2	106,080	97,475	8,605
Vermont	1,212	1,191	21	94	88	5	113,719	105,346	8,373
Connecticut	7,852	7,012	840	99	111	12	779,103	776,742	2,361
Delaware	1,821	1,823	2	67	69	2	122,406	125,976	3,570
Alaska	2,530	3,022	492	45	40	4	112,766	121,290	8,524
Rhode Island	1,847	1,795	52	65	72	7	119,838	129,092	9,254
North Dakota	2,140	2,589	449	46	44	2	99,196	114,223	15,027
Nebraska	7,105	7,300	195	53	54	1	373,888	391,606	17,718
DC	5,760	6,793	1,033	72	64	8	412,806	433,035	20,229
Massachusetts	16,490	16,023	467	79	83	5	1,297,904	1,336,920	39,016
New Hampshire	2,167	2,215	48	64	82	18	139,005	181,324	42,319
Maine	1,736	1,833	97	42	63	21	73,299	115,950	42,651
Kansas	11,343	11,632	289	53	55	3	596,481	645,548	49,067
Louisiana	8,345	9,372	1,027	43	44	1	357,968	410,278	52,310
Hawaii	4,808	5,643	835	43	46	3	207,008	262,217	55,209
Idaho	2,364	2,865	501	47	61	14	110,658	175,465	64,807
New Mexico	4,624	6,367	1,743	58	53	4	265,999	339,157	73,158
Montana	2,010	3,012	1,002	36	57	21	73,052	171,970	98,918
Mississippi	8,358	10,503	2,145	31	35	4	260,222	366,131	105,909
Oklahoma	7,702	9,547	1,845	43	47	4	333,401	451,840	118,439
Utah	4,799	5,855	1,056	50	62	12	237,708	361,284	123,576
South Dakota	2,186	2,815	629	41	77	35	90,188	215,545	125,357
Maryland	12,357	13,771	1,414	68	73	5	845,241	1,004,573	159,332
Arkansas	9,091	12,397	3,306	44	46	2	403,462	571,104	167,642
Alabama	8,492	11,127	2,635	42	48	6	353,413	531,135	177,722
Kentucky	16,546	20,733	4,187	45	46	1	741,481	943,590	202,109
Wyoming	1,708	2,413	705	47	125	78	80,427	302,543	222,116
Virginia	24,465	28,102	3,637	63	63	0	1,530,924	1,767,804	236,880
Minnesota	25,491	28,570	3,079	55	59	4	1,407,976	1,680,552	272,576
Oregon	6,339	10,730	4,391	50	55	5	316,279	591,803	275,524
Iowa	43,605	52,259	8,654	40	41	1	1,739,087	2,153,990	414,903
Nevada	11,844	18,051	6,207	50	63	13	591,114	1,129,706	538,592
South Carolina	8,576	12,986	4,410	48	77	29	410,179	993,436	583,257
Washington	15,637	23,626	7,989	59	66	7	922,504	1,567,291	644,787
Missouri	70,315	85,382	15,067	44	44	1	3,061,099	3,784,011	722,912
Georgia	28,729	39,938	11,209	53	58	5	1,511,689	2,317,978	806,289
North Carolina	21,964	30,247	8,283	52	68	16	1,151,285	2,057,745	906,460
Tennessee	22,366	33,590	11,224	43	58	14	969,675	1,935,760	966,085
Colorado	20,937	36,919	15,982	53	63	10	1,111,022	2,326,797	1,215,775
Wisconsin	73,772	93,816	20,044	48	53	5	3,532,339	4,939,441	1,407,102
Indiana	89,934	113,707	23,773	42	46	4	3,749,496	5,193,413	1,443,917
Arizona	28,339	49,516	21,177	49	68	19	1,376,686	3,368,132	1,991,446
California	79,748	109,525	29,777	63	72	10	4,999,870	7,939,464	2,939,594
Texas	61,958	101,222	39,264	59	66	7	3,663,500	6,654,294	2,990,794
Florida	73,385	110,627	37,242	50	108	58	3,704,967	11,973,074	8,268,107
Total	1,047,542	1,323,321	275,779				$56,462,510	$84,562,170	-$28,099,660

Source: IRS, Laffer Associates

Endnotes

1 Senate Bills 687 and 689. 101st General Assembly. State of Illinois. 2019. http://www.ilga.gov/legislation/

2 Bremer, Shelby. "Illinois' Graduated Income Tax Plan: What You Need to Know." NBC Chicago. May 28, 2019. https://www.nbcchicago.com/news/local/illinois-income-tax-rates-progressive/131673/

3 Because of the switch to flat tax after $750k, there is a cliff effect: Filers making $749k pay $51,381 in state tax; filers making 750k pay $59,925 – a difference of $8,543.68.

4 Brittany De Lea. "Illinois tax hikes could kill small businesses, expert warns." Fox Business. July 1, 2019. https://www.foxbusiness.com/economy/illinois-tax-hikes-could-drive-out-small-business

5 "Important Notice Regarding Illinois Estate Tax and Fact Sheet." Estate Tax Section. Illinois Attorney General's Office. 2019. http://www.illinoisattorneygeneral.gov/publications/pdf/Instruction_Fact_Sheet_2019.pdf

6 "Frequently Asked Questions on Estate Taxes." Internal Revenue Service. December 10, 2019. https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-estate-taxes

7 Hinz, Greg. "What Pritzker and Lightfoot did and didn't say about a possible pension deal." *Crain's Chicago Business*, July 1, 2019. https://www.chicagobusiness.com/greg-hinz-politics/what-pritzker-and-lightfoot-did-and-didnt-say-about-possible-pension-deal

8 Petrella, Dan, and Pearson, Rick. "Gov. J.B. Pritzker Unveils Graduated State Income Tax Plan He Says Would Give Break to Taxpayers Earning Less than $250,000." *Chicago Tribune*. March 8, 2019. https://www.chicagotribune.com/politics/ct-met-jb-pritzker-graduated-tax-rates-20190307-story.html

9 VanMetre, Benjamin. "Illinois Has a Dirty Little Secret Buried in its Tax History." Illinois Policy Institute. January 2, 2014. https://www.illinoispolicy.org/illinois-has-a-dirty-little-secret-buried-in-its-tax-history/

10 Bachrach v. Nelson, 182 N.E. 909 (Ill. 1932)

11 Data points from 1950-52 and 1954-56 were interpolated due to an incomplete dataset.

12 Figure 2 uses personal income rather than gross state product because personal income data are more readily available.

13 Schuster, Adam. "Pritzker Signs Illinois Budget out of Balance by up to $1.3 Billion." Illinois Policy Institute, June 11, 2019. https://www.illinoispolicy.org/pritzker-signs-illinois-budget-out-of-balance-by-up-to-1-3-billion/

14 York, Erica, Mauro, Madison, and Wei, Emma. "Tax Freedom Day 2019 is April 16th." Tax Foundation. April 10, 2019. https://taxfoundation.org/publications/tax-freedom-day/

15 Total tax burden is calculated as total tax revenues from a fiscal year less severance taxes as a share of personal income from the same time period.

16 Laffer, Arthur B., Ph.D. "Bring It On," Laffer Associates, February 15, 2018.

17 Laffer, Arthur B., Ph.D. and Moore, Stephen. "So Long, California. Sayonara, New York." *The Wall Street Journal*. April 24, 2018. https://www.wsj.com/articles/so-long-california-sayonara-new-york-1524611900

18 "Sweet Home Chicago Sours as 156 Residents Leave Daily." *Crain's Chicago Business*. December 14, 2018. https://www.chicagobusiness.com/news/sweet-home-chicago-sours-156-residents-leave-daily

19 Kukec, Anna Marie. "Illinois Loses Out as Companies Move Out." *U.S. News*, March 23, 2018. https://www.usnews.com/news/best-states/articles/2018-03-15/companies-want-out-of-illinois

20 De Lea, Brittany. "Illinois tax hikes could kill small businesses, expert warns." Fox Business, July 1, 2019. https://www.foxbusiness.com/economy/illinois-tax-hikes-could-drive-out-small-business

21 "Pritzker Signs Law Raising Illinois Minimum Wage To $15 An Hour By 2025." CBS Chicago, February 19, 2019. https://chicago.cbslocal.com/2019/02/19/jb-pritzker-illinois-minimum-wage-15-dollars-an-hour/

22 Feinberg, Howard. "States Expected to Gain or Lose Congressional Seats After the 2020 Census (Updated)." Insights Association. February 21, 2019. https://www.insightsassociation.org/article/states-expected-gain-or-lose-congressional-seats-after-2020-census-updated

23 "Chicago Real Estate Market 2020." Real Wealth Network. 2020. https://www.realwealthnetwork.com/markets/chicago-illinois/

24 Rodkin, Dennis "This Gold Coast condo just sold at a deep discount." *Crain's Chicago Business.* July 1, 2019. https://www.chicagobusiness.com/residential-real-estate/gold-coast-condo-just-sold-deep-discount

25 Cox, Wendell and Pavletich, Hugh. "15th Annuals Demographia International Housing Affordability Survey: 2019." Demographia. 2019. http://www.demographia.com/dhi.pdf

26 Kiernan, John S. "2019's Property Taxes by State." WalletHub. February 26, 2019. https://wallethub.com/edu/states-with-the-highest-and-lowest-property-taxes/11585/

27 "What You Should Know About Home Rule." Real Property Alliance. 2019. https://realpropertyalliance.org/home-rule/

28 "Property Tax Increases Too Much to Bear." *Crain's Chicago Business*. July 3, 2019. https://www.chicagobusiness.com/opinion/property-tax-increases-too-much-bear

29 Tornabene, Juliana and Raymond, Marcella. "Dramatic rise in property taxes for Cook County, Chicago's North Side." *WGN News.* July 10, 2019. https://wgntv.com/2019/07/10/dramatic-rise-in-property-taxes-for-cook-county-chicagos-north-side/

30 Dabrowski, Ted and Klinger, John. "Rahm's Budget Plan Phases in $2.5 Billion in New Taxes and Fees Over 4 Years." Illinois Policy Institute. September 22, 2015. https://www.illinoispolicy.org/emanuels-budget-plan-phases-in-2-5-billion-in-new-taxes-and-fees-over-4-years/

31 Ibid.

32 Rodkin, Dennis. "Home sales plummet in June in 12th straight down month." *Crain's Chicago Business*. July 23, 2019. https://www.chicagobusiness.com/residential-real-estate/home-sales-plummet-june-12th-straight-down-month

33 Pratt, Gregory. “Chicago Mayor Lori Lightfoot: 'No question' city will need more tax money from residents.” *Chicago Tribune*. June 12, 2019. https://www.chicagotribune.com/politics/ct-met-chicago-mayor-lori-lightfoot-more-revenue-20190612-story.html

34 Spielman, Fran. “Lightfoot to ask legislature for power to tax high-end professional services and big-ticket home sales.” *Chicago Sun-Times*. August 19, 2019.

35 Pierog, Karen and Shumaker, Lisa. “Chicago mayor warns of 'hard choices' to deal with $838 million budget deficit.” *Reuters*. August 29, 2019. https://www.reuters.com/article/us-chicago-budget/chicago-mayor-warns-of-hard-choices-to-deal-with-838-million-budget-deficit-idUSKCN1VK043

36 Barnas, Joe. “Chicago’s New Mayor Inherits Taxpayers Facing Biggest Public Debts of Nation’s Top 10 Cities.” Illinois Policy Institute. May 18, 2019. https://www.illinoispolicy.org/chicagos-new-mayor-inherits-taxpayers-facing-biggest-public-debts-of-nations-top-10-cities/

37 “2018 Cook County Tax Rates Released.” Office of Cook County Clerk Karen A. Yarbrough. June 20, 2019. https://www.cookcountyclerk.com/sites/default/files/pdfs/2018%20Tax%20Rate%20Report_1.pdf

38 DeBat, Don. “Chicago property owners brace for more hefty tax increases in 2019.” *Loop North News.* January 20, 2019. https://www.loopnorth.com/news/tax0120.htm

39 Costin, Brian. “Illinois ranks first in number of taxing bodies.” Illinois Policy Institute. March 2, 2014. https://www.illinoispolicy.org/illinois-ranks-first-in-the-nation-in-number-of-local-taxing-bodies/

40 “2018 Cook County Tax Rates Released.” Office of Cook County Clerk Karen A. Yarbrough. June 20, 2019. https://www.cookcountyclerk.com/sites/default/files/pdfs/2018%20Tax%20Rate%20Report_1.pdf

41 Costin, Brian. “Illinois has nearly 7,000 units of local governments.” Illinois Policy Institute. November 2013. https://files.illinoispolicy.org/wp-content/uploads/2013/11/Too_much_gov-1.pdf

42 WQAD Digital Team. “One-quarter of new jobs in Illinois were in the government.” *WQAD News*, November 20, 2018. https://wqad.com/2018/11/20/one-quarter-of-new-jobs-in-illinois-were-in-the-government/

43 Costin, Brian “Illinois has nearly 7,000 units of local governments,” Illinois Policy Institute. November 2013. https://www.illinoispolicy.org/reports/too-much-government-illinois-thousands-of-local-governments/

44 Crain’s Editorial Board. “A pension fix requires leadership from the governor.” *Crain’s Chicago Business*. July 3, 2019. https://www.chicagobusiness.com/opinion/pension-fix-requires-leadership-governor

45 Dincer, Oguzhan and Johnston, Michael. “Measuring Illegal and Legal Corruption in American States: Some Results from 2018 Corruption in America Survey.” Institute for Corruption Studies. Illinois State University. http://greasethewheels.org/cpi/

46 Ibid.

47 Ibid.

48 Fedschun, Travis. “Chicago is most corrupt big city, Illinois third most corrupt state in country, study finds.” *Fox News*. February 15, 2019. https://www.foxnews.com/us/chicago-is-most-corrupt-big-city-illinois-third-most-corrupt-state-in-country-study-finds

49 Ibid.

50 “2018 Annual Survey of Public Pensions: State & Local Tables.” United State Census Bureau. U.S. Department of Commerce. June 26, 2019. https://www.census.gov/data/tables/2018/econ/aspp/aspp-historical-tables.html

51 Davies, Meghan and Pierog, Karen. “Illinois' supreme court overturns state's 2013 pension reform law.” *Reuters*. May 8, 2015. https://www.reuters.com/article/us-illinois-pensions/illinois-supreme-court-overturns-states-2013-pension-reform-law-idUSKBN0NT1U220150508

52 “Table 5. Union affiliation of employed wage and salary workers by state.” Bureau of Labor Statistics. January 18, 2019. https://www.bls.gov/news.release/union2.t05.htm

53 Laffer, Arthur B., Moore, Stephen, Sinquefield, Rex A., and Brown, Travis H. “An Inquiry into the Nature and Causes of the Wealth of States.” John Wiley and Sons, Inc. 2014.

54 Brown, Travis. “How Money Walks.” Pelopidas, LLC. 2013. https://www.howmoneywalks.com/irs-tax-migration/

55 Ibid.

56 Williams, Jonathan and Gilroy, Leonard. “State Budget Reform Toolkit.” American Legislative Exchange Council. October 2011. https://www.alec.org/app/uploads/2011/10/Budget_toolkit.pdf

57 Williams, Jonathan, Smith, Christine, and Powers, Thurston. “Unaccountable and Unaffordable, 2018.” American Legislative Exchange Council. March 20, 2019. https://www.alec.org/app/uploads/2019/03/Unaccountable-and-Unaffordable-WEB.pdf

58 Williams, Jonathan, Griffith, Joel, and Powers, Thurston. “State Bonded Obligations, 2018.” American Legislative Exchange Council. August 28, 2018. https://www.alec.org/publication/state-bonded-obligations-2018/

59 Williams, Jonathan, Schalk, Lee, and Savidge, Thomas. “Other Post-Employment Benefits, 2019.” American Legislative Exchange Council. January 23, 2020. https://www.alec.org/app/uploads/2020/01/OPEB-Web.pdf

Boise, Idaho

State Rankings

State Rankings

The Economic Outlook Ranking is a forecast based on a state's current standing in 15 state policy variables. Each of these factors is influenced directly by state lawmakers through the legislative process. Generally speaking, states that spend less—especially on income transfer programs—and states that tax less—particularly on productive activities such as working or investing—experience higher growth rates than states that tax and spend more.

The Economic Performance Ranking is a backward-looking measure based on a state's performance on three important variables: State Gross Domestic Product, Absolute Domestic Migration and Non-Farm Payroll Employment—all of which are highly influenced by state policy. This ranking details states' individual performances over the past 10 years based on this economic data.

ALEC-Laffer State Economic Outlook Rankings, 2019

Based upon equal-weighting of each state's rank in 15 policy variables

Rank	State	Rank	State
1	Utah	26	Kansas
2	Idaho	27	Louisiana
3	Indiana	28	Massachusetts
4	North Dakota	29	New Mexico
5	Nevada	30	Alaska
6	North Carolina	31	West Virginia
7	South Dakota	32	South Carolina
8	Tennessee	33	Kentucky
9	Florida	34	Nebraska
10	Wyoming	35	Maryland
11	Arizona	36	Delaware
12	Michigan	37	Washington
13	Oklahoma	38	Pennsylvania
14	Virginia	39	Montana
15	Texas	40	Connecticut
16	New Hampshire	41	Minnesota
17	Wisconsin	42	Maine
18	Colorado	43	Rhode Island
19	Mississippi	44	Oregon
20	Georgia	45	Hawaii
21	Alabama	46	New Jersey
22	Missouri	47	California
23	Arkansas	48	Illinois
24	Ohio	49	Vermont
25	Iowa	50	New York

ALEC-Laffer State Economic Performance Rankings, 2007-2017

Rank	State	State Gross Domestic Product	Absolute Domestic Migration	Non-Farm Payroll
1	Washington	2	7	5
2	Texas	12	1	3
3	North Dakota	1	16	1
4	Colorado	11	4	4
5	Utah	5	12	2
6	Tennessee	7	9	13
7	Oregon	10	10	10
8	South Carolina	13	5	12
9	North Carolina	15	3	16
10	Georgia	16	8	14
11	Idaho	22	13	6
12	South Dakota	6	20	15
13	Florida	33	2	11
14	Nebraska	4	27	19
15	Massachusetts	9	41	8
16	Montana	28	15	17
17	New York	3	50	9
18	California	8	49	7
19	New Hampshire	20	24	22
20	Oklahoma	29	14	24
21	Minnesota	18	35	18
22	Arizona	42	6	26
23	Hawaii	17	34	23
24	Nevada	44	11	20
25	Kentucky	27	21	29
26	Delaware	32	17	28
27	Virginia	30	29	21
28	Maryland	14	42	25
29	Iowa	21	30	30
30	Arkansas	35	19	33
31	Vermont	24	26	38
32	Indiana	26	38	27
33	Pennsylvania	19	44	32
34	Wisconsin	23	40	36
35	Alabama	41	18	46
36	Maine	39	23	44
37	Missouri	36	36	34
38	Ohio	25	45	37
39	Louisiana	47	25	39
40	Kansas	31	39	43
41	West Virginia	37	28	49
42	Michigan	38	46	31
43	Alaska	49	31	35
44	Rhode Island	43	33	40
45	Wyoming	50	22	50
46	Illinois	34	48	41
47	New Mexico	46	32	48
48	Mississippi	45	37	45
49	New Jersey	40	47	42
50	Connecticut	48	43	47

