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# RICH STATES, POOR STATES

## ALEC–LAFFER STATE ECONOMIC COMPETITIVENESS INDEX

ARTHUR B. LAFFER
STEPHEN MOORE
JONATHAN WILLIAMS

FOREWORD BY
GOV. KEVIN STITT

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

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*Rich States, Poor States*
*ALEC-Laffer State Economic Competitiveness Index*


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# 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* editorial board and frequently wrote on the economy and public policy. 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 Fox News contributor 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.

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Next, we thank Lisa B. Nelson, Christine Phipps, Lee Schalk, Thomas Savidge, Joshua Meyer, Aidan Wiemer, Yakun Sharma and the professional staff of the American Legislative Exchange Council for publishing this in a timely manner. Special thanks to Nicholas Stark for managing the production of this publication. We also appreciate the research assistance of Nicholas Drinkwater, Richard Neikirk, Kenneth Smith and Max Myers. 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

The American economy is reeling. Inflation is at its highest in four decades. Gas prices are up nearly 50% since May of 2021, and everything is costing Americans more money – from groceries to rent prices to travel and everything in between. 401(k) plans are struggling and forcing hardworking folks to put-off retirement for another year or more.

Now more than ever, strong fiscal leadership at the state level is needed to reduce the burden on American families and drive innovation and economic prosperity. We can use this moment to propel our states forward if we choose.

In 2020, the nation saw firsthand what happens to states who neglect financial planning for the future. As a former CEO, I knew that by choosing to save taxpayer dollars, we would be better off in the long run. My colleagues in the Legislature and I made smart decisions instead of going on a spending spree. We made record investments in education while cutting taxes for every Oklahoman.

Today, Oklahoma's savings account is the largest in history at over $2 billion. That puts Oklahoma at fourth in the nation in budget reserves. Our state's credit rating has improved. Unemployment is at record lows and 40,000 more Oklahomans are in the workforce now than when I first took office. Companies across a wide range of industries, from electric vehicles to rare earth mineral manufacturing, are taking note of our pro-freedom, pro-business policies. They are choosing Oklahoma for their global headquarters.

We are also attracting young entrepreneurs who are waking up to realize the American Dream is alive and well in Oklahoma. Our low cost of living and free market economic policies make our state the best place to be for anyone aspiring to start a business or raise a family.

That's why *Rich States, Poor States* ranks Oklahoma #3 in the nation for Economic Outlook.

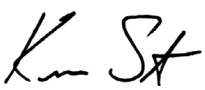
When I ran for office, I cast a vision to make Oklahoma a Top 10 state. To hold us accountable and keep us on track, we created a dashboard of metrics to track our progress on everything from broadband access to unemployment to bridge safety to health care and more. While there is more work to be done, we have moved the needle in key areas and have kept a focus on the economy.

Specifically, we have put an emphasis on driving innovation in the key economic sectors where Oklahoma has natural strengths: aerospace, autonomous systems, defense, energy, and biotech and life sciences. As technology continues to change the way we live and work, Oklahoma won't be left behind.

*Rich States, Poor States* is invaluable for state policymakers across the nation to determine how their state stacks up to others and identify which areas need improvement. Oklahoma is grateful for the American Legislative Exchange Council and authors Dr. Arthur Laffer, Stephen Moore and Jonathan Williams for putting together this research and analysis each year.

As leaders, we have a responsibility to prioritize the next generation – not the next election. As inflation soars and families struggle to make ends meet, it is my hope that we will all use this 14th edition of *Rich States, Poor States* to step up to the challenge before us and build a prosperous nation for years to come. In Oklahoma, we'll use it to continue our assent to keep us in the Top 10.

Yours in Freedom,



Kevin Stitt
Governor of Oklahoma

# Executive Summary

As the COVID-19 pandemic began to subside and states that had locked down began to reopen their economies, the federal government took significant steps in an attempt to artificially revitalize the national economy. The American Rescue Plan Act (ARPA), passed in March of 2021, ushered in massive amounts of new government spending. As predicted, ARPA became counterproductive to economic revitalization. As 2021 came to a close, inflation reached a 40-year high of 6.8% in November, brought on by unprecedented and reckless government spending allotted in ARPA; unemployment remained artificially high in states that were slow to reopen, but was made worse by ARPA's enhanced and extended unemployment insurance benefits; and states were threatened from making much-needed tax cuts due to burdensome and ambiguous strings attached to ARPA's bailout funds for states.

Yet, fiscally responsible states found ways to counteract these bad federal policies, with many enacting tax cuts, paying down debt and saving for a rainy day. In the past editions of *Rich States, Poor States*, data across all 50 states have consistently shown that lower taxes and a pro-growth policy environment increase investment, help create jobs and grow state revenues by growing the tax base. In this edition of *Rich States, Poor States*, the data not only reinforces that point, but chronicles how the states that led the way against the increasing federal overreach have positioned themselves for economic prosperity in the years to come.

In this 14th 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 2021 state legislative sessions. The chapter examines the migration of citizens and businesses from economically uncompetitive states to states with low-tax and free market environments and how the government-imposed lockdowns only increased this migration. This highlights the robust relationship between policy decisions and the economic health of a state, including the policy consequences of heavy-handed lockdowns. The authors examine significant policy battles, including Arizona's historic budget battle and tax cuts and the efforts of Kansas and Nebraska to reform property taxes through the adoption of Truth in Taxation laws.

Chapter two examines the economic impacts of state and local taxes during the Great Depression, including the history of property taxes, sales taxes and income taxes. It highlights how the implementation and increase of certain taxes only prolonged the nation's economic misfortune.