Alabama

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

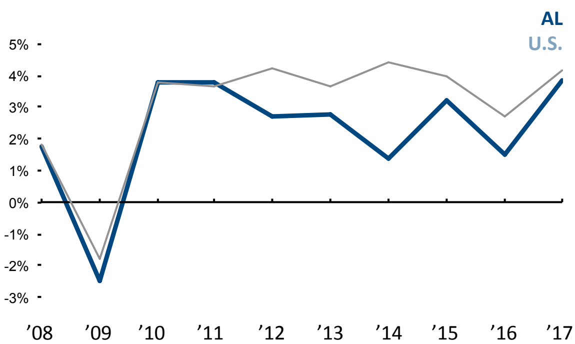
35 Economic Performance Rank

21 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product

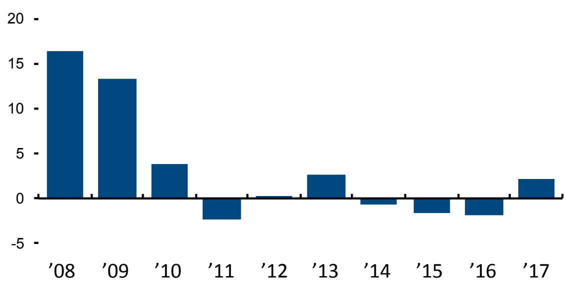
Cumulative Growth 2007-2017 — 24.5% — Rank: 41



Absolute Domestic Migration

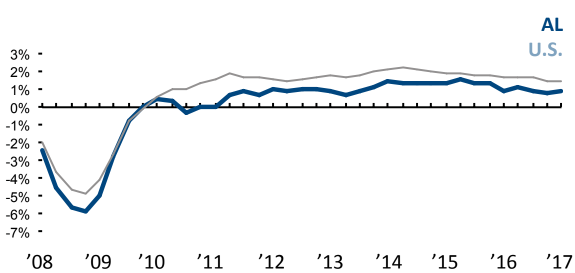
Cumulative 2008-2017 — 31,767 — Rank: 18

(in thousands)



Non-Farm Payroll Employment

Cumulative 2007-2017 — -0.5% — Rank: 46



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	21	17	20	19	21	21	20

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.15%	12
Top Marginal Corporate Income Tax Rate	6.03%	17
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	-$1.87	1
Property Tax Burden (per $1,000 of personal income)	$14.08	1
Sales Tax Burden (per $1,000 of personal income)	$25.29	34
Remaining Tax Burden (per $1,000 of personal income)	$21.64	40
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.01	22
Debt Service as a Share of Tax Revenue	7.2%	30
Public Employees Per 10,000 of Population (full-time equivalent)	577.4	40
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	61.1	43
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.65	22
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Alaska

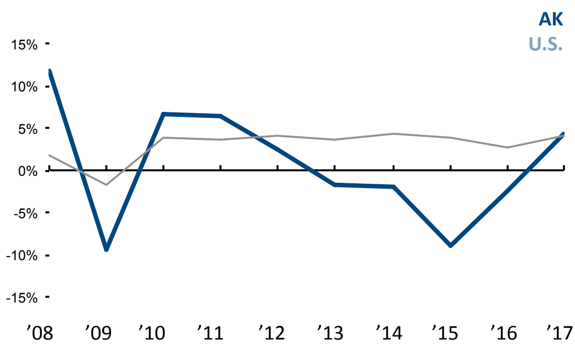
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

43 Economic Performance Rank

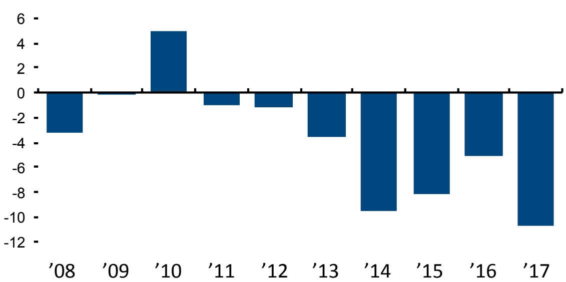
30 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

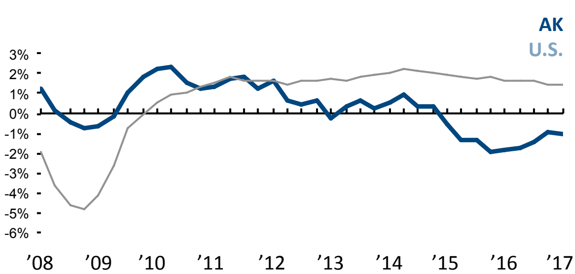
State Gross Domestic Product
Cumulative Growth 2007-2017 5.1% Rank: 49



Absolute Domestic Migration
Cumulative 2008-2017 -37,919 Rank: 31
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.7% Rank: 35



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	29	21	18	14	25	30	34

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	9.40%	42
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$36.29	38
Sales Tax Burden (per $1,000 of personal income)	$5.61	5
Remaining Tax Burden (per $1,000 of personal income)	$12.56	4
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.25	43
Debt Service as a Share of Tax Revenue	11.4%	50
Public Employees Per 10,000 of Population (full-time equivalent)	700.8	49
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.8	6
State Minimum Wage (federal floor is $7.25)	$9.89	37
Average Workers' Compensation Costs (per $100 of payroll)	$2.51	47
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Arizona

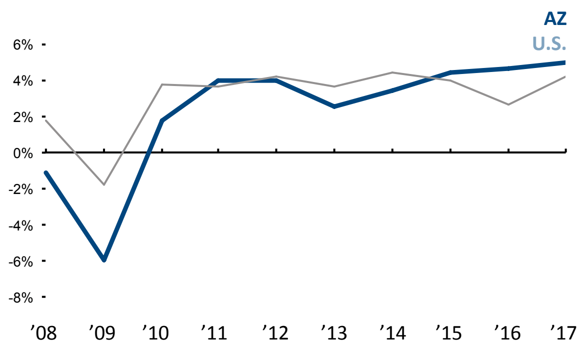
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

22 Economic Performance Rank

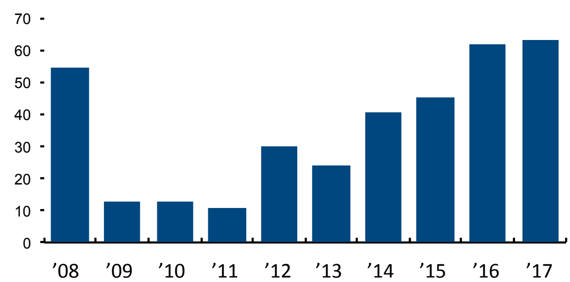
11 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

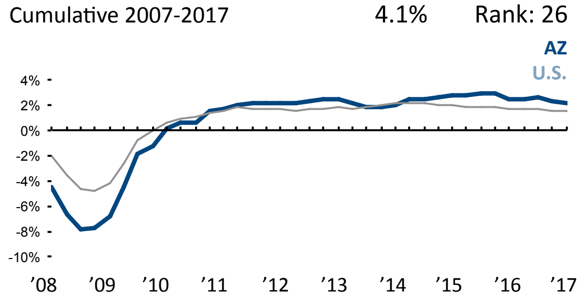
State Gross Domestic Product
Cumulative Growth 2007-2017 24.4% Rank: 42



Absolute Domestic Migration
Cumulative 2008-2017 355,768 Rank: 6
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 4.1% Rank: 26



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	9	6	7	5	5	8	5

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.54%	13
Top Marginal Corporate Income Tax Rate	4.90%	9
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$10.72	28
Property Tax Burden (per $1,000 of personal income)	$26.61	19
Sales Tax Burden (per $1,000 of personal income)	$34.78	45
Remaining Tax Burden (per $1,000 of personal income)	$11.85	1
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.30	28
Debt Service as a Share of Tax Revenue	8.0%	35
Public Employees Per 10,000 of Population (full-time equivalent)	400.8	2
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.8	25
State Minimum Wage (federal floor is $7.25)	$11.00	44
Average Workers' Compensation Costs (per $100 of payroll)	$1.30	11
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Arkansas

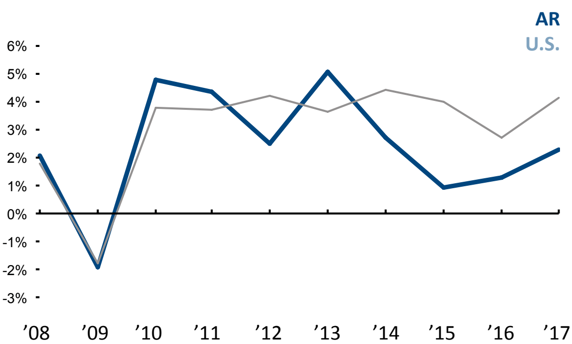
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

30 Economic Performance Rank

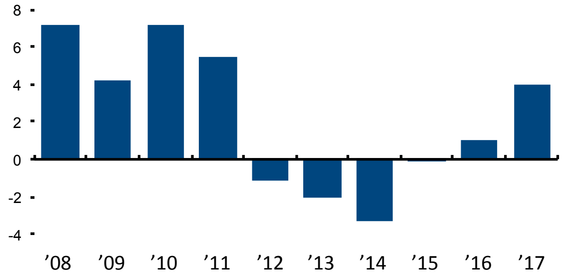
23 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

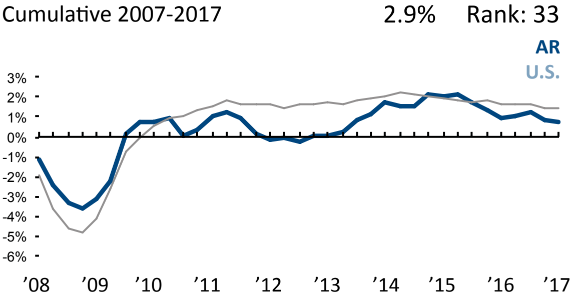
State Gross Domestic Product
Cumulative Growth 2007-2017 26.6% Rank: 35



Absolute Domestic Migration
Cumulative 2008-2017 22,490 Rank: 19
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.9% Rank: 33



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	11	24	26	22	20	23	22

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.90%	32
Top Marginal Corporate Income Tax Rate	6.50%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$19.73	46
Property Tax Burden (per $1,000 of personal income)	$18.08	4
Sales Tax Burden (per $1,000 of personal income)	$37.69	47
Remaining Tax Burden (per $1,000 of personal income)	$16.90	24
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.25	15
Debt Service as a Share of Tax Revenue	4.5%	8
Public Employees Per 10,000 of Population (full-time equivalent)	560.3	38
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.2	36
State Minimum Wage (federal floor is $7.25)	$9.25	34
Average Workers' Compensation Costs (per $100 of payroll)	$0.90	3
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

California

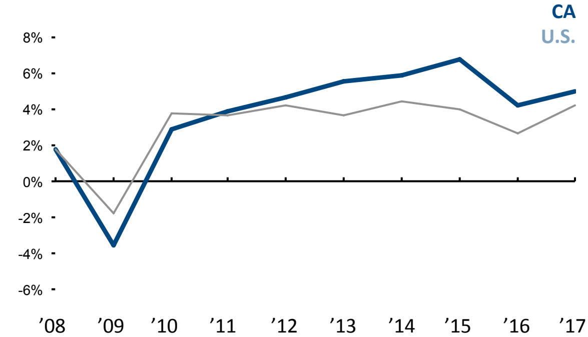
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

18 Economic Performance Rank

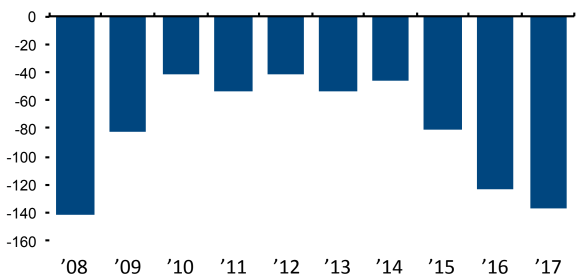
47 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

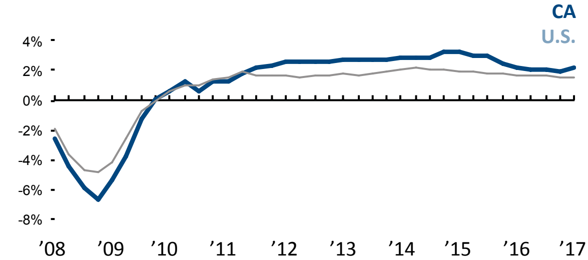
State Gross Domestic Product
Cumulative Growth 2007-2017 43.0 % Rank: 8



Absolute Domestic Migration -799,047 Rank: 49
Cumulative 2008-2017
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 9.7% Rank: 7



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	38	47	47	44	46	47	47

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	13.30%	50
Top Marginal Corporate Income Tax Rate	8.84%	40
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$39.54	50
Property Tax Burden (per $1,000 of personal income)	$27.60	22
Sales Tax Burden (per $1,000 of personal income)	$23.58	28
Remaining Tax Burden (per $1,000 of personal income)	$15.52	15
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.11	41
Debt Service as a Share of Tax Revenue	8.1%	37
Public Employees Per 10,000 of Population (full-time equivalent)	470.8	7
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.0	47
State Minimum Wage (federal floor is $7.25)	$12.00	48
Average Workers' Compensation Costs (per $100 of payroll)	$2.87	49
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Colorado

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

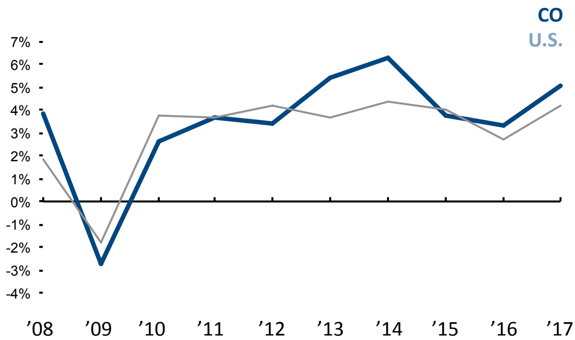
4 Economic Performance Rank

18 Economic Outlook Rank

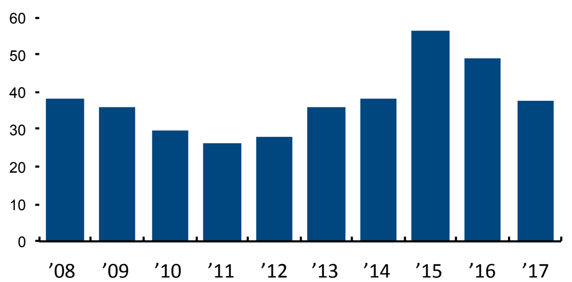
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

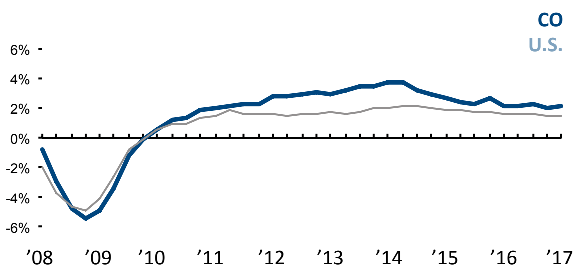
State Gross Domestic Product
Cumulative Growth 2007-2017 40.3% Rank: 11



Absolute Domestic Migration
Cumulative 2008-2017 375,914 Rank: 4
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 14.2% Rank: 4



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	8	16	22	21	16	15	15

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.63%	14
Top Marginal Corporate Income Tax Rate	4.63%	8
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.53	21
Property Tax Burden (per $1,000 of personal income)	$27.53	21
Sales Tax Burden (per $1,000 of personal income)	$23.66	29
Remaining Tax Burden (per $1,000 of personal income)	$12.90	5
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$1.43	7
Debt Service as a Share of Tax Revenue	9.5%	47
Public Employees Per 10,000 of Population (full-time equivalent)	533.5	30
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.6	35
State Minimum Wage (federal floor is $7.25)	$11.10	46
Average Workers' Compensation Costs (per $100 of payroll)	$1.43	16
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	3	1

Connecticut

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

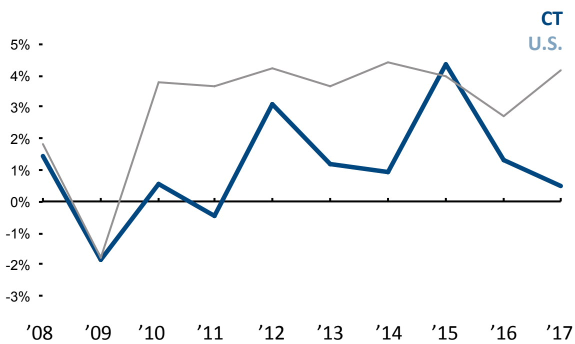
50 Economic Performance Rank

40 Economic Outlook Rank

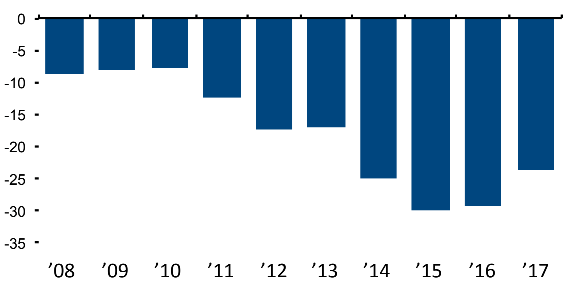
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

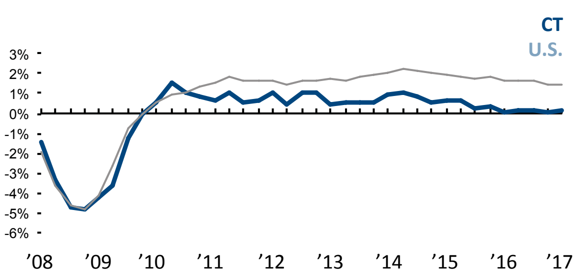
State Gross Domestic Product
Cumulative Growth 2007-2017 11.4% Rank: 48



Absolute Domestic Migration
Cumulative 2008-2017 -178,822 Rank: 43
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 -1.3% Rank: 47



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**44**	**43**	**44**	**47**	**47**	**46**	**40**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.99%	36
Top Marginal Corporate Income Tax Rate	7.50%	31
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.67	22
Property Tax Burden (per $1,000 of personal income)	$42.28	43
Sales Tax Burden (per $1,000 of personal income)	$15.11	10
Remaining Tax Burden (per $1,000 of personal income)	$13.58	9
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.12	42
Debt Service as a Share of Tax Revenue	7.5%	32
Public Employees Per 10,000 of Population (full-time equivalent)	519.4	21
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.8	16
State Minimum Wage (federal floor is $7.25)	$10.10	38
Average Workers' Compensation Costs (per $100 of payroll)	$2.20	44
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Delaware

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

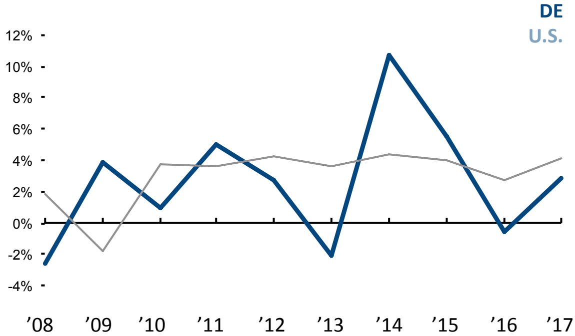
26 Economic Performance Rank

36 Economic Outlook Rank

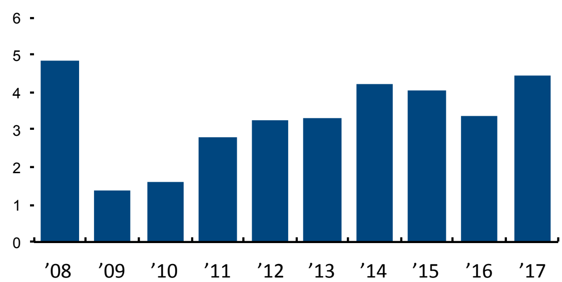
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

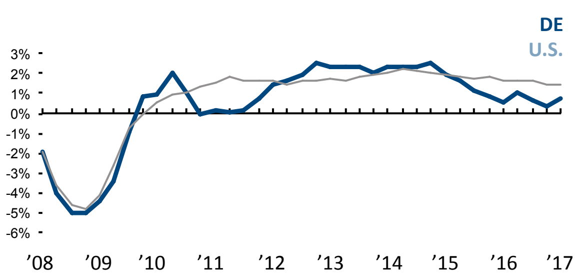
State Gross Domestic Product
Cumulative Growth 2007-2017 28.8% Rank: 32



Absolute Domestic Migration
Cumulative 2008-2017 33,305 Rank: 17
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 4.0% Rank: 28



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	34	30	27	38	44	37	36

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.85%	42
Top Marginal Corporate Income Tax Rate	11.74%	48
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.10	39
Property Tax Burden (per $1,000 of personal income)	$18.06	3
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$48.89	50
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$3.42	47
Debt Service as a Share of Tax Revenue	6.3%	23
Public Employees Per 10,000 of Population (full-time equivalent)	517.3	20
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.8	11
State Minimum Wage (federal floor is $7.25)	$8.75	29
Average Workers' Compensation Costs (per $100 of payroll)	$2.50	46
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Florida

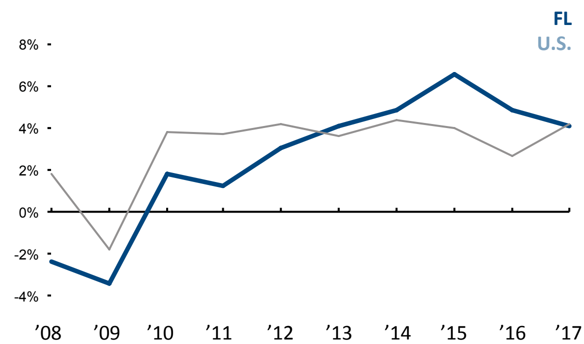
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

13 Economic Performance Rank

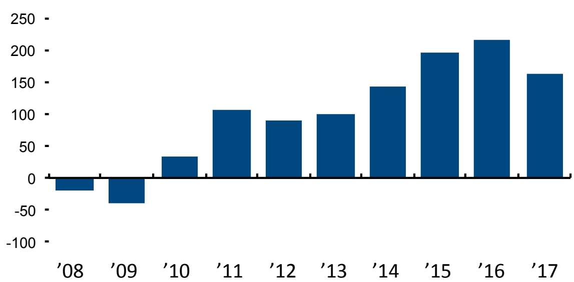
9 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

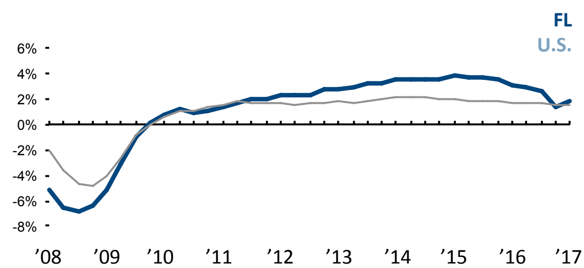
State Gross Domestic Product
Cumulative Growth 2007-2017 — 27% — Rank: 33



Absolute Domestic Migration
Cumulative 2008-2017 — 991,239 — Rank: 2
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 — 8.8% — Rank: 11



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	13	9	16	15	8	6	6

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	5.50%	13
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$27.86	25
Sales Tax Burden (per $1,000 of personal income)	$26.18	36
Remaining Tax Burden (per $1,000 of personal income)	$20.20	36
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.54	11
Debt Service as a Share of Tax Revenue	7.1%	29
Public Employees Per 10,000 of Population (full-time equivalent)	424.5	3
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.5	46
State Minimum Wage (federal floor is $7.25)	$8.46	25
Average Workers' Compensation Costs (per $100 of payroll)	$1.81	30
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Georgia

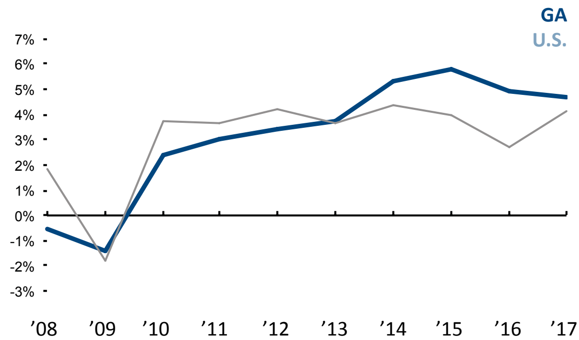
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

10 Economic Performance Rank

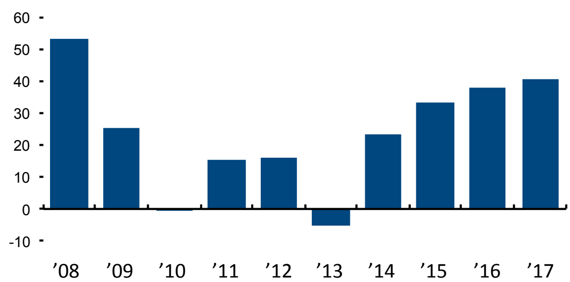
20 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

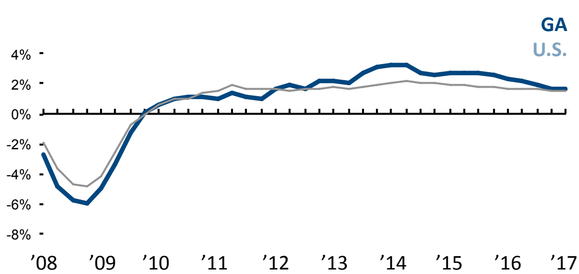
State Gross Domestic Product
Cumulative Growth 2007-2017 35.8% Rank: 16



Absolute Domestic Migration
Cumulative 2008-2017 238,801 Rank: 8
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 7.6% Rank: 14



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	10	8	9	7	19	17	11

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	25
Top Marginal Corporate Income Tax Rate	6.38%	19
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.90	23
Property Tax Burden (per $1,000 of personal income)	$27.71	23
Sales Tax Burden (per $1,000 of personal income)	$21.04	21
Remaining Tax Burden (per $1,000 of personal income)	$12.25	3
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.13	17
Debt Service as a Share of Tax Revenue	6.2%	22
Public Employees Per 10,000 of Population (full-time equivalent)	499.5	16
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	64.4	39
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.27	45
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Hawaii

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

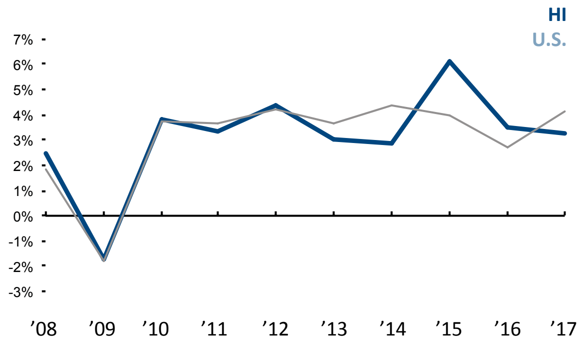
23 Economic Performance Rank

45 Economic Outlook Rank

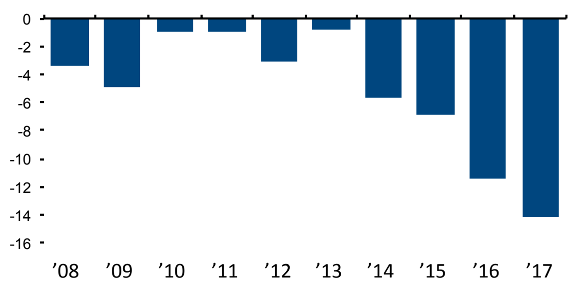
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

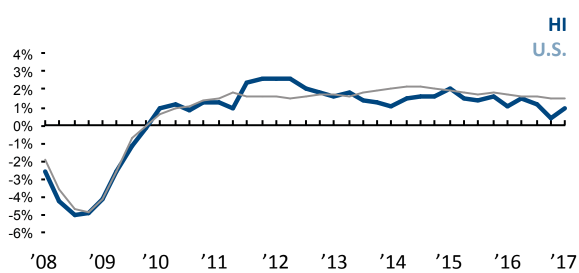
State Gross Domestic Product
Cumulative Growth 2007-2017 35.6% Rank: 17



Absolute Domestic Migration
Cumulative 2008-2017 -51,993 Rank: 34
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 4.6% Rank: 23



Historical Ranking Comparison

	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	46	40	36	37	42	43	45

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	11.00%	47
Top Marginal Corporate Income Tax Rate	6.40%	20
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$13.54	36
Property Tax Burden (per $1,000 of personal income)	$22.76	12
Sales Tax Burden (per $1,000 of personal income)	$48.06	50
Remaining Tax Burden (per $1,000 of personal income)	$27.20	47
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.46	30
Debt Service as a Share of Tax Revenue	3.6%	2
Public Employees Per 10,000 of Population (full-time equivalent)	532.1	29
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.0	23
State Minimum Wage (federal floor is $7.25)	$10.10	38
Average Workers' Compensation Costs (per $100 of payroll)	$2.01	38
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Idaho

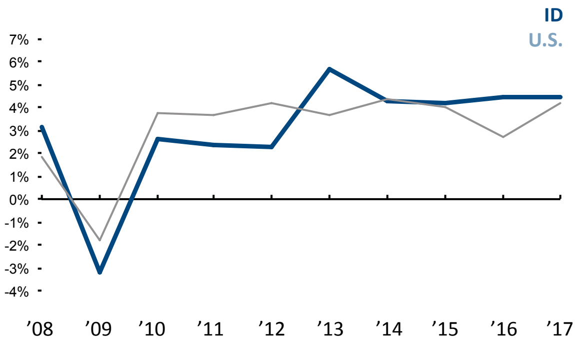
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

11 Economic Performance Rank

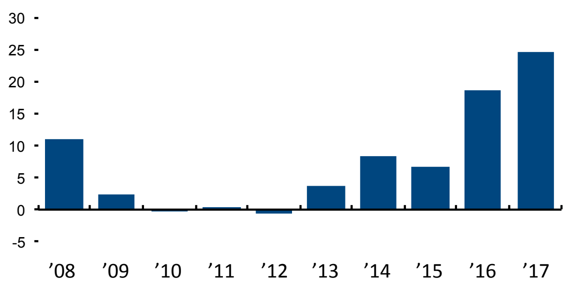
2 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

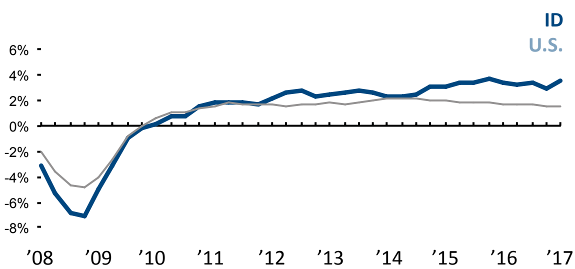
State Gross Domestic Product
Cumulative Growth 2007-2017 | 34.2% | Rank: 22



Absolute Domestic Migration
Cumulative 2008-2017 | 75,210 | Rank: 13
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 | 10.7% | Rank: 6



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	6	7	5	6	15	10	2

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.93%	34
Top Marginal Corporate Income Tax Rate	6.93%	27
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.72	37
Property Tax Burden (per $1,000 of personal income)	$23.71	14
Sales Tax Burden (per $1,000 of personal income)	$23.35	27
Remaining Tax Burden (per $1,000 of personal income)	$15.53	16
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$1.78	5
Debt Service as a Share of Tax Revenue	4.2%	5
Public Employees Per 10,000 of Population (full-time equivalent)	492.6	14
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	75.0	3
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.81	30
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Illinois

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

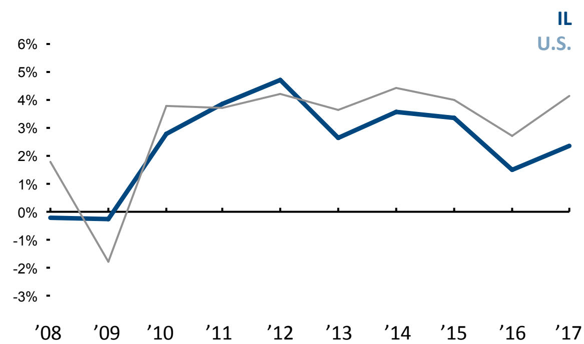
46 Economic Performance Rank

48 Economic Outlook Rank

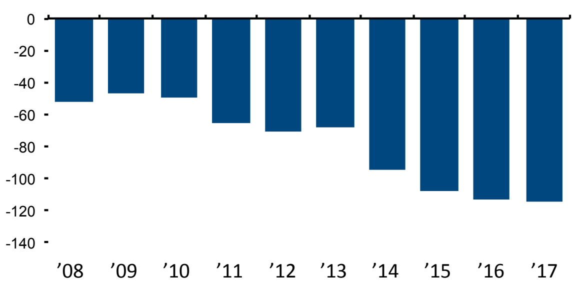
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

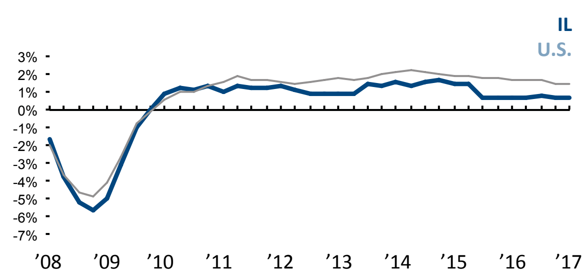
State Gross Domestic Product
Cumulative Growth 2007-2017 27.0% Rank: 34



Absolute Domestic Migration -783,319 Rank: 48
Cumulative 2008-2017
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 1.6% Rank: 41



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**48**	**48**	**48**	**40**	**43**	**44**	**48**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.95%	16
Top Marginal Corporate Income Tax Rate	9.50%	43
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$1.47	14
Property Tax Burden (per $1,000 of personal income)	$40.60	42
Sales Tax Burden (per $1,000 of personal income)	$20.90	20
Remaining Tax Burden (per $1,000 of personal income)	$21.16	39
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$7.60	50
Debt Service as a Share of Tax Revenue	10.0%	49
Public Employees Per 10,000 of Population (full-time equivalent)	483.0	9
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	59.1	48
State Minimum Wage (federal floor is $7.25)	$8.25	23
Average Workers' Compensation Costs (per $100 of payroll)	$1.80	29
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Indiana

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

32 Economic Performance Rank

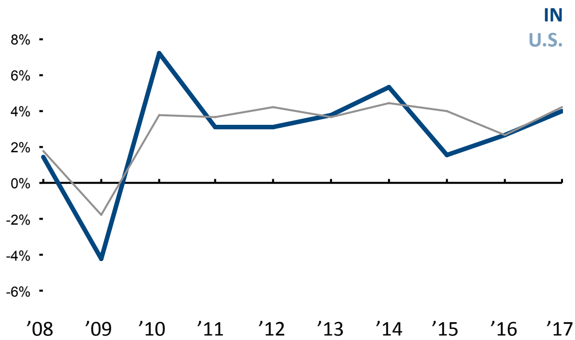
3 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product

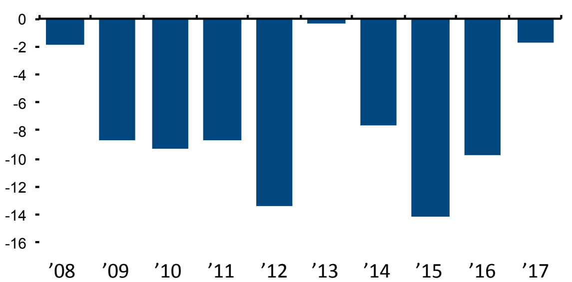
Cumulative Growth 2007-2017 30.9% Rank: 26



Absolute Domestic Migration

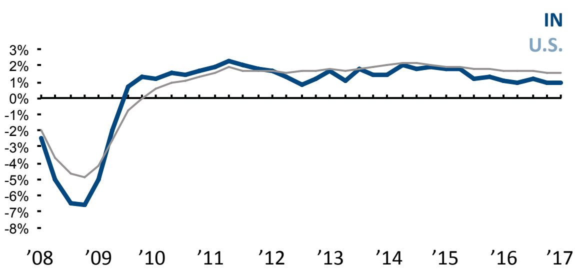
Cumulative 2008-2017 -75,322 Rank: 38

(in thousands)



Non-Farm Payroll Employment

Cumulative 2007-2017 4.0% Rank: 27



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**24**	**14**	**3**	**3**	**6**	**2**	**3**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.25%	22
Top Marginal Corporate Income Tax Rate	5.75%	14
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.70	13
Property Tax Burden (per $1,000 of personal income)	$22.61	10
Sales Tax Burden (per $1,000 of personal income)	$25.74	35
Remaining Tax Burden (per $1,000 of personal income)	$15.47	14
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$1.76	38
Debt Service as a Share of Tax Revenue	8.3%	39
Public Employees Per 10,000 of Population (full-time equivalent)	487.0	11
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.9	15
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$0.87	2
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Iowa

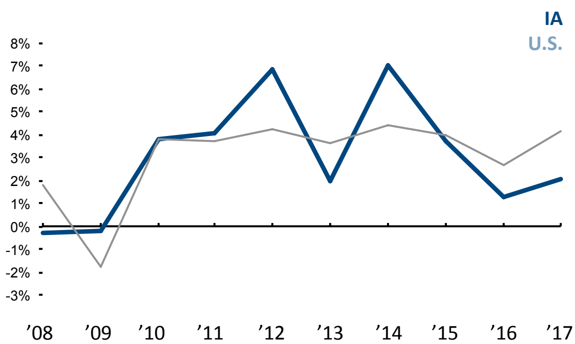
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

29 Economic Performance Rank

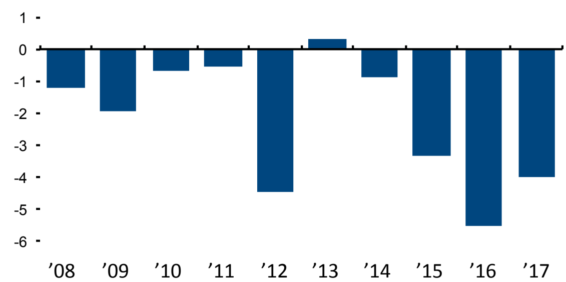
25 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

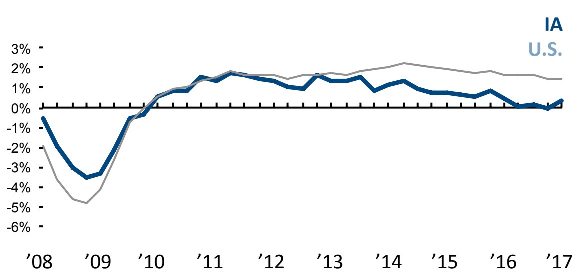
State Gross Domestic Product
Cumulative Growth 2007-2017 34.3% Rank: 21



Absolute Domestic Migration
Cumulative 2008-2017 -22,212 Rank: 30
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 3.5% Rank: 30



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	22	25	25	25	29	29	29

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.37%	23
Top Marginal Corporate Income Tax Rate	11.64%	46
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$13.12	35
Property Tax Burden (per $1,000 of personal income)	$34.17	35
Sales Tax Burden (per $1,000 of personal income)	$24.01	30
Remaining Tax Burden (per $1,000 of personal income)	$19.48	32
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.40	13
Debt Service as a Share of Tax Revenue	4.3%	6
Public Employees Per 10,000 of Population (full-time equivalent)	593.0	42
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.6	13
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.64	21
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Kansas