Finally, chapter three delivers the state rankings from the 2021 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 nonfarm payroll employment. These are calculated for each state using the most recent data available. The second ranking for economic outlook provides a forecast for state economic competitiveness. 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 2021 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 (2019 & 2020, 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 and Expenditure Limits

This 14th 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, 2021

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

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

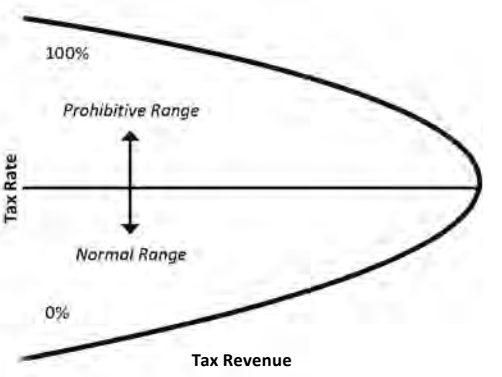
An obvious way to avoid paying a tax is to eliminate market transactions upon which the tax is applied. This can be accomplished through vertical integration: Manufacturers can establish wholesale outlets; retailers can purchase goods directly from manufacturers; companies can acquire suppliers or distributors. 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 states 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.***

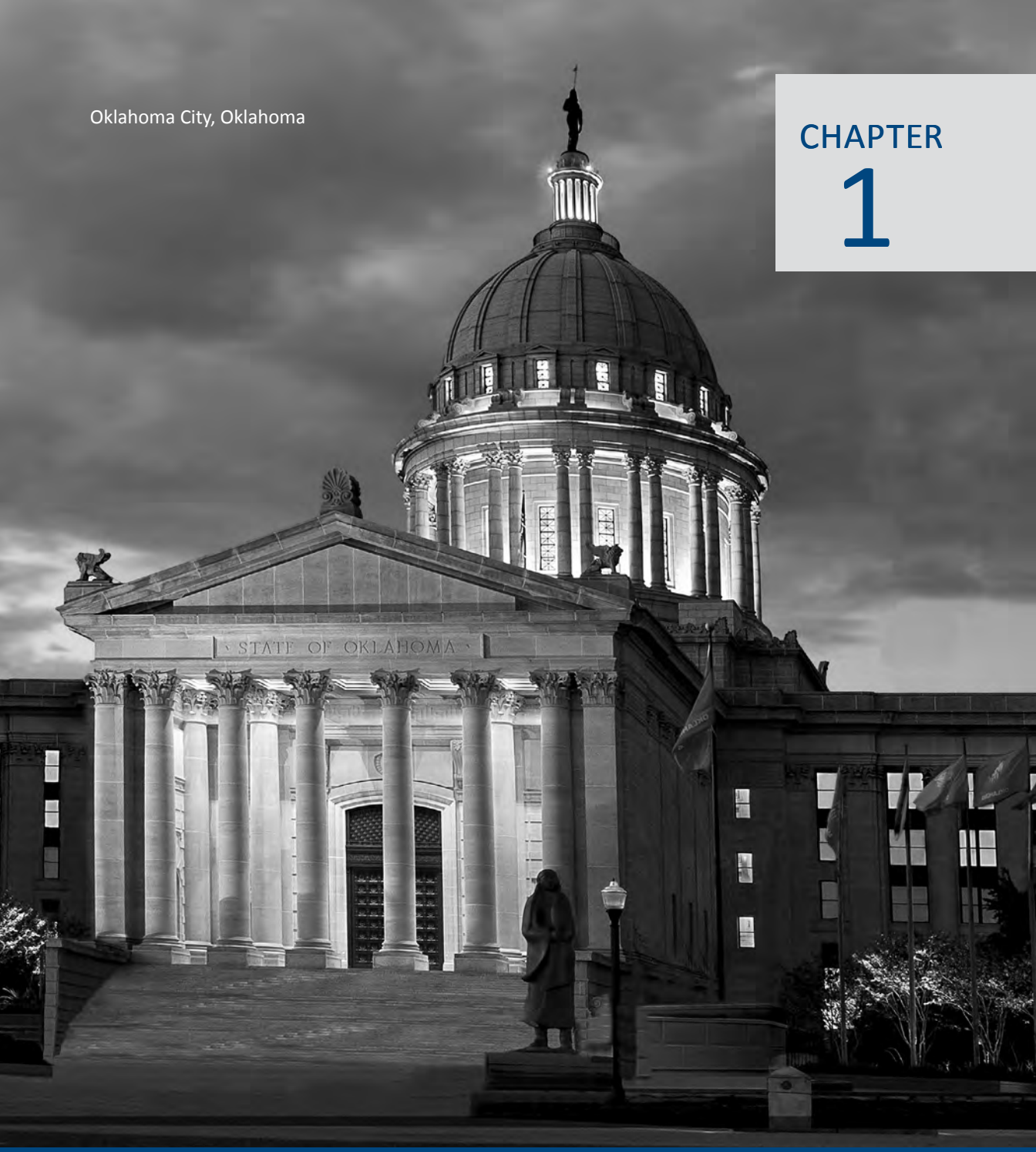
Unemployment benefits, welfare payments and subsidies all represent a redistribution of income. For every transfer recipient, there is an equivalent tax payment or future tax liability. Thus, income effects cancel. In many instances, these payments are given to people only in the absence of work or output. 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.***




Oklahoma City, Oklahoma

CHAPTER
1

# State of the States

# State of the States

## The States Are Leading the Charge for Policy Innovation

Washington is paralyzed. The United States economy is drowning in debt. This gridlock has prevented many innovative policy solutions to the problems confronting the country, from rising inflation and record energy prices to out-of-control government spending and unfunded pension liabilities. Washington has spent some $5 trillion on COVID-19 economic relief programs, but two years later, what does Uncle Sam have to show for this blizzard of spending?[1] Much of the new spending has been rife with waste, fraud and abuse. Some of the programs, such as supplemental unemployment benefits with no work requirements have made economic problems far worse.

The Biden administration has tried – in some cases successfully – to federalize activities of government, meaning that Washington makes the rules, and states follow the orders. Many of these one-size-fits-all initiatives, such as the war on American energy independence, have put America in a deeper hole. President Biden wanted to spend another $5 trillion on his "Build Back Better" plan, which would have raised tax rates to their highest levels in 40 years, doubled the size of the IRS and overturned welfare reforms of the last 25 years.[2] Taxpayers breathed a sigh of relief when the bill was narrowly defeated with a bipartisan vote.

Still, with a national debt which now exceeds $30 trillion and continues to rise, it is fairly obvious that Washington is not fit to deal with the everyday problems that Americans face. This was the case during the COVID-19 pandemic. While Washington floundered with ponderous rules and regulations and ineffective government programs, many states took the lead in keeping their economies functioning by allowing businesses and individuals to measure risks and resume economic activities. Just as our Founding Fathers would have envisioned, the states have been effective laboratories of innovation and democracy. While many states, like Utah, Florida, South Dakota and more, got it right, not all states did. Some states like New York, California and New Jersey continued to pursue big-government priorities, which predictably failed.

## State Lawmakers Say "No Thanks" to a Federal Bailout

While economic conditions were dire during much of the first half of 2020,[3] economic reopening and an influx of cash from the federal government led to an incredible turnaround for state and local tax revenues. Nationwide, annual total state and local tax revenue actually increased in 2020. Some states saw record tax revenue and had budget surpluses. State and local governments received hundreds of billions of dollars in aid from the Coronavirus Aid, Relief and Economic Security (CARES) Act and other federal support in 2020.

Federal financial support has historically been harmful to states. The strings attached to federal aid have increased Washington's power over the states while driving state spending and taxes higher in the long run. During the economic recession of 2009, Congress passed the American Recovery and Reinvestment Act (ARRA). ARRA

had many strings attached to it, such as maintenance of effort requirements, causing it to be far costlier to states than the "shovel ready projects."

In May 2020, the American Legislative Exchange Council (ALEC) released a letter highlighting the danger of a federal bailout of states signed by over 200 state legislators and more than 1,300 additional state leaders and activists, demonstrating that many state and local officials are increasingly concerned with additional rounds of federal spending.[4] The letter highlighted the counterproductive nature of these bailouts, highlighting the link between previous bailouts and increases in state taxes. The letter also called for state leaders to instead act in a fiscally responsible manner and craft a priority-based budget.

In addition to the strings attached, federal bailouts of the states subsidize poor financial decisions of fiscally irresponsible states at the expense of fiscally responsible states. Consider the cases of North Carolina and Illinois. In recent years North Carolina lawmakers have done the difficult, but essential work to balance their budget while keeping spending in check. By doing so, they dramatically reduced the state's personal and corporate income tax rates, built up a previously empty rainy-day fund to $1.2 billion and accumulated a balance of $2.7 billion in the Unemployment Trust Fund, after repaying more than $3 billion in debt. On the other end of the spectrum, Illinois' fiscal irresponsibility made it completely unprepared for rainy days. Illinois state debt and unfunded liabilities surpassed $486 billion ($38,000 per resident) – equal to 56% of the state's GDP. Clearly, any federal bailout would benefit Illinois and its tax-and-spend compadres more than it would North Carolina and other fiscally prudent states.

Economists also warned that a federal bailout of the states, on top of the $2.2 trillion in spending from the CARES Act, would put the United States at serious risk for inflation as government lockdowns went away and the economy began to reopen. Proponents of the federal aid packages insisted that economic stimulus would help to kickstart the economy and lower unemployment numbers.

Unfortunately, sound economic policy did not prevail, as Congress passed in March of 2021 the American Rescue Plan Act (ARPA). Of the nearly $2 trillion spent under ARPA, $350 billion were doled out to state and local governments, and as predicted, it came with onerous strings attached. As *The Wall Street Journal* pointed out at the time:

> *The bill explicitly bars states from cutting taxes. States 'shall not use the funds,' the bill says, 'to either directly or* indirectly *[our emphasis] offset a reduction in the net tax revenue' that results 'from a change in law, regulation or administrative interpretation during the covered period that reduces any tax (by providing for a reduction in a rate, a rebate, a deduction, a credit or otherwise) or delays the imposition of any tax or tax increase.'*[5]

With the fungible nature of budgeting, the incredibly ambiguous language involving indirect net revenue reductions could mean that any tax relief at the state level could potentially be called into question by aggressive federal action. This would undoubtedly harm state taxpayers and the future economic competitiveness of states. The U.S. Department of Treasury has attempted to provide clarification, but these clarifications have led to legal challenges.[6]

In response to this breach of federalism, a coalition of 53 state-based and national organizations led by ALEC expressed profound concern over the onerous strings attached to ARPA, specifically the provision preventing states from cutting taxes.[7] In addition to this response from the ALEC-led coalition, state legislators from across the nation signed on to a letter asking Congress to address this assault on federalism.[8] After the passage of ARPA, an ALEC model Resolution Urging Congress to Let States Cut Taxes and the Statement of Principles on ARPA Aid to State Governments were approved.[9,10]

To address the ban on state tax cuts at the federal level, U.S. Senator Mike Braun of Indiana introduced the "Let States Cut Taxes Act" which would have allowed states more flexibility in the way they can use federal funds, if they chose to take the money. Congressman Dan Bishop of North

Carolina also worked on ideas to address this issue. Absent reform, states could be pressured into using federal funds to grow government and baseline spending totals. America watched this play out more than a decade ago with the Obama-era ARRA and those infamous "shovel ready" projects. Growing state government bureaucracy with federal funds creates massive state budget challenges as the money disappears, but the costly federal requirements live on for years to come.

Moreover, the use of federal coercion to artificially elevate state tax burdens at a time when small businesses and hardworking American taxpayers need real tax relief is nonsensical. For decades state policymakers have been unlocking more prosperity for their citizens by adopting pro-growth tax and economic reforms. Having the federal government use "the power of the purse" in an attempt to curtail the use of competitive federalism is incredibly damaging to our American system of government.

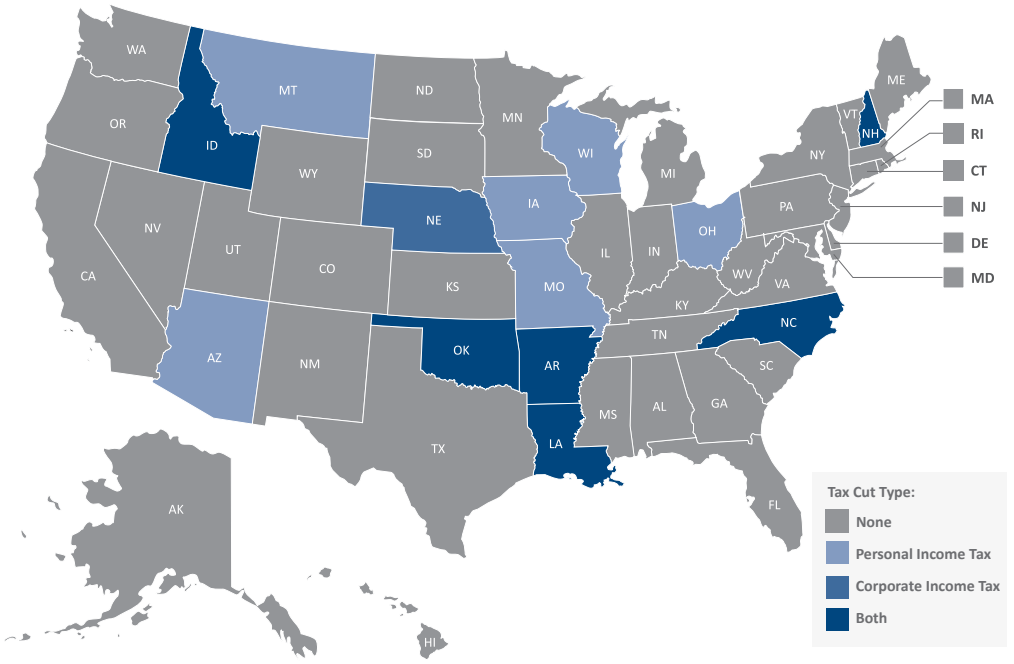
The fundamental principle of federalism must be protected so that states can be allowed to continue to pursue economic prosperity as the "laboratories of democracy." Restricting states from providing pro-growth tax relief tips the balance of federalism significantly in the direction of the federal government and its one-size-fits-all central planning.