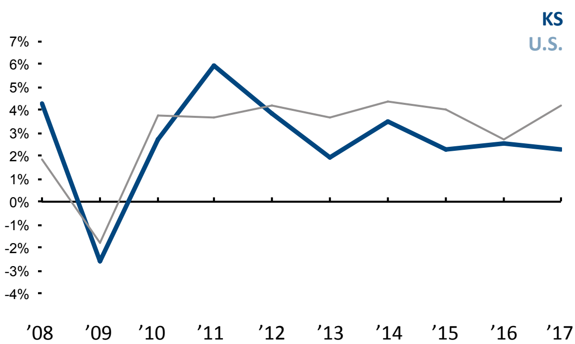
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

40 Economic Performance Rank

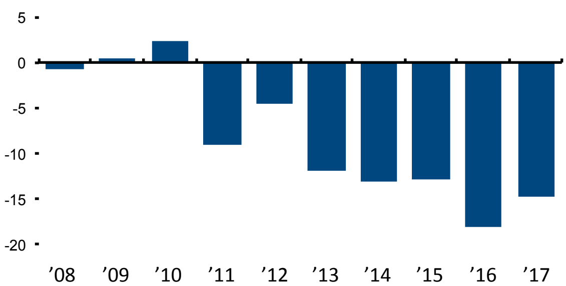
26 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

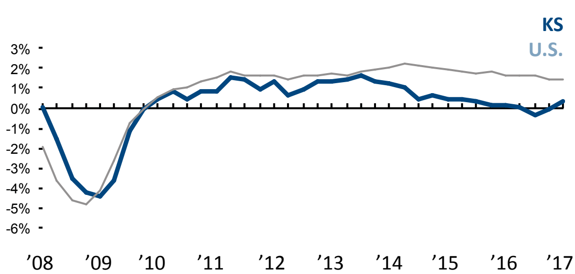
State Gross Domestic Product
Cumulative Growth 2007-2017 29.9% Rank: 31



Absolute Domestic Migration
Cumulative 2008-2017 -81,943 Rank: 39
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 1.5% Rank: 43



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	26	11	15	18	27	26	26

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.70%	24
Top Marginal Corporate Income Tax Rate	7.00%	28
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$10.09	27
Property Tax Burden (per $1,000 of personal income)	$31.54	32
Sales Tax Burden (per $1,000 of personal income)	$30.57	39
Remaining Tax Burden (per $1,000 of personal income)	$13.64	11
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$3.35	46
Debt Service as a Share of Tax Revenue	6.4%	24
Public Employees Per 10,000 of Population (full-time equivalent)	690.7	48
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.5	18
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.15	6
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Kentucky

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

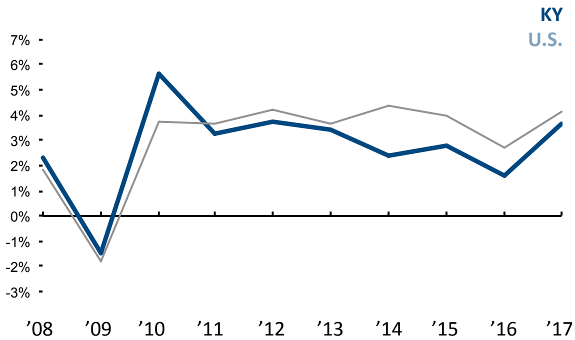
25 Economic Performance Rank

33 Economic Outlook Rank

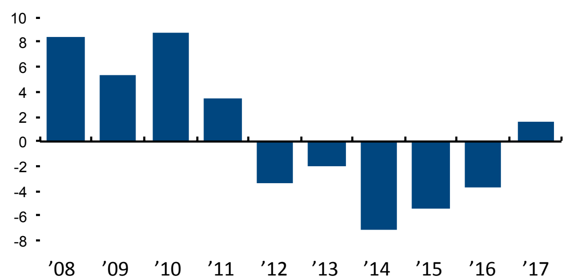
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

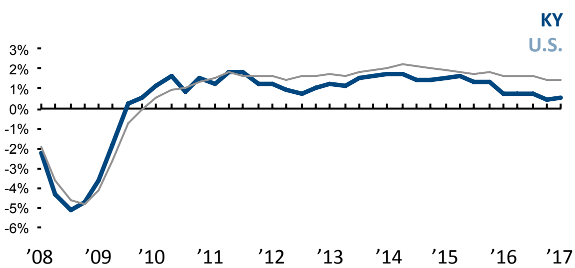
State Gross Domestic Product
Cumulative Growth 2007-2017 30.8% Rank: 27



Absolute Domestic Migration
Cumulative 2008-2017 6,118 Rank: 21
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 3.5% Rank: 29



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	39	38	39	30	33	33	31

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.20%	39
Top Marginal Corporate Income Tax Rate	7.20%	30
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$1.73	15
Property Tax Burden (per $1,000 of personal income)	$19.79	6
Sales Tax Burden (per $1,000 of personal income)	$19.93	16
Remaining Tax Burden (per $1,000 of personal income)	$20.03	34
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$1.18	36
Debt Service as a Share of Tax Revenue	9.1%	44
Public Employees Per 10,000 of Population (full-time equivalent)	545.8	35
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	61.7	42
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.51	18
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Louisiana

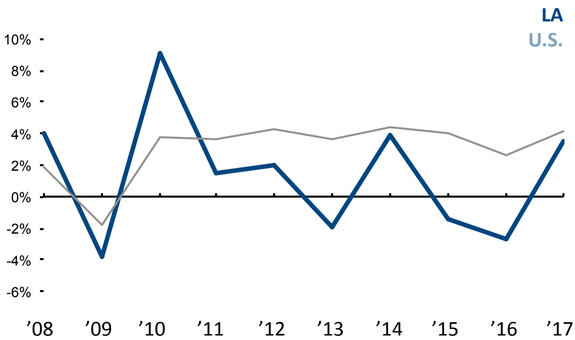
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

39 Economic Performance Rank

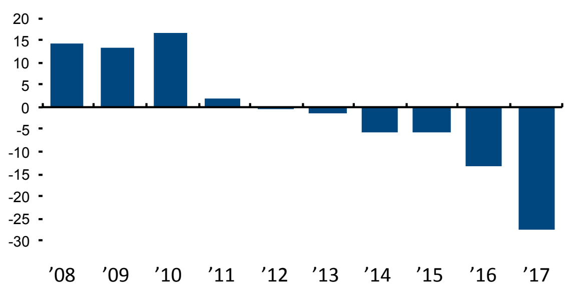
27 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

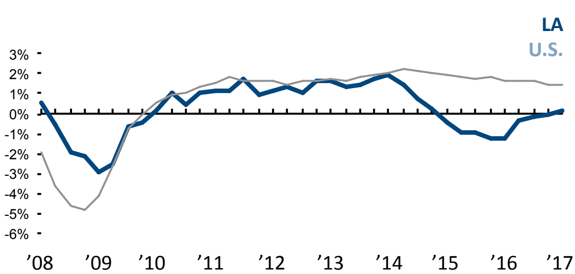
State Gross Domestic Product
Cumulative Growth 2007-2017 14.2% Rank: 47



Absolute Domestic Migration
Cumulative 2008-2017 -7,404 Rank: 25
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 1.9% Rank: 39



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	19	28	29	26	28	28	27

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	3.78%	11
Top Marginal Corporate Income Tax Rate	6.32%	18
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.04	29
Property Tax Burden (per $1,000 of personal income)	$20.84	8
Sales Tax Burden (per $1,000 of personal income)	$37.45	46
Remaining Tax Burden (per $1,000 of personal income)	$15.55	17
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.09	40
Debt Service as a Share of Tax Revenue	8.7%	43
Public Employees Per 10,000 of Population (full-time equivalent)	553.6	37
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	56.6	50
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.05	41
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Maine

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

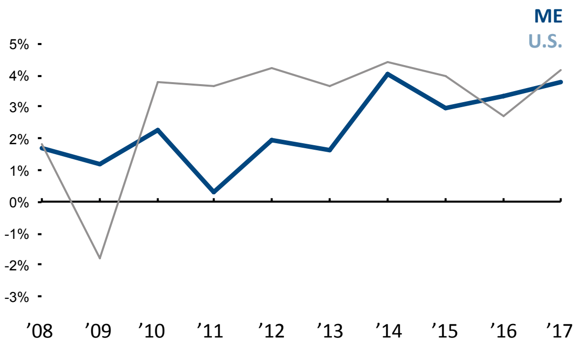
36 Economic Performance Rank

42 Economic Outlook Rank

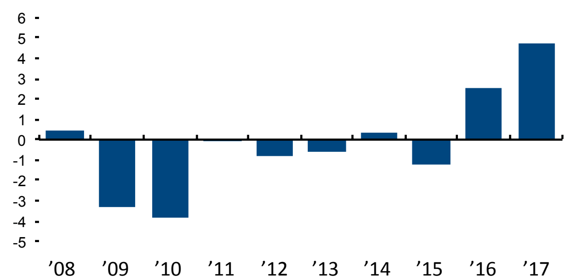
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

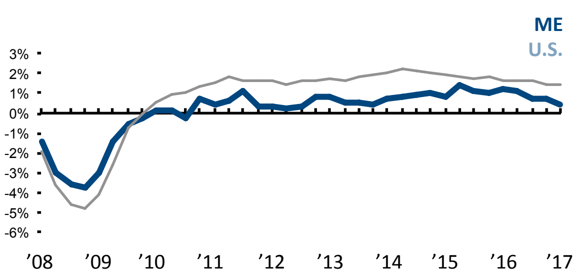
State Gross Domestic Product
Cumulative Growth 2007-2017 25.5% Rank: 39



Absolute Domestic Migration
Cumulative 2008-2017 -1,942 Rank: 23
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 0.4% Rank: 44



Historical Ranking Comparison

	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	47	41	40	42	38	42	42

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.15%	38
Top Marginal Corporate Income Tax Rate	8.93%	41
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$25.02	48
Property Tax Burden (per $1,000 of personal income)	$47.53	46
Sales Tax Burden (per $1,000 of personal income)	$23.07	24
Remaining Tax Burden (per $1,000 of personal income)	$18.27	28
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.75	8
Debt Service as a Share of Tax Revenue	4.4%	7
Public Employees Per 10,000 of Population (full-time equivalent)	520.4	22
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.2	9
State Minimum Wage (federal floor is $7.25)	$11.00	44
Average Workers' Compensation Costs (per $100 of payroll)	$1.84	32
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Maryland

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

28 Economic Performance Rank

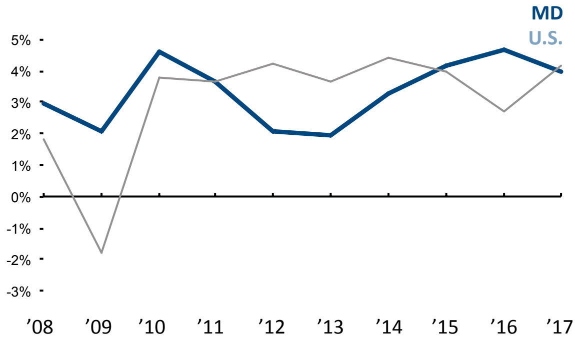
35 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product

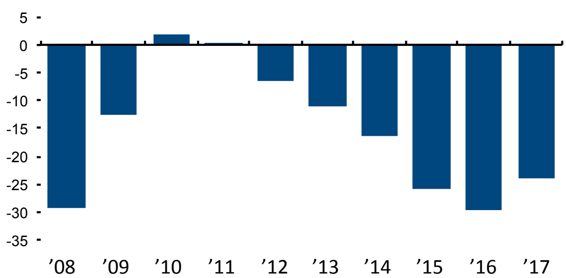
Cumulative Growth 2007-2017 38.8% Rank: 14



Absolute Domestic Migration

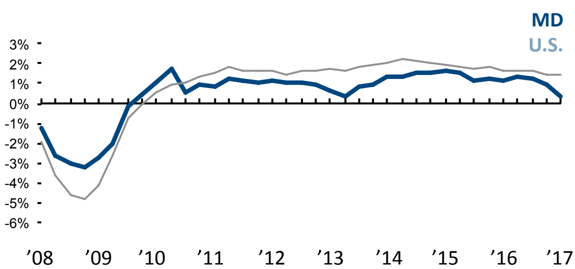
Cumulative 2008-2017 -152,577 Rank: 42

(in thousands)



Non-Farm Payroll Employment

Cumulative 2007-2017 4.2% Rank: 25



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	20	35	34	33	31	34	32

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.95%	44
Top Marginal Corporate Income Tax Rate	8.25%	38
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$8.90	26
Property Tax Burden (per $1,000 of personal income)	$26.85	20
Sales Tax Burden (per $1,000 of personal income)	$12.98	8
Remaining Tax Burden (per $1,000 of personal income)	$22.03	41
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$1.70	6
Debt Service as a Share of Tax Revenue	5.7%	18
Public Employees Per 10,000 of Population (full-time equivalent)	506.9	18
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.8	19
State Minimum Wage (federal floor is $7.25)	$10.10	38
Average Workers' Compensation Costs (per $100 of payroll)	$1.33	12
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Massachusetts

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

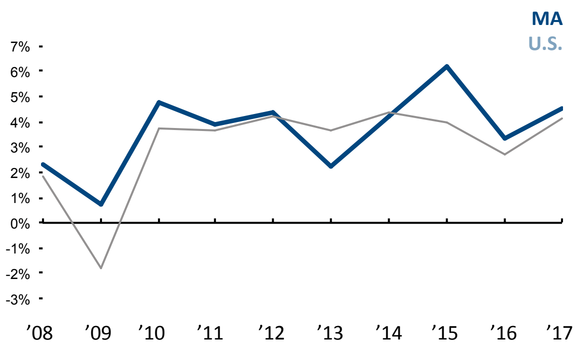
15 Economic Performance Rank

28 Economic Outlook Rank

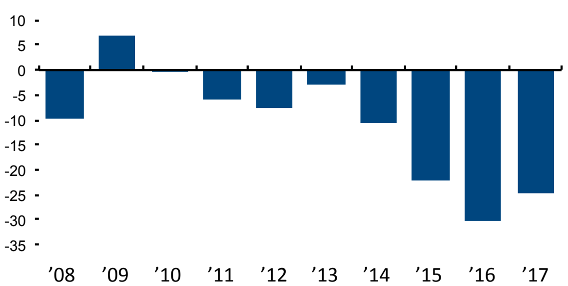
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

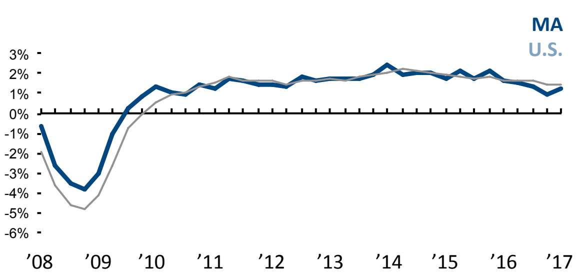
State Gross Domestic Product
Cumulative Growth 2007-2017 42.9% Rank: 9



Absolute Domestic Migration -107,468 Rank: 41
Cumulative 2008-2017
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 9.3% Rank: 8



Historical Ranking Comparison
ECONOMIC OUTLOOK RANK

2012	2013	2014	2015	2016	2017	2018
25	29	28	28	26	25	25

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.05%	20
Top Marginal Corporate Income Tax Rate	8.00%	36
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$2.96	17
Property Tax Burden (per $1,000 of personal income)	$36.69	39
Sales Tax Burden (per $1,000 of personal income)	$13.89	9
Remaining Tax Burden (per $1,000 of personal income)	$11.87	2
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.32	44
Debt Service as a Share of Tax Revenue	8.6%	42
Public Employees Per 10,000 of Population (full-time equivalent)	478.9	8
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.1	14
State Minimum Wage (federal floor is $7.25)	$12.00	48
Average Workers' Compensation Costs (per $100 of payroll)	$1.37	13
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Michigan

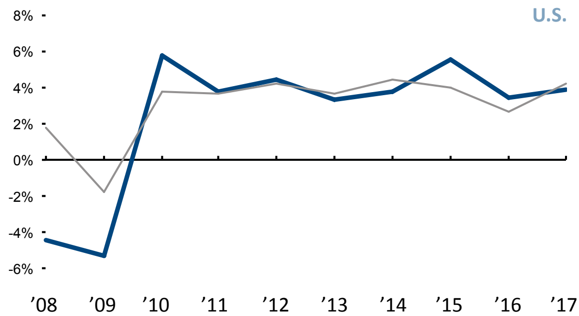
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

42 Economic Performance Rank

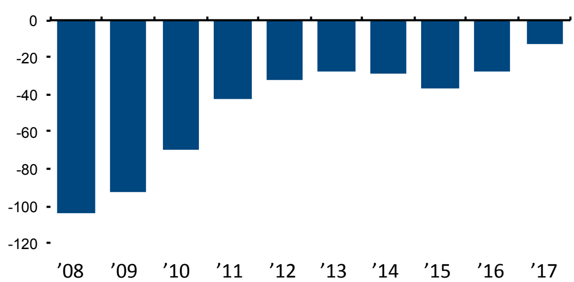
12 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

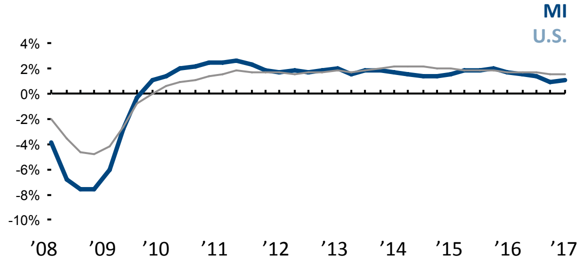
State Gross Domestic Product
Cumulative Growth 2007-2017 26.0% Rank: 38



Absolute Domestic Migration -472,794 Rank: 46
Cumulative 2008-2017
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 3.3% Rank: 31



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	17	20	12	24	22	20	18

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.65%	30
Top Marginal Corporate Income Tax Rate	8.00%	36
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$2.49	16
Property Tax Burden (per $1,000 of personal income)	$32.01	34
Sales Tax Burden (per $1,000 of personal income)	$20.89	19
Remaining Tax Burden (per $1,000 of personal income)	$15.11	13
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.73	9
Debt Service as a Share of Tax Revenue	8.2%	38
Public Employees Per 10,000 of Population (full-time equivalent)	435.4	4
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.4	22
State Minimum Wage (federal floor is $7.25)	$9.25	34
Average Workers' Compensation Costs (per $100 of payroll)	$1.38	14
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Minnesota

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

21 Economic Performance Rank

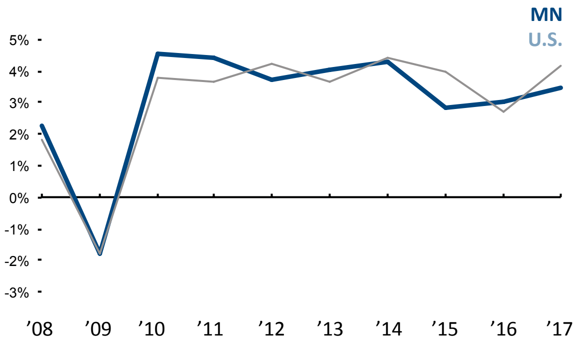
41 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)

A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product

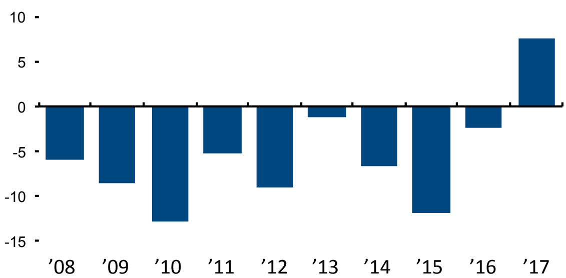
Cumulative Growth 2007-2017 35.3% Rank: 18