## State Lawmakers Find Ways to Cut Taxes

Despite the onerous strings attached to the federal aid in the American Rescue Plan Act, numerous states still found ways to cut taxes in meaningful ways in 2021. In total, 13 states cut income taxes.

Arizona's historic efforts are worth examining closely. Following the narrow passage of Proposition 208 in November of 2020, Arizona's top

**FIGURE 1 | STATE INCOME TAX CUTS, 2021**




*Source: Tax Foundation, American Legislative Exchange Council*

marginal personal income tax rate increased from 4.5% to 8% – a 78% increase – for individuals earning at least $250,000 per year. In response, Arizona policymakers approved a historic state budget to allow hardworking taxpayers across the state to keep more of their hard-earned paychecks.[11] The net tax cut of $1.9 billion reduced personal income tax rates to a flat 2.5% for most Arizonans and capped the rate paid by high earners at 4.5%. As a result of this substantial tax relief, Arizona's economy is positioned for long-term growth.

As Arizona Senate President Pro Tem Vince Leach, Chairman of the ALEC Tax and Fiscal Policy Task Force said:

> *With this victory, taxpayers will be able to keep more of their hard-earned money, and Arizona will remain one of the best states in America in which to live, raise a family and start a business. Furthermore, the Arizona tax structure will once again encourage more businesses to set up shop here and grow jobs and the economy for all.*

Neighboring California, which imposes the highest top personal income tax rate of any state at 13.3%, has just lost a Congressional seat for the first time in state history, as hundreds of thousands have fled the Golden State in search of economic opportunity.[12]

Prior to the passage of Prop 208, Arizona was the third largest recipient of former Californians, behind Nevada and Texas, with nearly $12 billion in annual adjusted gross income (AGI) coming to Arizona from California alone since 1992. With high income tax rates, Arizona's ability to attract new residents and investment had been substantially diminished. That dynamic has thankfully been fixed with the approval of the budget and the significant tax relief it will bring.

As *Rich States, Poor States* has outlined for the past 14 years, income taxes are the most harmful to long-term economic growth.[13] Because of income tax increases last year, the Grand Canyon State just fell out of the top 10 states for economic outlook to its lowest ranking ever (13th) in this 2021 edition of the *Rich States, Poor States: ALEC Laffer State Economic Competitiveness Index.*

However, with this substantial tax relief in place, Arizona is likely to reach 3rd best overall economic outlook among the 50 states based on the "Adjust Policies" feature of RichStatesPoorStates.org.

## Property Tax Reform Picks Up Steam in the Midwest

In addition to income tax reform, two notable instances of property tax reform occurred in 2021. Both Kansas and Nebraska passed Truth in Taxation to foster more transparency and public participation in assessment driven property tax increases.

Addressing the issue of excessive property tax burdens can be an extremely challenging endeavor at the state level, since the vast majority of real property taxes are levied at the local levels of government – and based on the spending levels of local governments. Looking at approaches to reduce high property tax burdens with a principled and effective long-term strategy is essential. When policy changes are implemented successfully, states can dramatically improve their economic competitiveness and remove a crushing burden from individual property owners concerned with rising property tax bills.

Before the reforms in Kansas and Nebraska, Utah and Tennessee received the most attention for their pro-taxpayer property tax transparency measures. Utah has seen tremendous success with its Truth in Taxation law. Since its enactment in 1985, Utah's Truth in Taxation law has helped the Beehive State maintain a low property tax burden. When the law was passed, Utah had the 24th lowest property taxes in the country, but thanks in large part to their Truth in Taxation law, Utah has improved to 14th lowest today. This has been one of the policy reforms that has kept Utah ranked first in America for best economic outlook in every edition of *Rich States, Poor States*.

Utah's Truth in Taxation law, which is what ALEC's Truth in Taxation model policy is modeled after, has effectively controlled the growth of its property tax assessments and overall burdens.[14] The law requires that citizens be notified of the intent

to raise taxes and invited to a public hearing to voice concerns. This also allows local units of government to make their case if they feel additional revenue may be needed. If a local government decides they want to increase spending, the Truth in Taxation process requires local elected officials take recorded votes to authorize the increased taxes.

The purpose of Truth in Taxation is to provide "notification, disclosure, and the elimination of automatic property tax increases." In describing the importance of Truth in Taxation, the Utah Taxpayers Association, led by former Utah Senator Howard Stephenson, put it this way: "Local governments should not receive an automatic 12% revenue increase simply because property valuations increased 12%."[15]

Now, Kansas and Nebraska have become the latest states to realize the benefits of putting taxpayers in control of the otherwise difficult policy issue of addressing harmful local property tax burdens and the byzantine property tax assessment process. As Dave Trabert, President of the Kansas Policy Institute said, "Truth in Taxation closes the property tax honesty gap. Local officials can no longer pretend to 'hold the line' on property taxes while taking in large increases from valuation changes. Now, they have to be honest about the entire tax increase they impose."[16]

Other states are likely to follow suit as they realize the incredible benefits of having a more predictable and transparent property tax system that enhances economic competitiveness. Legislators in Kansas and Nebraska are now leading the way for state lawmakers throughout the country as they work to increase accountability and transparency and address escalating property tax burdens on behalf of their constituents. Hardworking taxpayers in both of these states have achieved a major victory and can expect to enjoy lower property taxes and a more honest discussion around property tax burdens in the future.