Absolute Domestic Migration

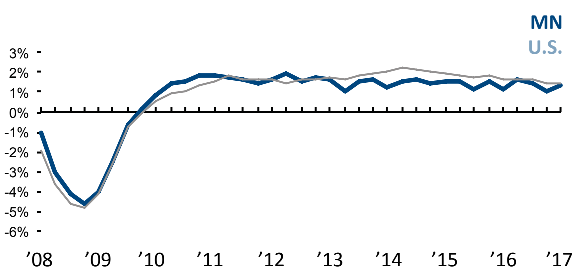
Cumulative 2008-2017 -56,294 Rank: 35

(in thousands)



Non-Farm Payroll Employment

Cumulative 2007-2017 6.3% Rank: 18



Economic Outlook Rank (1=best 50=worst)

A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**41**	**46**	**46**	**48**	**45**	**45**	**44**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	9.85%	45
Top Marginal Corporate Income Tax Rate	9.80%	44
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$19.03	45
Property Tax Burden (per $1,000 of personal income)	$30.12	31
Sales Tax Burden (per $1,000 of personal income)	$19.98	17
Remaining Tax Burden (per $1,000 of personal income)	$24.17	45
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$2.14	3
Debt Service as a Share of Tax Revenue	5.2%	11
Public Employees Per 10,000 of Population (full-time equivalent)	527.4	24
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	74.2	4
State Minimum Wage (federal floor is $7.25)	$9.86	36
Average Workers' Compensation Costs (per $100 of payroll)	$1.67	23
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Mississippi

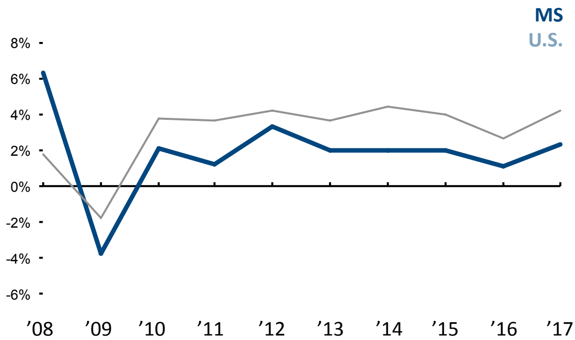
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

48 Economic Performance Rank

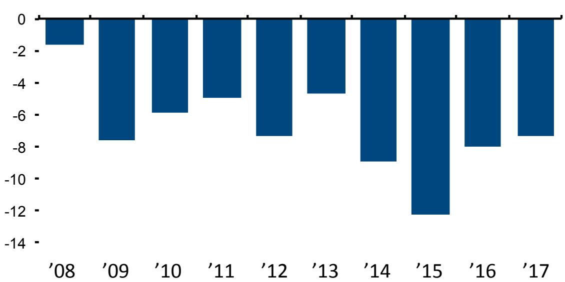
19 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

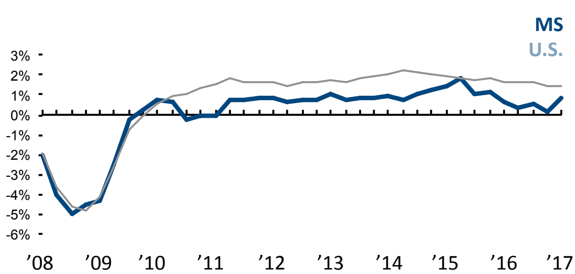
State Gross Domestic Product
Cumulative Growth 2007-2017 20.1% Rank: 45



Absolute Domestic Migration
Cumulative 2008-2017 -68,687 Rank: 37
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 0.0% Rank: 45



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	15	10	14	20	17	22	24

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	5.00%	11
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.93	24
Property Tax Burden (per $1,000 of personal income)	$27.84	24
Sales Tax Burden (per $1,000 of personal income)	$31.12	40
Remaining Tax Burden (per $1,000 of personal income)	$21.10	38
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.42	12
Debt Service as a Share of Tax Revenue	4.8%	10
Public Employees Per 10,000 of Population (full-time equivalent)	632.1	45
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	61.1	44
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.54	20
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Missouri

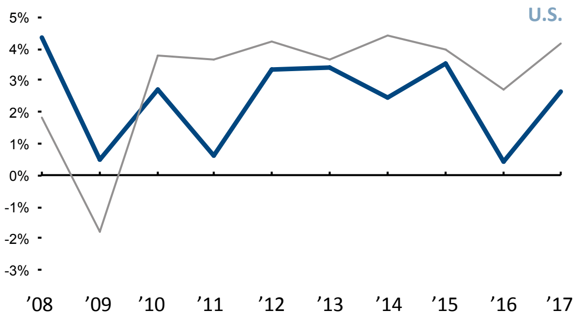
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

37 Economic Performance Rank

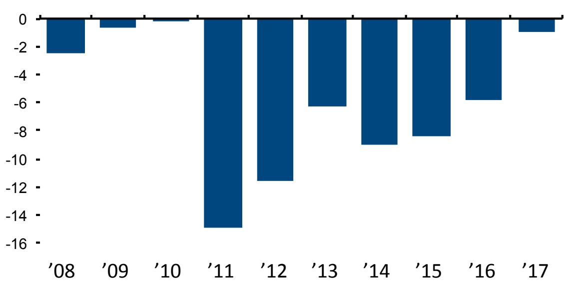
22 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

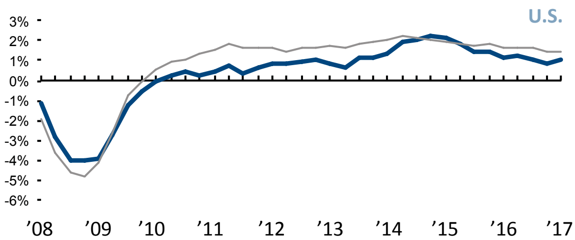
State Gross Domestic Product
Cumulative Growth 2007-2017 26.5% Rank: 36



Absolute Domestic Migration
Cumulative 2008-2017 60.087 Rank: 36
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.7% Rank: 34



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	7	23	24	27	24	24	23

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.40%	28
Top Marginal Corporate Income Tax Rate	6.59%	24
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$12.37	32
Property Tax Burden (per $1,000 of personal income)	$22.50	9
Sales Tax Burden (per $1,000 of personal income)	$23.30	25
Remaining Tax Burden (per $1,000 of personal income)	$13.56	8
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.04	19
Debt Service as a Share of Tax Revenue	7.9%	34
Public Employees Per 10,000 of Population (full-time equivalent)	522.1	23
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	58.1	49
State Minimum Wage (federal floor is $7.25)	$8.60	28
Average Workers' Compensation Costs (per $100 of payroll)	$1.68	24
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	3	1

Montana

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

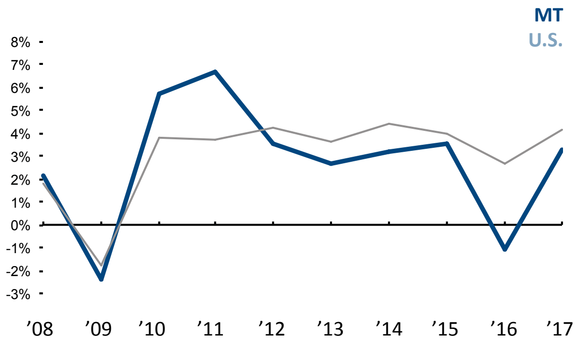
16 Economic Performance Rank

39 Economic Outlook Rank

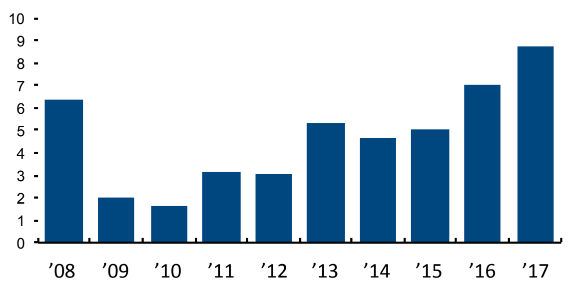
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

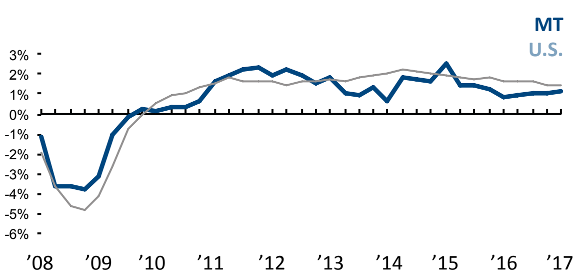
State Gross Domestic Product
Cumulative Growth 2007-2017 30.5% Rank: 28



Absolute Domestic Migration
Cumulative 2008-2017 47,060 Rank: 15
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 6.4% Rank: 17



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	36	42	43	43	40	39	43

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.90%	32
Top Marginal Corporate Income Tax Rate	6.75%	26
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$17.75	42
Property Tax Burden (per $1,000 of personal income)	$34.89	37
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$20.60	37
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$1.17	35
Debt Service as a Share of Tax Revenue	4.5%	9
Public Employees Per 10,000 of Population (full-time equivalent)	545.4	34
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.7	27
State Minimum Wage (federal floor is $7.25)	$8.50	26
Average Workers' Compensation Costs (per $100 of payroll)	$2.01	38
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Nebraska

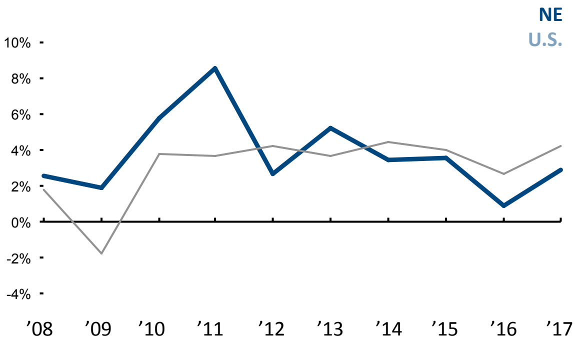
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

14 Economic Performance Rank

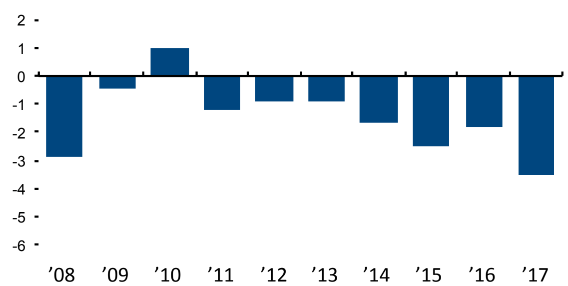
34 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

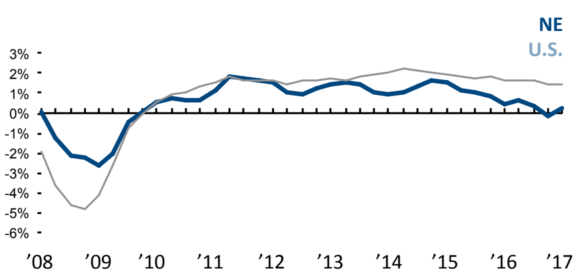
State Gross Domestic Product
Cumulative Growth 2007-2017 43.9% Rank: 4



Absolute Domestic Migration
Cumulative 2008-2017 -14,759 Rank: 27
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 5.3% Rank: 19



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	31	37	35	31	32	32	28

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.84%	31
Top Marginal Corporate Income Tax Rate	7.81%	34
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.34	44
Property Tax Burden (per $1,000 of personal income)	$38.18	40
Sales Tax Burden (per $1,000 of personal income)	$22.78	23
Remaining Tax Burden (per $1,000 of personal income)	$13.99	12
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$3.34	2
Debt Service as a Share of Tax Revenue	5.7%	17
Public Employees Per 10,000 of Population (full-time equivalent)	632.7	46
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.5	7
State Minimum Wage (federal floor is $7.25)	$9.00	32
Average Workers' Compensation Costs (per $100 of payroll)	$1.70	25
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Nevada

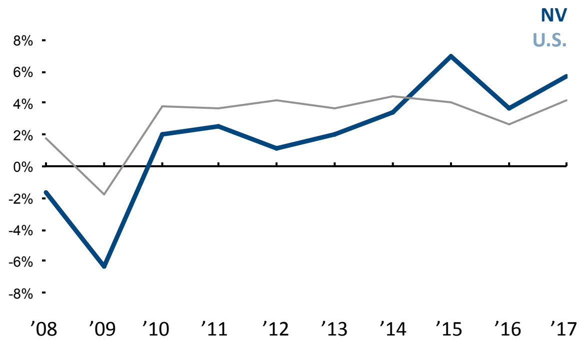
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

24 Economic Performance Rank

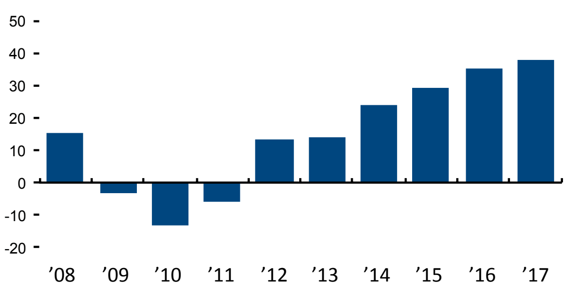
5 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

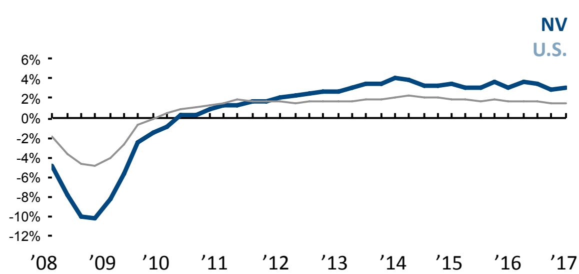
State Gross Domestic Product
Cumulative Growth 2007-2017 20.3% Rank: 44



Absolute Domestic Migration
Cumulative 2008-2017 146,000 Rank: 11
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 5.0% Rank: 20



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	18	13	8	10	14	13	13

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.64%	3
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$22.72	11
Sales Tax Burden (per $1,000 of personal income)	$38.46	49
Remaining Tax Burden (per $1,000 of personal income)	$35.75	49
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.14	26
Debt Service as a Share of Tax Revenue	8.1%	36
Public Employees Per 10,000 of Population (full-time equivalent)	385.5	1
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.6	37
State Minimum Wage (federal floor is $7.25)	$8.25	23
Average Workers' Compensation Costs (per $100 of payroll)	$1.18	8
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

New Hampshire

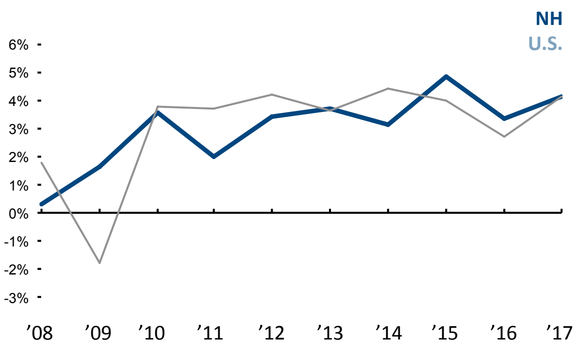
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

19 Economic Performance Rank

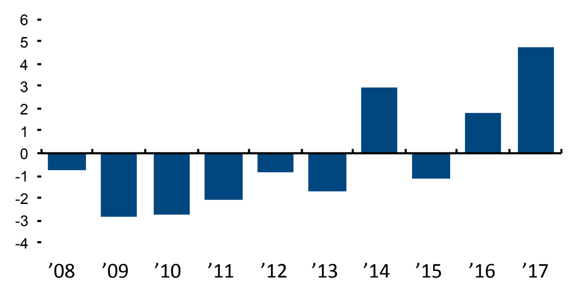
16 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

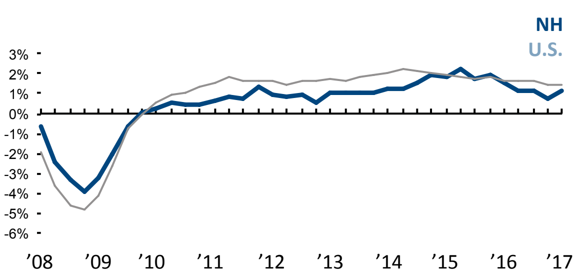
State Gross Domestic Product
Cumulative Growth 2007-2017 34.4% Rank: 20



Absolute Domestic Migration
Cumulative 2008-2017 -2,658 Rank: 24
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 4.7% Rank: 22



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	28	27	32	29	23	18	17

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	7.70%	33
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$55.44	50
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$19.78	33
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.35	14
Debt Service as a Share of Tax Revenue	6.9%	27
Public Employees Per 10,000 of Population (full-time equivalent)	531.4	28
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.9	5
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.70	25
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

New Jersey

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

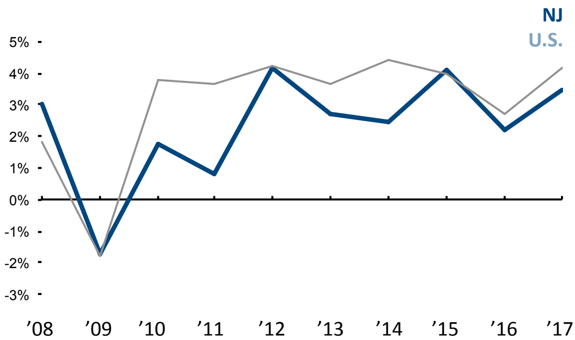
49 Economic Performance Rank

46 Economic Outlook Rank

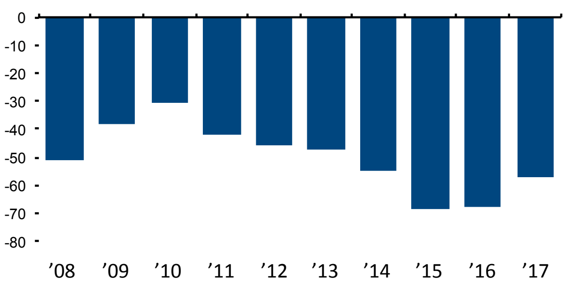
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

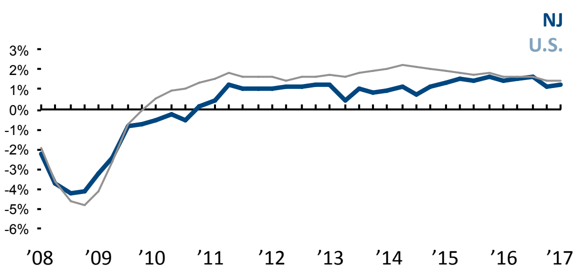
State Gross Domestic Product
Cumulative Growth 2007-2017 25.3% Rank: 40



Absolute Domestic Migration
Cumulative 2008-2017 -502,748 Rank: 47
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 1.6% Rank: 42



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	42	39	45	46	48	48	46

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	11.75%	48
Top Marginal Corporate Income Tax Rate	11.50%	45
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$24.81	47
Property Tax Burden (per $1,000 of personal income)	$51.13	48
Sales Tax Burden (per $1,000 of personal income)	$16.88	11
Remaining Tax Burden (per $1,000 of personal income)	$13.30	7
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.06	24
Debt Service as a Share of Tax Revenue	5.6%	15
Public Employees Per 10,000 of Population (full-time equivalent)	530.4	27
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	63.8	41
State Minimum Wage (federal floor is $7.25)	$8.85	31
Average Workers' Compensation Costs (per $100 of payroll)	$2.84	48
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