## Taxation, Elasticity and Revenue Volatility

Another aspect of tax policy for state governments to consider is revenue volatility, which measures the swings in revenue.[17,18] Corporate and personal income taxes are more volatile than sales taxes. Revenue volatility is closely related to elasticity of demand, which refers to the ability of individuals to change behavior in respect to changes in price.[19] If the price increases and quantity demanded decreases relative to other goods, that good is more elastic. If a price increases and there is little to no change in quantity demanded relative to other goods, that good is less elastic. Understanding elasticity of demand helps shed some light as to why there is revenue volatility among different types of taxation. Before delving into the relationship between elasticity and revenue volatility, it is important to note the three laws of demand:[20]

1. When price of a good increases, all else remaining equal, people buy less of that good. When price decreases, all else remaining equal, people buy more of that good.
2. The elasticity of a good or service is greater the longer after the price change.
3. When the prices of two substitute goods, such as the high and low grades of the same product, are both increased by a fixed per-unit amount, people will consume more of the higher-grade product because the added per-unit amount decreases the relative price of the higher-grade product.

Elasticity helps explain revenue volatility, but it is not synonymous with revenue volatility. The ability to "pass taxes along" to consumers will depend upon relative elasticities (the slopes of demand and supply curves). Generally, people and businesses who can do without the good or service if price goes up will bear a smaller share of the tax burden than the less elastic side of the market. When supply is more elastic than demand, the tax will be passed on to consumers.

Consider income taxes, a tax on production, as an example. When income taxes get high enough, the business will produce less in that state. This is because the business, as opposed to the customers, are the less elastic side of the market. Businesses will be hesitant to pass the full cost of the tax increase onto the customers because the customers, the more elastic side of the market, may decide to no longer buy from the business at the higher price.

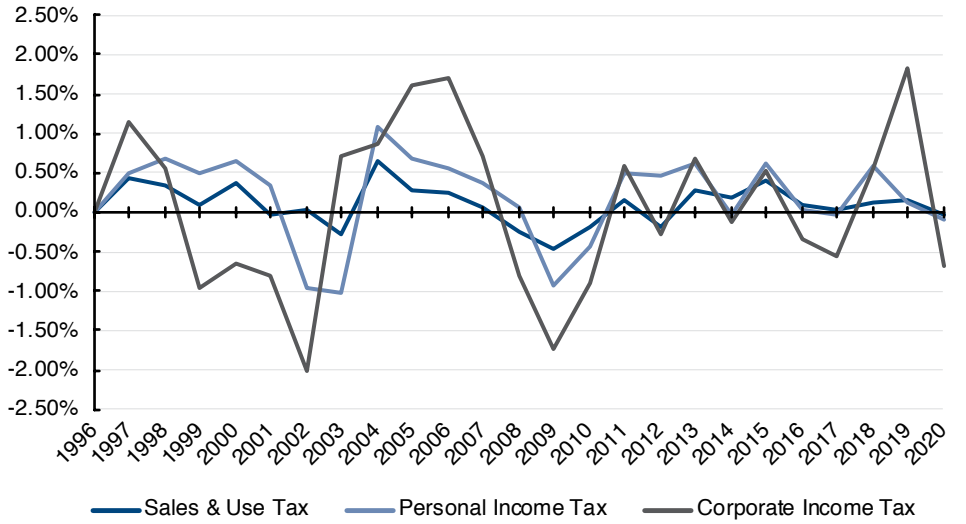
Elasticity also increases the more time passes after a price change. When an income tax is first enacted, a state might get windfall revenue from the income tax. As time goes on, the income tax will mean that a business hires fewer workers and/or moves the business out of the state because the income tax has made doing business in the state prohibitively high. As businesses leave the state, income tax revenue decreases in the years that follow. This makes revenue volatility for income taxes relatively high compared to that of sales and use taxes.

Now consider a sales tax, a tax on consumption, such as a gas tax. This is an instance where consumer demand is less elastic than supply. As the price of gas increases, people may stop spending on other things (like dining out) so that they can devote more of their budget to gas. However, as the second law of demand shows, that will not last for long. The more time that passes after a gas tax is enacted, the more people will change their behavior. To save money on gas, they may carpool or take public transportation to work, switch to more fuel-efficient cars and drive less overall. This will cause gas tax revenue to decrease over time, resulting in some volatility. Sales tax revenues are still volatile but are less so than income taxes.

Now imagine a lump-sum sales tax of $1 per pound is placed on coffee beans. Prior to the tax being enacted, high-grade coffee costs $3 per pound while low-grade costs half as much at $1.50 per pound. After the tax is enacted, the new prices are $4 per pound for high-grade coffee beans and $2.50 per pound for low-grade coffee beans. The high-grade coffee now only costs 1.6 times as much as low-grade coffee. Consumers will switch to the high-grade coffee beans because the relative cost to low-grade beans is much less after the tax has been enacted. Tax revenue increases from the lump-sum sales tax and consumer behavior has changed.

Figure 2 charts the percentage change in total

**FIGURE 2 | STATE TAX REVENUE VOLATILITY, 1996-2020**




*Source: National Association of State Budget Officers, Authors' Calculations*

state government revenue from the three main state revenue sources: corporate income tax, personal income tax and sales taxes. Indexed to 2020 dollars, the data in Figure 2 also take the natural log of those revenue figures to control for policy changes and other exogenous effects.

Looking at the line graph in Figure 2, the sharp shifts in corporate income tax revenue indicate that corporate income taxes are much more volatile than the other two revenue sources. It is also worth mentioning that personal income taxes are much more volatile than sales taxes, which is the most reliable revenue source of the three.

Table 1 takes the data presented in Figure 2 and calculates the average standard deviation of revenue changes between fiscal years of each revenue source. Just like in Figure 2, Table 1 takes the standard deviation of the revenue data the same way financiers calculate volatility in prices of assets. Finding the standard deviation of these data measures essentially how volatile a revenue source is.

**TABLE 1 | STANDARD DEVIATION OF TAX REVENUE, 1996-2020**

| Tax Type | Standard Deviation |
|---|---|
| Sales & Use Tax | 0.002556454 |
| Personal Income Tax | 0.005491811 |
| Corporate Income Tax | 0.010185357 |

*Source: National Association of State Budget Officers, Authors' Calculations*

With a standard deviation of 0.0102, corporate income tax revenue is nearly twice as volatile as personal income tax revenue and more than four times more volatile than sales tax revenue. Personal income tax revenue is also more than twice as volatile as sales tax revenue. These standard deviation figures provide great insight into how volatile each main source of state revenue is. Clearly, states that are overly reliant on corporate income taxes and personal income taxes have much more volatile state revenue than states that primarily rely on sales and consumption taxes. The more volatile a state's revenue source is, the more difficult it is to stick to a budget, especially because most states allow for automatic spending increases in their budgets. When revenue falls short, but spending is allowed to increase, budget deficits grow, threatening the state's fiscal health. States looking to increase their competitiveness should consider transitioning away from a reliance on these comparatively more volatile revenue sources.