New Mexico

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

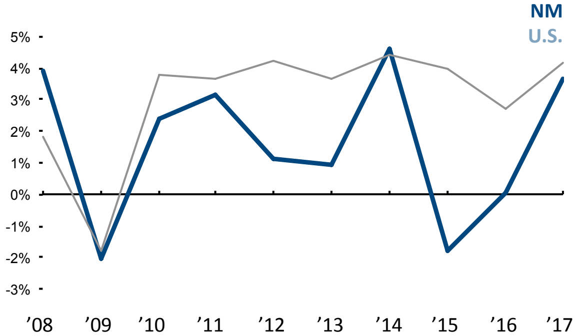
47 Economic Performance Rank

29 Economic Outlook Rank

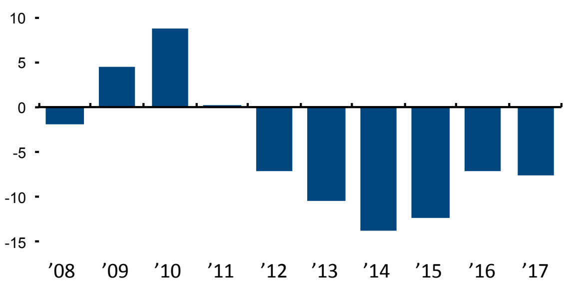
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

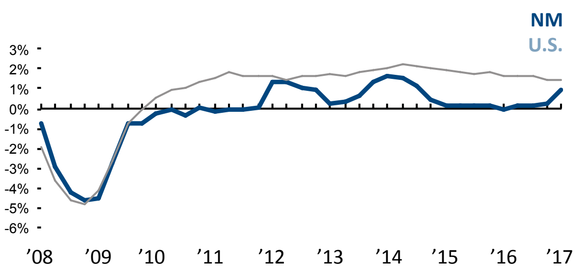
State Gross Domestic Product
Cumulative Growth 2007-2017 16.9% Rank: 46



Absolute Domestic Migration
Cumulative 2008-2017 -46,966 Rank: 32
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 -1.5% RANK: 48



Historical Ranking Comparison
ECONOMIC OUTLOOK RANK

2012	2013	2014	2015	2016	2017	2018
35	33	37	34	34	35	35

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.90%	15
Top Marginal Corporate Income Tax Rate	5.90%	15
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.70	31
Property Tax Burden (per $1,000 of personal income)	$19.90	7
Sales Tax Burden (per $1,000 of personal income)	$38.08	48
Remaining Tax Burden (per $1,000 of personal income)	$16.92	25
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.02	23
Debt Service as a Share of Tax Revenue	6.9%	26
Public Employees Per 10,000 of Population (full-time equivalent)	591.5	41
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.2	32
State Minimum Wage (federal floor is $7.25)	$7.50	22
Average Workers' Compensation Costs (per $100 of payroll)	$1.50	17
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

New York

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

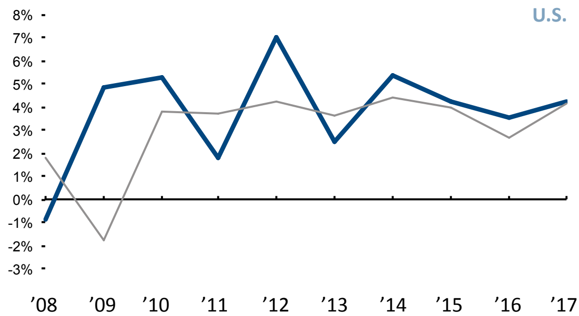
17 Economic Performance Rank

50 Economic Outlook Rank

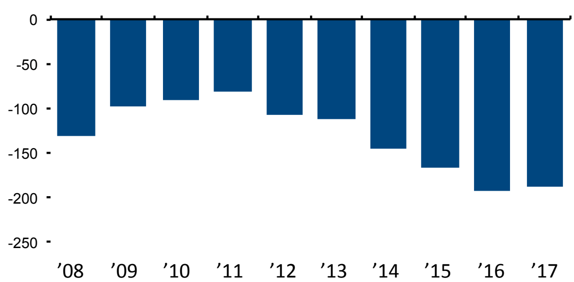
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

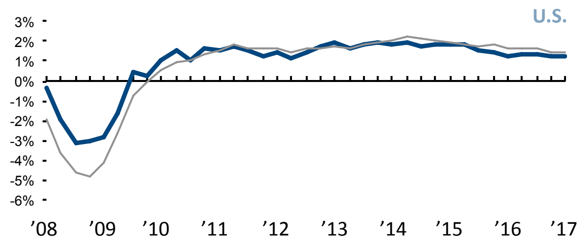
State Gross Domestic Product
Cumulative Growth 2007-2017 44.9% Rank: 3



Absolute Domestic Migration
Cumulative 2008-2017 -1,316,263 Rank: 50
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 9.2% RANK: 9



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	50	49	50	50	50	50	50

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	12.70%	49
Top Marginal Corporate Income Tax Rate	17.23%	50
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$17.30	41
Property Tax Burden (per $1,000 of personal income)	$46.26	45
Sales Tax Burden (per $1,000 of personal income)	$24.95	33
Remaining Tax Burden (per $1,000 of personal income)	$20.14	35
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$1.30	37
Debt Service as a Share of Tax Revenue	8.3%	40
Public Employees Per 10,000 of Population (full-time equivalent)	604.6	43
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.4	29
State Minimum Wage (federal floor is $7.25)	$11.10	46
Average Workers' Compensation Costs (per $100 of payroll)	$3.08	50
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

North Carolina

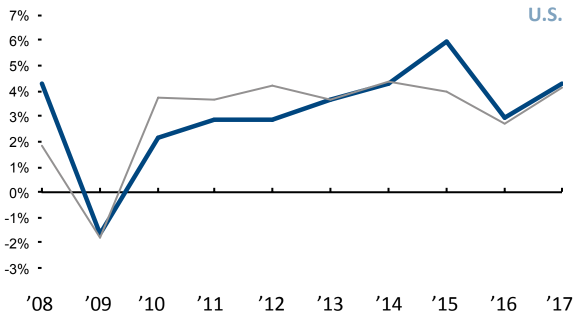
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

9 Economic Performance Rank

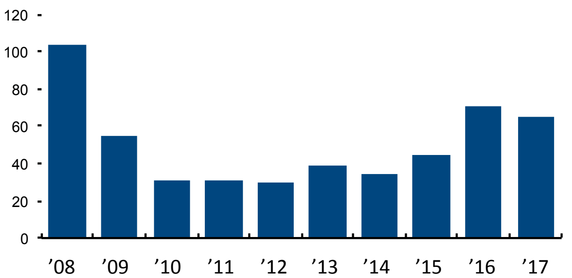
6 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

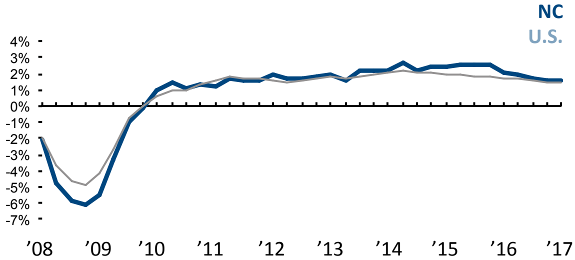
State Gross Domestic Product
Cumulative Growth 2007-2017 36.4% Rank: 15



Absolute Domestic Migration
Cumulative 2008-2017 504,243 Rank: 3
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 6.8% Rank: 16



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	23	22	6	4	2	3	7

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.25%	21
Top Marginal Corporate Income Tax Rate	2.50%	4
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.00	19
Property Tax Burden (per $1,000 of personal income)	$23.20	13
Sales Tax Burden (per $1,000 of personal income)	$23.24	26
Remaining Tax Burden (per $1,000 of personal income)	$15.98	21
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$1.89	4
Debt Service as a Share of Tax Revenue	5.4%	12
Public Employees Per 10,000 of Population (full-time equivalent)	547.4	36
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.2	33
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.84	32
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

North Dakota

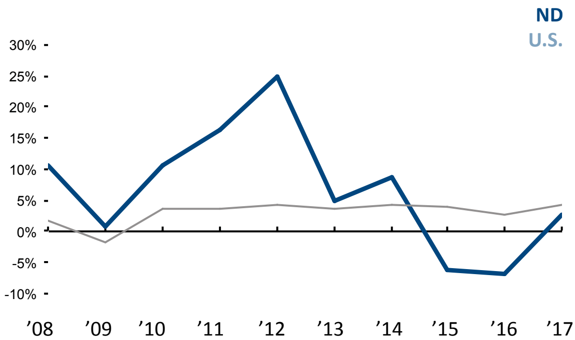
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

3 Economic Performance Rank

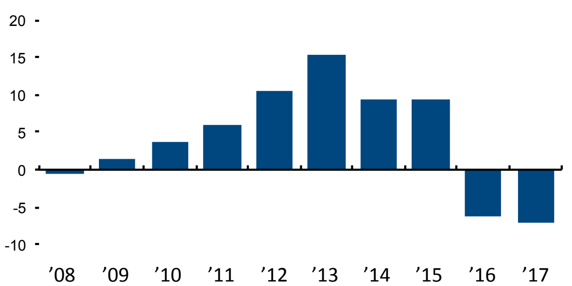
4 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

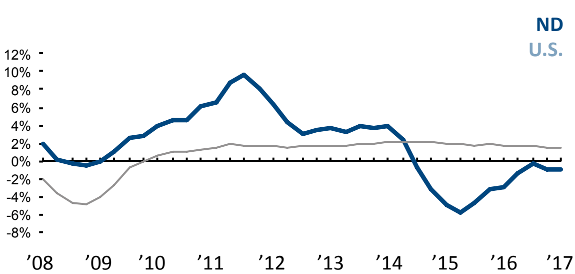
State Gross Domestic Product
Cumulative Growth 2007-2017 — 83.1% — Rank: 1



Absolute Domestic Migration
Cumulative 2008-2017 — 42,140 — Rank: 16
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 — 18.4% — Rank: 1



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	5	2	4	2	3	4	4

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	2.90%	10
Top Marginal Corporate Income Tax Rate	4.31%	7
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$8.60	25
Property Tax Burden (per $1,000 of personal income)	$24.59	15
Sales Tax Burden (per $1,000 of personal income)	$32.18	43
Remaining Tax Burden (per $1,000 of personal income)	$18.64	29
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$3.49	1
Debt Service as a Share of Tax Revenue	3.8%	3
Public Employees Per 10,000 of Population (full-time equivalent)	626.3	44
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	71.5	17
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$0.82	1
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Ohio

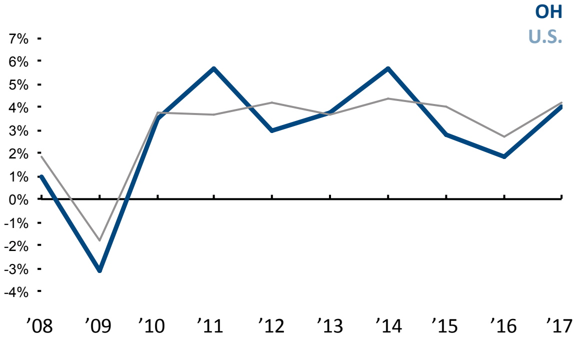
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

38 Economic Performance Rank

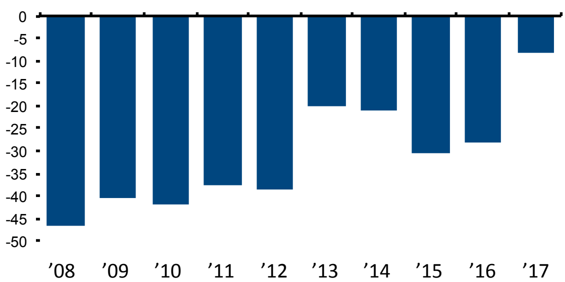
24 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

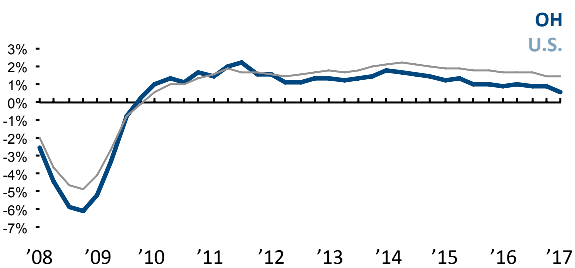
State Gross Domestic Product
Cumulative Growth 2007-2017 31.5% Rank: 25



Absolute Domestic Migration
Cumulative 2008-2017 -312,403 Rank: 45
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.1% Rank: 37



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	37	26	23	23	18	19	21

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.50%	40
Top Marginal Corporate Income Tax Rate	3.67%	6
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$12.97	34
Property Tax Burden (per $1,000 of personal income)	$28.20	26
Sales Tax Burden (per $1,000 of personal income)	$24.76	32
Remaining Tax Burden (per $1,000 of personal income)	$17.30	26
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.04	18
Debt Service as a Share of Tax Revenue	5.7%	16
Public Employees Per 10,000 of Population (full-time equivalent)	505.0	17
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.7	26
State Minimum Wage (federal floor is $7.25)	$8.55	27
Average Workers' Compensation Costs (per $100 of payroll)	$1.40	15
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Oklahoma

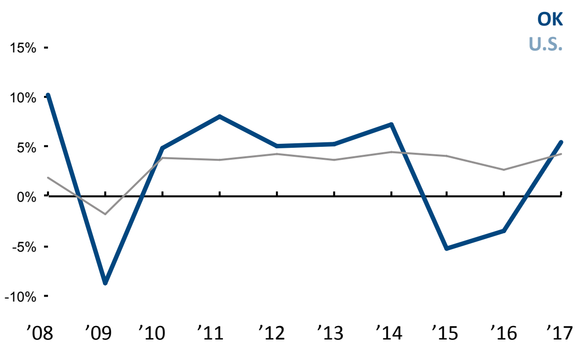
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

20 Economic Performance Rank

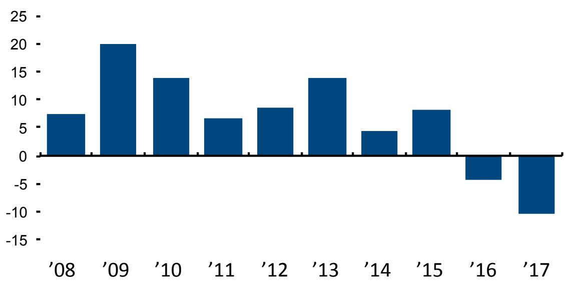
13 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

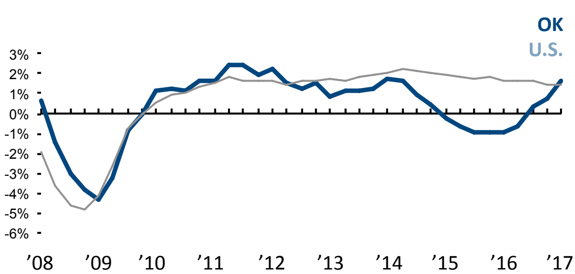
State Gross Domestic Product
Cumulative Growth 2007-2017 30.2% Rank: 29



Absolute Domestic Migration
Cumulative 2008-2017 68,399 Rank: 14
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 4.4% Rank: 24



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	14	19	21	16	10	16	16

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.00%	18
Top Marginal Corporate Income Tax Rate	6.00%	16
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$7.41	20
Property Tax Burden (per $1,000 of personal income)	$16.26	2
Sales Tax Burden (per $1,000 of personal income)	$26.76	37
Remaining Tax Burden (per $1,000 of personal income)	$15.73	19
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$5.61	49
Debt Service as a Share of Tax Revenue	5.4%	13
Public Employees Per 10,000 of Population (full-time equivalent)	537.1	32
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.3	31
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.71	27
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Oregon

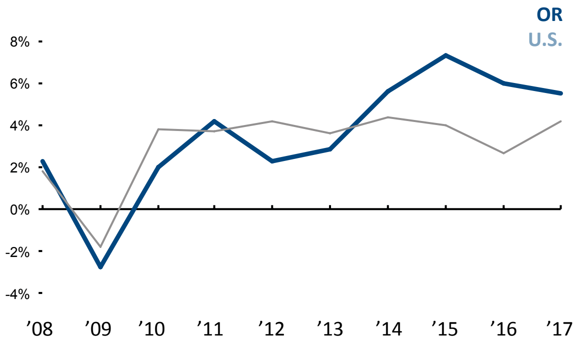
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

7 Economic Performance Rank

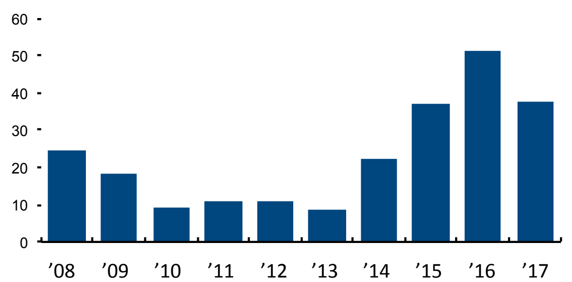
44 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

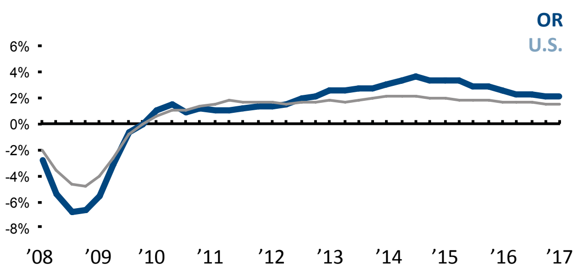
State Gross Domestic Product
Cumulative Growth 2007-2017 40.6% Rank: 10



Absolute Domestic Migration
Cumulative 2008-2017 231,088 Rank: 10
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 8.8% Rank: 10



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	45	44	42	45	41	41	41

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	10.66%	46
Top Marginal Corporate Income Tax Rate	11.65%	47
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$14.86	38
Property Tax Burden (per $1,000 of personal income)	$31.74	33
Sales Tax Burden (per $1,000 of personal income)	$0.00	1
Remaining Tax Burden (per $1,000 of personal income)	$22.18	42
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$4.35	48
Debt Service as a Share of Tax Revenue	7.5%	33
Public Employees Per 10,000 of Population (full-time equivalent)	485.1	10
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.4	21
State Minimum Wage (federal floor is $7.25)	$10.75	42
Average Workers' Compensation Costs (per $100 of payroll)	$1.15	6
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Pennsylvania

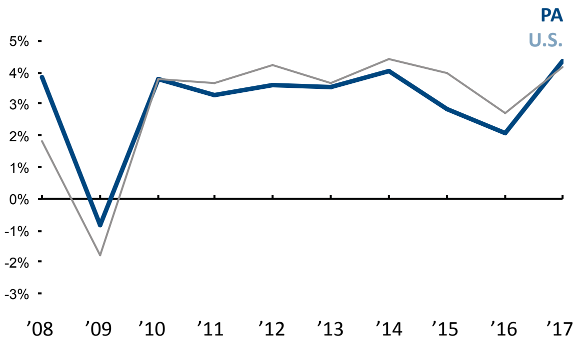
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

33 Economic Performance Rank

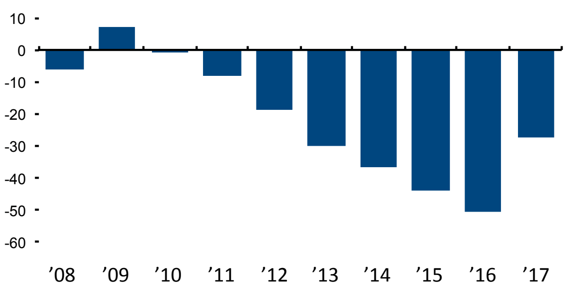
38 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

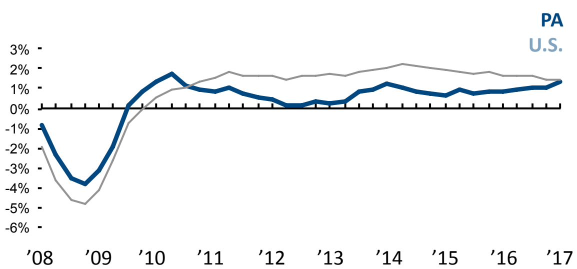
State Gross Domestic Product
Cumulative Growth 2007-2017 34.9% Rank: 19