Now, apply the second and third laws of demand to Figure 2. With an increase in corporate and personal income taxes, state governments see an increase in revenue because sometimes taxpayer behavior does not change immediately. After a year or so of paying those taxes, however, elasticity of demand increases. This means that more businesses could start to move out of state and taxpayers flee to neighboring states with lower income taxes. As this happens, tax revenue decreases as shown by the decrease in tax revenue shown in Figure 2.

It is important to note that elasticities of demand and revenue volatility become greater during periods of economic downturn.[21] The best way for states to hedge against revenue volatility is to avoid income taxes generally and use broad sales and use taxes instead. Signs of a burdensome tax code include sluggish investment, net out-migration and sluggish economic growth.

Beyond the policy benefits of a lowered corporate income tax, states can also see economic benefits from corporate income tax cuts. As discussed above, companies are remarkably responsive to economic conditions and corporate income tax cuts. Economists Jonathan Gruber and Joshua Rauh estimated corporate income tax elasticity at -0.2, meaning for a 10% reduction in corporate income tax rates, corporate income tax revenue only falls by 2%.[22] In fact, a 10% tax cut resulting in only 2% in lost corporate income tax revenue implies that 80% of the corporate income tax cut pays for itself. Dwenger and Steiner in their own research paper analyzing Gruber and Rauh's work also found corporations behave elastically around tax rates (at a rate of 0.6) and found the cause of such elasticity is a drop in corporate tax avoidance and a larger corporate income tax base.[23,24] For states, corporate income tax cuts mean corporations are less likely to relocate or shift eco-

nomic activities to other states and the corporate income tax becomes less volatile due to a broader tax base.

The evidence above demonstrates that cutting business taxes helps bolster the reliability of state revenue and improves the performance of the state economy. Lawmakers recognized these benefits when they focused on cutting business taxes in 2020 to give liquidity to businesses struggling with the economic shutdowns. States with high business taxes are seeing firsthand the policy problem of high corporate income taxes: increased revenue volatility and decreased business activity.

## State Taxes Affect State Growth

With 14 years of state economic performance data, the 10-year Economic Outlook ranking prediction now has testable data to back up *Rich States, Poor States*, its methodology and hypotheses. 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 robust relationship between economic outlook rankings and how well a state economy performs:

> *"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."*[25]

A key analysis of this study in conjunction with state economic outlook rankings is a comparison between the states that do not tax income and the states with the highest income tax rates. Whether, and how, a state taxes income can provide a litmus test for how a state's economy will perform in the future relative to other states. Table 2 compares the nine no-income-tax states – Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington and Wyoming – against the nine states with the highest top marginal personal income tax rates – Arizona (temporarily in this group), Vermont, Maryland, Minnesota, Hawaii, New Jersey, New York, California and Oregon – in economic metrics most indicative of long-term economic performance. For this comparison, our research uses a 10-year rolling period to smooth out exogenous noise and one-off events to highlight the long-term systematic effects taxes have on state economic performance. On average, the nine no-income-tax states outperformed the nine highest-income-tax states and the nation in population, employment and personal income growth. Gross state product growth slightly lagged in the nine no-income-tax states. However, it is important to note that Texas ranks first and Wyoming ranks third among the top 10 states in energy production.[26] In addition, Nevada, Texas, Wyoming and Alaska rank among the top 10 states for non-fuel mineral production.[27] Volatile energy and commodity prices often determine the economic growth of states heavily reliant on select industries, like oil, gas and coal, and can have significant effects on state revenue growth consequently. Due to the turbulence of the coal and oil industries over the past decade, Alaska and Wyoming have seen anemic GSP, 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 policies truly matter for economic growth.

## States Face a Tidal Wave of Debt

State governments are in massive amounts of debt and contrary to popular belief, we do not, "owe it to ourselves." Nobel-prize winning Economist James Buchanan insightfully noted that government debt is a tax burden placed on future generations.[28] Future generations must make a real sacrifice to their income, in the form of taxes, to pay back the money state governments borrowed. So how did governments rack up this much debt? What does this debt look like?

## TABLE 2 | THE NINE STATES WITH THE LOWEST AND HIGHEST MARGINAL PERSONAL INCOME TAX (PIT) RATES

| | As of 1/1/2021 | 10-Year Growth | | | | |
|---|---|---|---|---|---|---|
| | | 2010-2020 | | | | 2008-2018 |
| State | Top Marginal Earned PIT Rate † | Population | Employment | Personal Income | Gross State Product | State & Local Tax Revenue § |
| Alaska | 0.00% | 3.26% | -6.93% | 34.20% | -5.10% | -64.53% |
| Florida | 0.00% | 14.56% | 18.80% | 65.87% | 48.45% | 14.43% |
| Nevada | 0.00% | 14.96% | 14.39% | 67.31% | 39.58% | 33.90% |
| New Hampshire | 0.00% | 4.64% | 2.88% | 47.30% | 32.63% | 44.93% |
| South Dakota | 0.00% | 8.90% | 5.91% | 52.18% | 45.46% | 51.36% |
| Tennessee | 0.00% | 8.90% | 14.77% | 53.63% | 42.55% | 17.16% |
| Texas | 0.00% | 15.91% | 18.29% | 66.66% | 42.22% | 47.29% |
| Washington | 0.00% | 14.58% | 15.69% | 82.67% | 69.14% | 53.30% |
| Wyoming | 0.00% | 2.35% | -3.65% | 42.76% | -3.21% | -20.77% |
| Average of 9 Zero Earned Income Tax Rate States* | 0.00% | 9.78% | 8.90% | 56.95% | 34.64% | 19.67% |
| **50-State Average*** | **5.77%** | **7.95%** | **6.62%** | **52.83%** | **34.43%** | **30.69%** |
| Average of 9 Highest Earned Income Tax Rate States* | 11.00% | 6.98% | 5.53% | 55.95% | 38.71% | 41.45% |
| Arizona | 8.00% | 11.88% | 19.59% | 68.55% | 50.11% | 22.39% |
| California | 13.30% | 6.13% | 13.34% | 72.80% | 56.67% | 46.87% |
| Hawaii | 11.00% | 6.98% | -4.79% | 49.43% | 31.64% | 54.21% |
| Maryland | 8.95% | 6.99% | 2.39% | 42.80% | 33.64% | 44.78% |
| Minnesota | 9.85% | 7.59% | 5.55% | 53.86% | 37.31% | 45.54% |
| New Jersey | 11.75% | 5.65% | 0.26% | 47.71% | 25.07% | 22.82% |
| New York | 12.70% | 4.25% | 3.15% | 53.76% | 40.13% | 38.95% |
| Oregon | 14.68% | 10.60% | 14.03% | 73.69% | 52.88% | 62.39% |
| Vermont | 8.75% | 2.77% | -3.74% | 40.94% | 20.96% | 35.11% |