Absolute Domestic Migration
Cumulative 2008-2017 -213,835 Rank: 44
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.9% Rank: 32



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	40	34	33	41	39	38	38

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.95%	35
Top Marginal Corporate Income Tax Rate	16.88%	49
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$29.09	28
Sales Tax Burden (per $1,000 of personal income)	$17.15	12
Remaining Tax Burden (per $1,000 of personal income)	$22.82	43
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.10	25
Debt Service as a Share of Tax Revenue	7.2%	31
Public Employees Per 10,000 of Population (full-time equivalent)	442.1	5
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	66.3	38
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.85	34
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Rhode Island

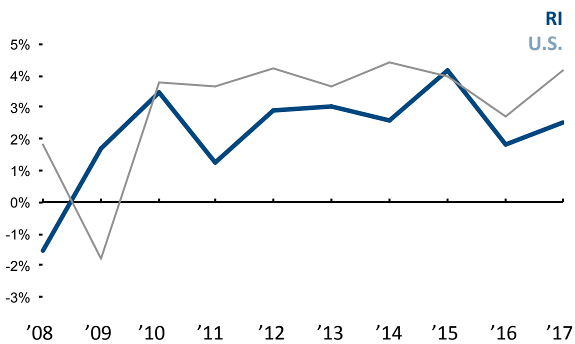
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

44 Economic Performance Rank

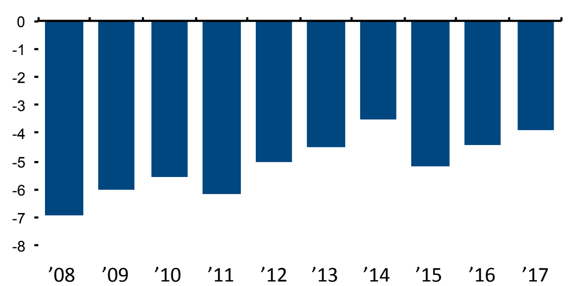
43 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

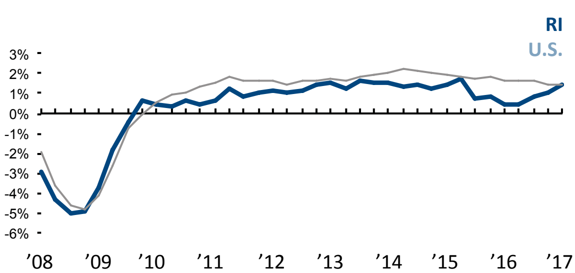
State Gross Domestic Product
Cumulative Growth 2007-2017 24.0% Rank: 43



Absolute Domestic Migration
Cumulative 2008-2017 -51,209 Rank: 33
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 1.9% Rank: 40



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	43	45	41	39	35	36	39

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.99%	27
Top Marginal Corporate Income Tax Rate	7.00%	28
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$11.30	30
Property Tax Burden (per $1,000 of personal income)	$47.86	47
Sales Tax Burden (per $1,000 of personal income)	$18.24	13
Remaining Tax Burden (per $1,000 of personal income)	$18.25	27
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.79	32
Debt Service as a Share of Tax Revenue	9.4%	46
Public Employees Per 10,000 of Population (full-time equivalent)	448.4	6
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	69.9	24
State Minimum Wage (federal floor is $7.25)	$10.50	41
Average Workers' Compensation Costs (per $100 of payroll)	$2.19	43
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

South Carolina

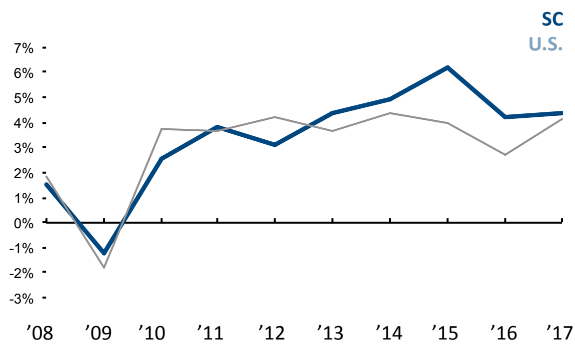
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

8 Economic Performance Rank

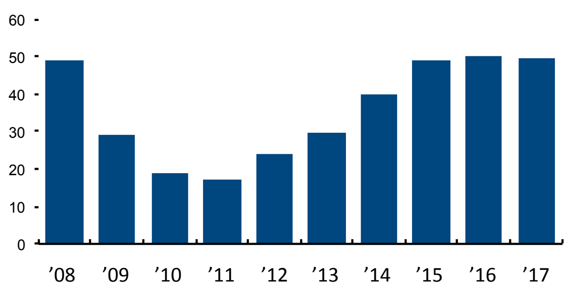
32 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

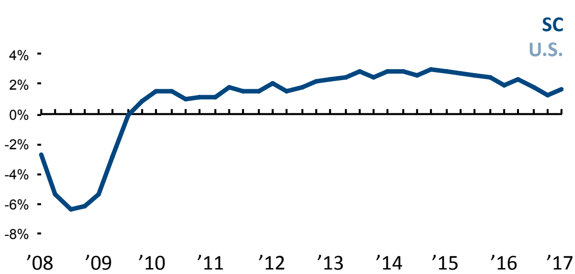
State Gross Domestic Product
Cumulative Growth 2007-2017 39.1% Rank: 13



Absolute Domestic Migration
Cumulative 2008-2017 356,611 Rank: 5
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 8.0% Rank: 12



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	27	31	31	32	30	27	33

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.00%	37
Top Marginal Corporate Income Tax Rate	5.00%	11
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$18.26	43
Property Tax Burden (per $1,000 of personal income)	$29.36	30
Sales Tax Burden (per $1,000 of personal income)	$19.16	14
Remaining Tax Burden (per $1,000 of personal income)	$16.21	22
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.82	45
Debt Service as a Share of Tax Revenue	8.4%	41
Public Employees Per 10,000 of Population (full-time equivalent)	528.5	25
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	67.7	34
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.95	37
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

South Dakota

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

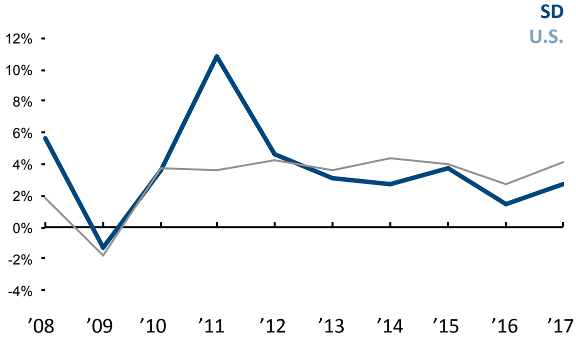
12 Economic Performance Rank

7 Economic Outlook Rank

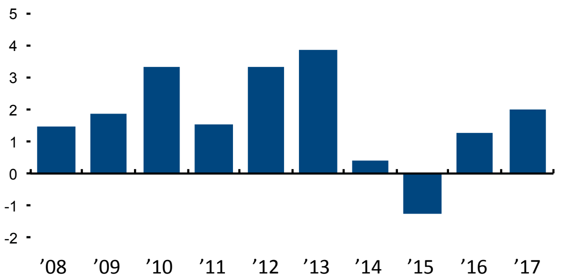
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

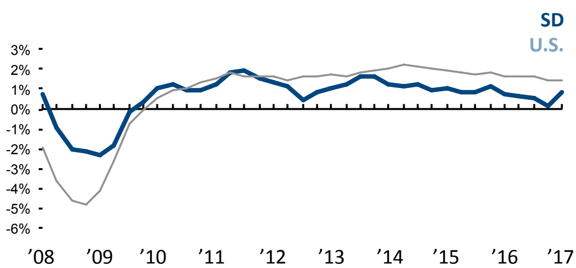
State Gross Domestic Product
Cumulative Growth 2007-2017 43.5% Rank: 6



Absolute Domestic Migration
Cumulative 2008-2017 17,820 Rank: 20
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 7.2% Rank: 15



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**2**	**3**	**2**	**9**	**11**	**12**	**9**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.00%	1
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$28.73	27
Sales Tax Burden (per $1,000 of personal income)	$32.11	42
Remaining Tax Burden (per $1,000 of personal income)	$19.38	31
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.00	20
Debt Service as a Share of Tax Revenue	5.9%	20
Public Employees Per 10,000 of Population (full-time equivalent)	540.6	33
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	75.3	1
State Minimum Wage (federal floor is $7.25)	$9.10	33
Average Workers' Compensation Costs (per $100 of payroll)	$1.73	28
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Tennessee

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

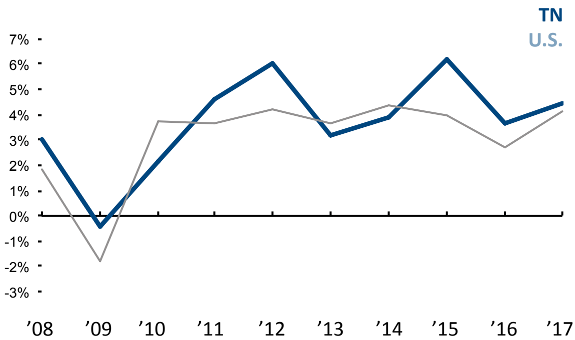
6 Economic Performance Rank

8 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

State Gross Domestic Product

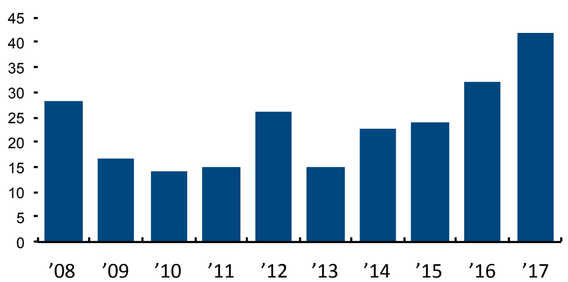
Cumulative Growth 2007-2017 | 43.1% | Rank: 7



Absolute Domestic Migration

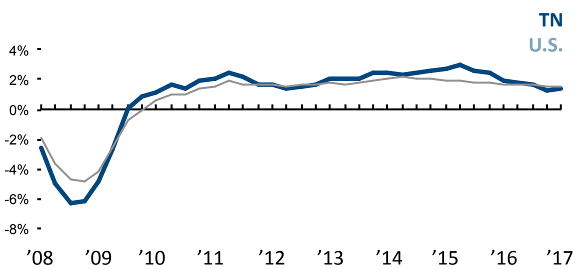
Cumulative 2008-2017 | 235,494 | Rank: 9

(in thousands)



Non-Farm Payroll Employment

Cumulative 2007-2017 | 8.0% | Rank: 13



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	12	18	19	17	7	5	12

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.50%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$19.37	5
Sales Tax Burden (per $1,000 of personal income)	$31.94	41
Remaining Tax Burden (per $1,000 of personal income)	$19.12	30
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$2.05	39
Debt Service as a Share of Tax Revenue	6.9%	28
Public Employees Per 10,000 of Population (full-time equivalent)	488.2	12
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.3	30
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.52	19
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Texas

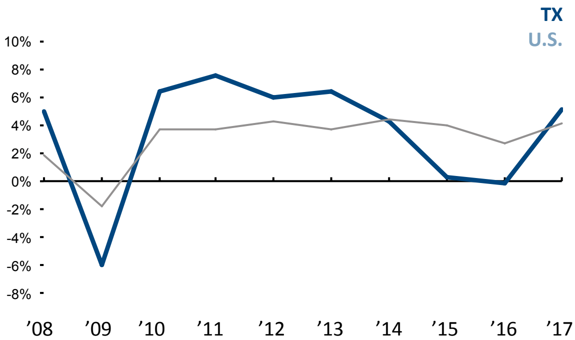
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

2 Economic Performance Rank

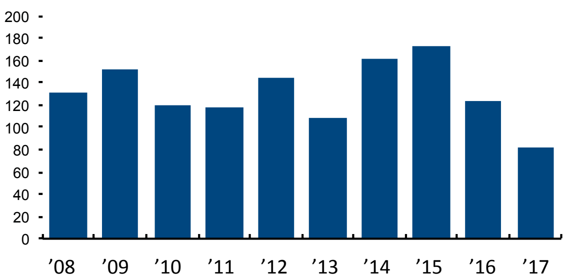
15 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

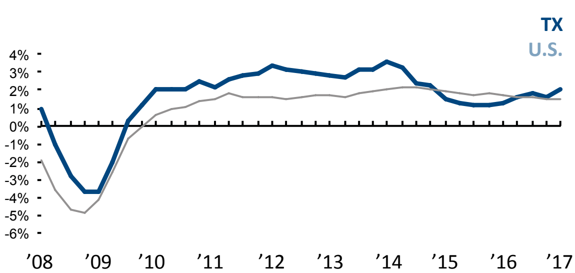
State Gross Domestic Product
Cumulative Growth 2007-2017 39.6% Rank: 12



Absolute Domestic Migration
Cumulative 2008-2017 1,310,644 Rank: 1
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 17.0% Rank: 3



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**16**	**12**	**13**	**11**	**12**	**9**	**14**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	2.62%	5
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$38.35	41
Sales Tax Burden (per $1,000 of personal income)	$27.98	38
Remaining Tax Burden (per $1,000 of personal income)	$16.31	23
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.00	20
Debt Service as a Share of Tax Revenue	9.9%	48
Public Employees Per 10,000 of Population (full-time equivalent)	534.7	31
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	64.3	40
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.21	9
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Utah

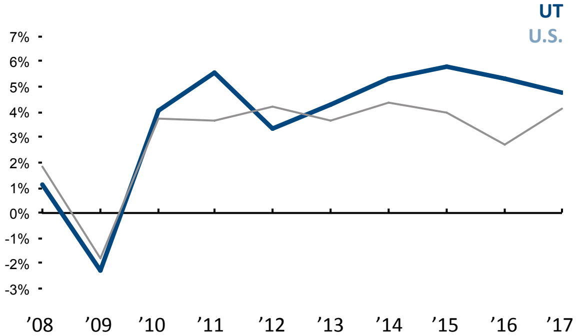
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

5 Economic Performance Rank

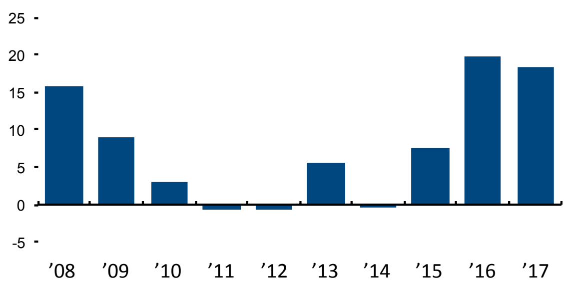
1 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

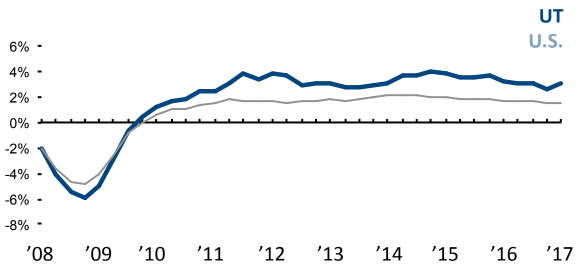
State Gross Domestic Product
Cumulative Growth 2007-2017 — 43.8% — Rank: 5



Absolute Domestic Migration
Cumulative 2008-2017 — 77,629 — Rank: 12
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 — 17.6% — Rank: 2



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	1	1	1	1	1	1	1

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	4.95%	16
Top Marginal Corporate Income Tax Rate	4.95%	10
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$24.75	17
Sales Tax Burden (per $1,000 of personal income)	$22.56	22
Remaining Tax Burden (per $1,000 of personal income)	$13.63	10
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.73	31
Debt Service as a Share of Tax Revenue	5.6%	14
Public Employees Per 10,000 of Population (full-time equivalent)	498.1	15
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.8	12
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.06	5
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

Vermont

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

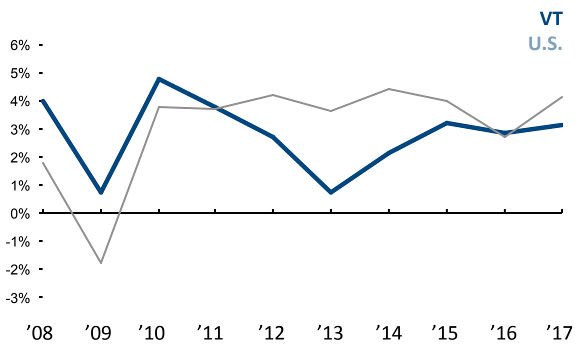
31 Economic Performance Rank

49 Economic Outlook Rank

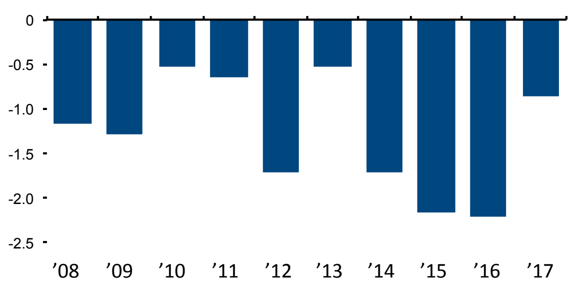
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

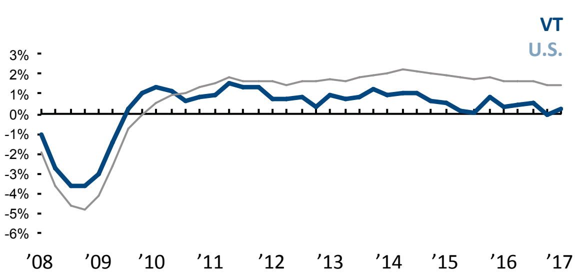
State Gross Domestic Product
Cumulative Growth 2007-2017 31.8% Rank: 24



Absolute Domestic Migration
Cumulative 2008-2017 -12,819 Rank: 26
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.0% Rank: 38



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	49	50	49	49	49	49	49

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	8.75%	43
Top Marginal Corporate Income Tax Rate	8.50%	39
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$28.78	49
Property Tax Burden (per $1,000 of personal income)	$51.68	49
Sales Tax Burden (per $1,000 of personal income)	$12.29	7
Remaining Tax Burden (per $1,000 of personal income)	$27.21	48
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.22	27
Debt Service as a Share of Tax Revenue	4.0%	4
Public Employees Per 10,000 of Population (full-time equivalent)	656.9	47
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	75.2	2
State Minimum Wage (federal floor is $7.25)	$10.78	43
Average Workers' Compensation Costs (per $100 of payroll)	$2.09	42
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Virginia

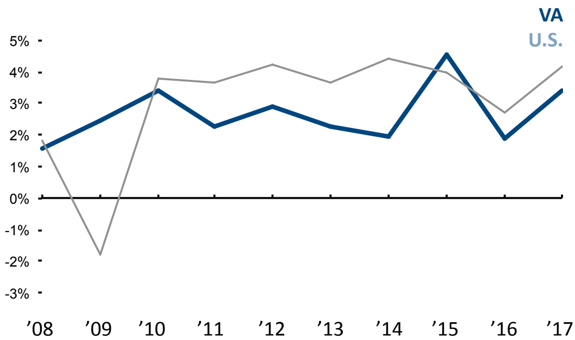
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

27 Economic Performance Rank

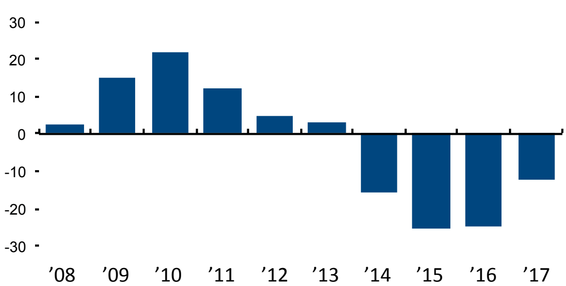
14 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