** Averages are equal-weighted.*

*† Top Marginal PIT Rate is the top marginal rate on personal earned income imposed as of 1/1/2021 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 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 2008 to 2018.*

*Source: Laffer Associates, ALEC Center for State Fiscal Reform, U.S. Census Bureau, Bureau of Labor Statistics, Bureau of Economic Analysis*

Recent findings from the ALEC Center for State Fiscal Reform show that states face $1.25 trillion in state debt from bonded obligations, $5.8 trillion in unfunded pension liabilities and $968 billion in unfunded other post-employment benefit (OPEB) liabilities.[29,30,31] In total, the state debt burden is greater than $20,000 per person or just under $100,000 for a family of four. Essentially, this debt can be viewed as future tax increases because it will be the taxpayers who are ultimately responsible for paying off this debt. These debt reports help provide a clear picture of the debt burden that falls on taxpayers and guidance on how state lawmakers can alleviate that burden.

The first type of debt, state bonded obligations, are the most well-known kind of government debt. State governments issue bonds, sell the bonds on the bond market to investors, and then the states pay back the investors with interest over a specified period.

The most common type of bonded obligation is general obligation bonds at just under $464 billion, or 37% of all state bonded obligations.[32] A general obligation bond is "backed by the full faith and credit" of the state.[33] This means that the state is promising to pay back the debt using all legally available funds and will promise to raise new taxes if it cannot pay back the debt with legally available funds.

States also issue revenue bonds, which are often backed by dedicated revenue sources such as gas taxes or through user fees and leasing agreements.[34] States also create component units, legally separate entities of the state, which issue their own revenue bonds. Component units, such as economic development authorities, public transportation authorities and state universities, are legally separate but often depend directly on the state for revenue.[35]

Altogether, this debt makes up over $1.25 trillion and is growing.[36] At the root of this state debt problem is a spending problem. States often use bonds to cover budget deficits instead of cutting spending. Bonds, however, are just the tip of the iceberg. Unfunded pension and OPEB liabilities together make up over $6 trillion in state government debt, according to the ALEC Center for State Fiscal Reform calculations.

Unfunded pension liability growth stems from the way state governments structure and manage public pensions. Most public pensions are offered as a defined-benefit, where retirees receive a fixed payout based on the retiree's final average salary, number of years worked and a benefit multiplier.[37] While public employees are working, they make contributions to the state retirement fund, often matched by the state. A select board of investors takes the contributions and invests the contributions so that plan assets can cover plan liabilities.

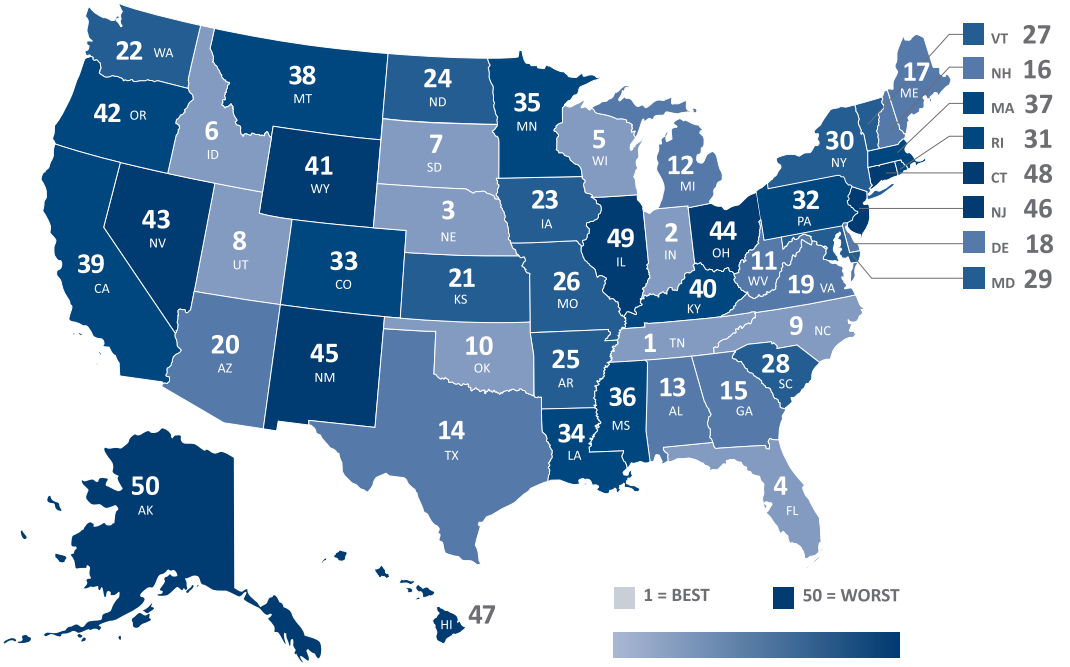
Unfortunately, plan liability growth has dramatically outpaced plan asset growth for several reasons. One reason is that many states have promised generous benefits without making the necessary annual contributions needed to fund those promises.[38] In addition, since the turn of the century, many states have increased the level of risk in their portfolio, hoping that chasing returns would allow them to invest their way out of the problem. This did not work.[39]

A final stumbling block has been politically motivated investing. For example, California made investment and divestment decisions based on political causes such as divesting from coal, tobacco and firearms over the past 20 years. These choices left billions of dollars in forgone investment returns on the table.[40] Further research from ALEC shows that over a 50-year period, a portfolio diversified across all industries outperforms a portfolio divested from energy stocks.[41]