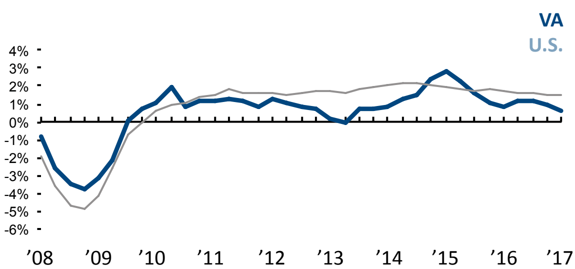
State Gross Domestic Product
Cumulative Growth 2007-2017 29.9% Rank: 30



Absolute Domestic Migration
Cumulative 2008-2017 -18,712 Rank: 29
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 4.8% Rank: 21



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	3	5	11	12	13	11	10

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	5.75%	25
Top Marginal Corporate Income Tax Rate	7.62%	32
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$6.45	18
Property Tax Burden (per $1,000 of personal income)	$29.23	29
Sales Tax Burden (per $1,000 of personal income)	$11.88	6
Remaining Tax Burden (per $1,000 of personal income)	$15.90	20
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.82	33
Debt Service as a Share of Tax Revenue	6.7%	25
Public Employees Per 10,000 of Population (full-time equivalent)	529.9	26
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	72.8	10
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.28	10
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Washington

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

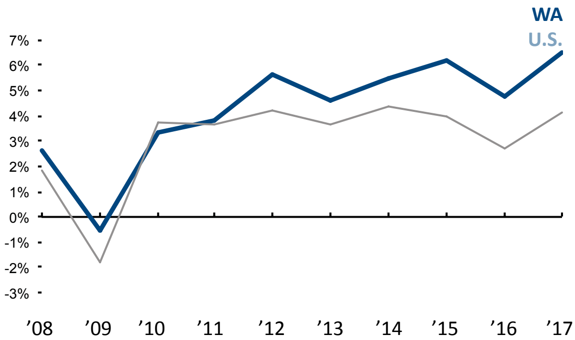
1 Economic Performance Rank

37 Economic Outlook Rank

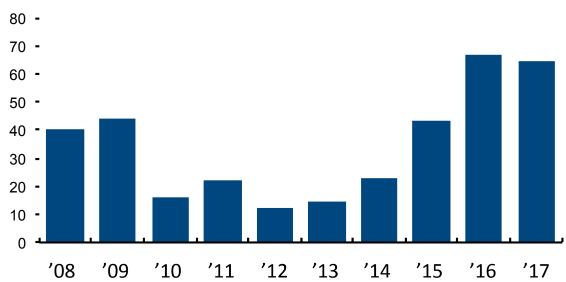
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

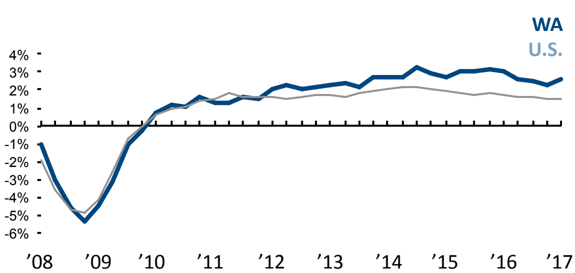
State Gross Domestic Product
Cumulative Growth 2007-2017 51.3% Rank: 2



Absolute Domestic Migration
Cumulative 2008-2017 347,101 Rank: 7
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 12.4% Rank: 5



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	33	36	38	35	36	40	37

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	6.75%	25
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$26.55	18
Sales Tax Burden (per $1,000 of personal income)	$33.17	44
Remaining Tax Burden (per $1,000 of personal income)	$23.32	44
Estate/Inheritance Tax Levied?	Yes	50
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.22	16
Debt Service as a Share of Tax Revenue	9.3%	45
Public Employees Per 10,000 of Population (full-time equivalent)	516.4	19
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	68.4	28
State Minimum Wage (federal floor is $7.25)	$12.00	48
Average Workers' Compensation Costs (per $100 of payroll)	$1.87	35
Right-to-Work State? (option to join or support a union)	No	50
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	1	15

West Virginia

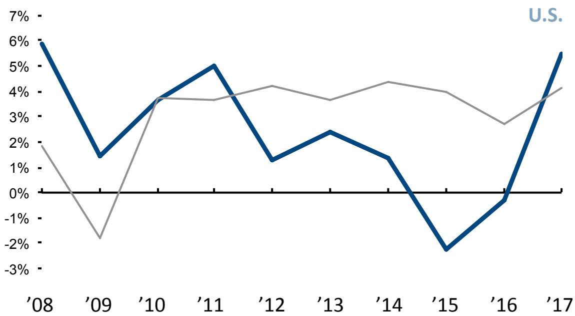
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

41 Economic Performance Rank

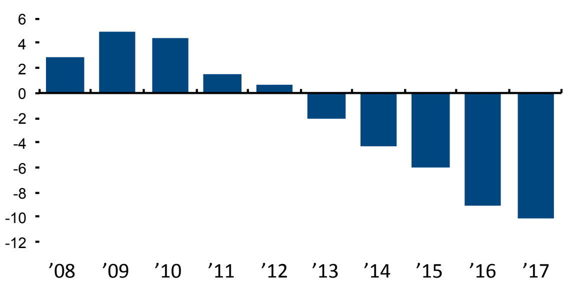
31 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

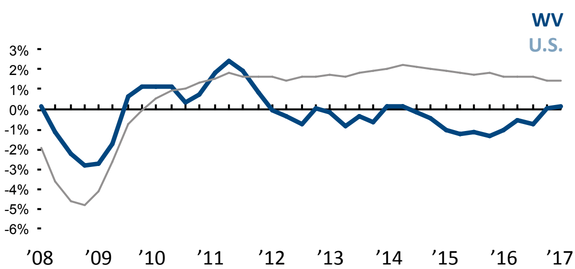
State Gross Domestic Product
Cumulative Growth 2007-2017 26.3% Rank: 37



Absolute Domestic Migration
Cumulative 2008-2017 -17,121 Rank: 28
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 -1.7% Rank: 49



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	30	32	30	36	37	31	30

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	6.50%	29
Top Marginal Corporate Income Tax Rate	6.50%	21
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$15.53	40
Property Tax Burden (per $1,000 of personal income)	$24.75	16
Sales Tax Burden (per $1,000 of personal income)	$19.53	15
Remaining Tax Burden (per $1,000 of personal income)	$25.90	46
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.39	29
Debt Service as a Share of Tax Revenue	5.8%	19
Public Employees Per 10,000 of Population (full-time equivalent)	561.5	39
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	60.6	45
State Minimum Wage (federal floor is $7.25)	$8.75	29
Average Workers' Compensation Costs (per $100 of payroll)	$1.01	4
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Wisconsin

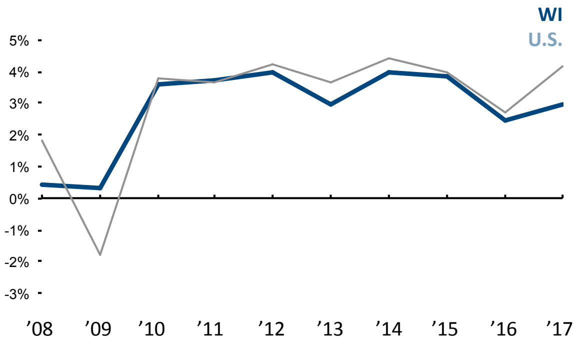
2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

34 Economic Performance Rank

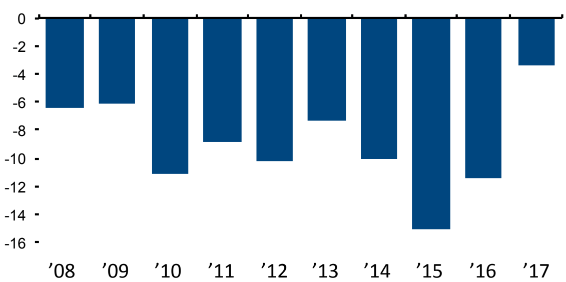
17 Economic Outlook Rank

Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

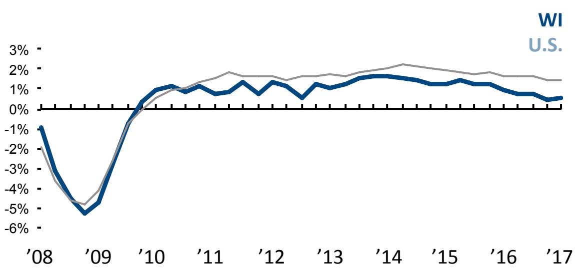
State Gross Domestic Product
Cumulative Growth 2007-2017 31.8% Rank: 23



Absolute Domestic Migration
Cumulative 2008-2017 -89,983 Rank: 40
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 2.6% Rank: 36



Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	**32**	**15**	**17**	**13**	**9**	**14**	**19**

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	7.65%	41
Top Marginal Corporate Income Tax Rate	7.90%	35
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$12.89	33
Property Tax Burden (per $1,000 of personal income)	$34.69	36
Sales Tax Burden (per $1,000 of personal income)	$20.14	18
Remaining Tax Burden (per $1,000 of personal income)	$15.69	18
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	-$0.69	10
Debt Service as a Share of Tax Revenue	6.0%	21
Public Employees Per 10,000 of Population (full-time equivalent)	491.3	13
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	70.7	20
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$2.02	40
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	2	3

Wyoming

2019 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

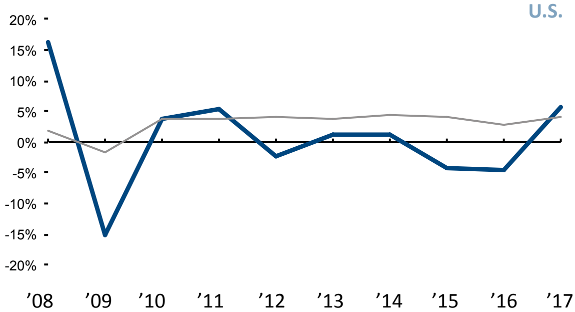
45 Economic Performance Rank

10 Economic Outlook Rank

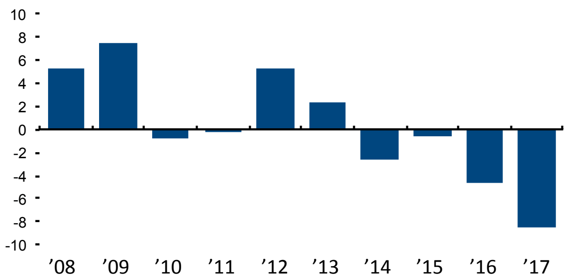
Economic Performance Rank (1=best 50=worst)
A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.

Economic Outlook Rank (1=best 50=worst)
A forward-looking forecast based on the state's standing (equal-weighted average) in the 15 important state policy variables shown below. Data reflect state and local rates and revenues and any effect of federal deductibility.

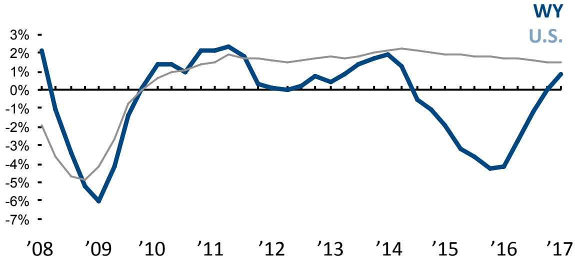
State Gross Domestic Product
Cumulative Growth 2007-2017 3.9% Rank: 50



Absolute Domestic Migration
Cumulative 2008-2017 3,402 Rank: 22
(in thousands)



Non-Farm Payroll Employment
Cumulative 2007-2017 -3.7% Rank: 50



Historical Ranking Comparison	2012	2013	2014	2015	2016	2017	2018
ECONOMIC OUTLOOK RANK	6	6	10	8	4	7	8

Variable	Data	Rank
Top Marginal Personal Income Tax Rate	0.00%	1
Top Marginal Corporate Income Tax Rate	0.00%	1
Personal Income Tax Progressivity (change in tax liability per $1,000 of income)	$0.00	2
Property Tax Burden (per $1,000 of personal income)	$42.43	44
Sales Tax Burden (per $1,000 of personal income)	$24.75	31
Remaining Tax Burden (per $1,000 of personal income)	$13.11	6
Estate/Inheritance Tax Levied?	No	1
Recently Legislated Tax Changes (2017 & 2018, per $1,000 of personal income)	$0.84	34
Debt Service as a Share of Tax Revenue	2.3%	1
Public Employees Per 10,000 of Population (full-time equivalent)	864.5	50
State Liability System Survey (tort litigation treatment, judicial impartiality, etc.)	73.3	8
State Minimum Wage (federal floor is $7.25)	$7.25	1
Average Workers' Compensation Costs (per $100 of payroll)	$1.87	35
Right-to-Work State? (option to join or support a union)	Yes	1
Number of Tax Expenditure Limits (0=least/worst 3=most/best)	0	34

Appendix

2018 ALEC-Laffer State Economic Competitiveness Index: Economic Outlook Methodology

In previous editions of this report we introduced 15 policy variables that have a proven impact on the migration of capital—both investment and human—into and out of states. The end result of an equal-weighted combination of these variables is the 2019 ALEC-Laffer Economic Outlook rankings of the states. Each of these factors is influenced directly by state lawmakers through the legislative process. The 15 factors and a basic description of their purposes, sourcing and subsequent calculation methodologies are as follows:

HIGHEST MARGINAL PERSONAL INCOME TAX RATE

This ranking includes local taxes, if any, and any impact of federal deductibility, if allowed. A state's largest city was used as a proxy for local tax rates. Data were drawn from Tax Analysts, Federation of Tax Administrators and individual state tax return forms. Tax rates are as of January 1, 2019.

HIGHEST MARGINAL CORPORATE INCOME TAX RATE

This variable includes local taxes, if any, and includes the effect of federal deductibility, if allowed. A state's largest city was used as a proxy for local tax rates. In the case of gross receipts or business franchise taxes, an effective tax rate was approximated using NIPA profits, rental and proprietor's income and gross domestic product data. The Texas franchise tax is not a traditional gross receipts tax, but is instead a "margin" tax with more than one rate. A margin tax creates less distortion than does a gross receipts tax. Therefore, what we believe is the best measurement for an effective corporate tax rate for Texas is to average the 4.4997 percent measure we would use if the tax was a gross receipts tax and the 0.75 percent highest rate on its margin tax, leading to our measure of 2.62 percent. Data were drawn from Tax Analysts, Federation of Tax Administrators, individual state tax return forms and the Bureau of Economic Analysis. Tax rates are as of January 1, 2019.

PERSONAL INCOME TAX PROGRESSIVITY

This variable was measured as the difference between the average tax liability per $1,000 at incomes of $50,000 and $150,000. The tax liabilities were measured using a combination of effective tax rates, exemptions, and deductions at both state and federal levels, which are calculations from Laffer Associates.

PROPERTY TAX BURDEN

This variable was calculated by taking tax revenues from property taxes per $1,000 of personal income. We have used U.S. Census Bureau data, for which the most recent year available is 2016. These data were released in December 2018.

SALES TAX BURDEN

This variable was calculated by taking tax revenues from sales taxes per $1,000 of personal income. Sales taxes taken into consideration include the general sales tax and specific sales taxes. We have used U.S. Census Bureau Data, for which the most recent year available is 2016. Where appropriate, gross receipts or business franchise taxes, counted as sales taxes in the Census data, were subtracted from a state's total sales taxes in order to avoid double-counting tax burden in a state. These data were released in October 2018.

REMAINING TAX BURDEN

This variable was calculated by taking tax revenues from all taxes—excluding personal income, corporate income (including corporate license), property, sales and severance per $1,000 of personal income. We used U.S. Census Bureau Data, for which the most recent year available is 2016. These data were released in October 2018.

ESTATE OR INHERITANCE TAX (YES OR NO)

This variable assesses if a state levies an estate or inheritance tax. We chose to score states based on either a "yes" for the presence of a state-level estate or inheritance tax, or a "no" for the lack thereof. Data were drawn from McGuire Woods LLP, "State Death Tax Chart" and indicate the presence of an estate or inheritance tax as of January 1, 2019.

RECENTLY LEGISLATED TAX CHANGES

This variable calculates each state's relative change in tax burden over a two-year period (in this case, the 2017 and 2018 legislative session) for the next fiscal year, using revenue estimates of legislated tax changes per $1,000 of personal income. This timeframe ensures that tax changes will still be reflected in a state's ranking despite the lags in the tax revenue data. ALEC and Laffer Associates calculations used raw data from state legislative fiscal notes, state budget offices, state revenue offices and other sources, including the National Conference of State Legislators.

DEBT SERVICE AS A SHARE OF TAX REVENUE

Interest paid on debt as a percentage of total tax revenue. This information comes from 2016 U.S. Census Bureau data. These data were released in October 2018.

PUBLIC EMPLOYEES PER 10,000 RESIDENTS

This variable shows the full-time equivalent public employees per 10,000 of population. This information comes from 2017 U.S. Census Bureau data. These data were released in October 2018.

QUALITY OF STATE LEGAL SYSTEM

This variable ranks tort systems by state. Information comes from the U.S. Chamber of Commerce Institute for Legal Reform 2017 Lawsuit Climate Survey.

STATE MINIMUM WAGE

Minimum wage enforced on a state-by-state basis. If a state does not have a minimum wage, we use the federal minimum wage floor. This information comes from the U.S. Department of Labor, as of January 1, 2019.

WORKERS' COMPENSATION COSTS

This variable highlights the 2018 Workers' Compensation Index Rate (cost per $100 of payroll). This survey is conducted biennially by the Oregon Department of Consumer & Business Services, Information Management Division.

RIGHT-TO-WORK STATE (YES OR NO)

This variable assesses whether or not a state requires union membership for its employees. We have chosen to score states based on either a "yes" for the presence of a right-to-work law or a "no" for the lack thereof. This information comes from the National Right to Work Legal Defense and Education Foundation, Inc. Right-to-work status is as of January 1, 2019.

TAX OR EXPENDITURE LIMIT

States were ranked only by the number of state tax or expenditure limits in place. We measure this by i) a state expenditure limit, ii) mandatory voter approval of tax increases and iii) a supermajority requirement for tax increases. One point is awarded for each type of tax or expenditure limitation a state has. All tax or expenditure limitations measured apply directly to state government. This information comes from the Cato Institute and other sources.

“For more than a decade, *Rich States, Poor States* has set the gold standard as the leading annual publication measuring free market economic competitiveness across the states. In Arizona, we have adopted many of the ideas to enhance economic freedom that are outlined in this publication. As a result, we have enjoyed tremendous job growth, in-migration and a higher quality of life for all.”

— **Senate President Karen Fann, Arizona**

“ALEC has created a helpful resource for states with *Rich States, Poor States*. This research gives leaders insight on various policies that impact the financial health of each state and, in turn, our nation.”

— **State Treasurer Kelly Mitchell, Indiana**
National Chairwoman, State Financial Officers Foundation

“*Rich States, Poor States* is the finest index on state economic competitiveness produced in the United States. *Rich States, Poor States* is a must read for legislators, educators and business leaders alike.”

— **Tim Nash, Ph.D.**
Senior Vice President and Director of the McNair Center for the Advancement of Free Enterprise and Entrepreneurship
Northwood University

American Legislative Exchange Council

2900 Crystal Drive, Suite 600

Arlington, VA 22202

www.alec.org

ISBN 978-1-7327280-1-1

90000>

9 781732 728011