Other post-employment benefit (OPEB) liabilities are the least well-known form of state debt but are also burdensome to taxpayers. OPEB benefits are given to retired public employees and include health insurance, life insurance, Medicare supplement insurance and other benefits as well. OPEB benefits are also provided as a defined-benefit structure to retirees.[42]

If a retiree is receiving a pension, he or she is probably receiving OPEB benefits as well. Roughly 33% of state OPEB plans do not have pre-funded OPEB assets and operate on a "pay-as-you-go"

## FIGURE 3| TOTAL UNFUNDED PENSION LIABILITIES, 2020




| RANK | STATE | UNFUNDED LIABILITIES PER CAPITA |
|---|---|---|
| 1 | Tennessee | $6,345.77 |
| 2 | Indiana | $7,859.40 |
| 3 | Nebraska | $9,873.58 |
| 4 | Florida | $10,113.19 |
| 5 | Wisconsin | $10,169.09 |
| 6 | Idaho | $10,691.44 |
| 7 | South Dakota | $11,526.26 |
| 8 | Utah | $11,543.37 |
| 9 | North Carolina | $11,646.67 |
| 10 | Oklahoma | $13,157.82 |
| 11 | West Virginia | $13,592.95 |
| 12 | Michigan | $13,630.61 |
| 13 | Alabama | $13,654.18 |
| 14 | Texas | $13,846.97 |
| 15 | Georgia | $14,111.24 |
| 16 | New Hampshire | $14,119.55 |
| 17 | Maine | $14,196.25 |
| 18 | Delaware | $14,481.95 |
| 19 | Virginia | $14,796.79 |
| 20 | Arizona | $14,829.83 |
| 21 | Kansas | $14,877.40 |
| 22 | Washington | $15,123.26 |
| 23 | Iowa | $15,523.17 |
| 24 | North Dakota | $15,743.38 |
| 25 | Arkansas | $15,811.44 |

| RANK | STATE | UNFUNDED LIABILITIES PER CAPITA |
|---|---|---|
| 26 | Missouri | $16,233.36 |
| 27 | Vermont | $16,361.54 |
| 28 | South Carolina | $16,594.69 |
| 29 | Maryland | $16,996.21 |
| 30 | New York | $17,591.40 |
| 31 | Rhode Island | $17,900.85 |
| 32 | Pennsylvania | $18,038.68 |
| 33 | Colorado | $18,557.58 |
| 34 | Louisiana | $19,349.47 |
| 35 | Minnesota | $19,465.08 |
| 36 | Mississippi | $20,602.96 |
| 37 | Massachusetts | $21,213.78 |
| 38 | Montana | $21,659.87 |
| 39 | California | $22,642.34 |
| 40 | Kentucky | $22,914.19 |
| 41 | Wyoming | $23,483.83 |
| 42 | Oregon | $24,962.96 |
| 43 | Nevada | $25,005.96 |
| 44 | Ohio | $27,688.73 |
| 45 | New Mexico | $28,145.42 |
| 46 | New Jersey | $28,642.50 |
| 47 | Hawaii | $31,077.53 |
| 48 | Connecticut | $31,192.05 |
| 49 | Illinois | $31,980.15 |
| 50 | Alaska | $42,817.75 |

*Source: ALEC Center for State Fiscal Reform*

basis.[43] This means that the states make annual contributions to OPEB funds but do not set aside funds specifically for OPEB. In addition, the average OPEB funding ratio is 9.4% meaning that on average states only have enough prefunded assets to cover 9.4% of liabilities.[44]

There is a way forward for states to address these growing debt problems. The first solution is to get spending under control to slow the growth of bonded debt. States can do this by enacting priority-based budgeting, as outlined in the ALEC *State Budget Reform Toolkit*.[45] At the start of budgeting, state policymakers must focus on the proper role of government, necessary costs and how to properly prioritize budget cuts. In 2001, Washington state lawmakers from both parties worked with then-Governor Gary Locke to use priority-based budgeting to trim waste and eliminated a $2 billion deficit.[46]

For pensions and OPEB, states must first keep the promises they've made to public employees and taxpayers. This means making necessary contributions and steering clear of politically motivated investing. States can also implement cost and risk sharing measures, such as in Wisconsin, that tie employee contributions to investment performance.[47] This provides employees and the state an incentive to practice prudent investing to keep contribution rates stable and predictable.

For new hires, states can also implement defined-contribution pension and OPEB plans. For pensions, this comes in the form of a 401(k)-style retirement savings account that allows retirement savings to follow employees as they change jobs. For OPEB, a defined-contribution plan looks similar to an HSA and is offered in states such as Nebraska and South Dakota.[48] Recently, Indiana implemented a defined contribution OPEB plan where employees and the state contribute to individual accounts.[49]

States currently face trillions of dollars in debt that will be a massive burden on future generations. By making the necessary reforms today, states will relieve future generations of massive debt burdens, keep the promises made to public employees, and create an environment for families and businesses to prosper.

## The Lessons from Ending Pandemic Unemployment Benefits

Important lessons on welfare reform and work requirements can be learned from the experiment over the last two years on expanded unemployment benefits. Some states offered higher enhanced benefits than others, and some states ended the supplemental payments earlier than others. Other welfare benefits, including rental assistance, food stamps and child tax credits were expanded as well.

A study published in mid-2021 examined the effect of the $300 a week supplemental unemployment benefits approved by Congress in March of 2021.[50] The study estimated that these benefits reduced employment by roughly two to three million workers. A family of four with two parents collecting unemployment insurance (UI) and other expanded cash and non-cash payments could receive benefits equivalent to a $100,000 annual salary.[51]

The substantial increase in unfilled jobs in the United States peaked above an all-time high of 10 million vacancies. Unsurprisingly, paying unemployed workers greater benefits substantially reduced employment. A survey of small business employers found that half of the owners were having a hard time getting workers back on the job, and many point to the government benefits as a contributing factor.[52]

To put these extra UI benefits in context, the payments offered an extra $7.50 an hour on top of normal benefits for not working. With all the other welfare, workers in many states could easily get $20 to $40 an hour in tax-free cash and other benefits.

To incentivize workers to re-enter the workforce, roughly half the states suspended these extra unemployment benefits starting in June. The remaining states left the supplemental UI payments in place through early September when the $300 a week federal benefit additions expired nationally. These states had higher UI benefits to begin with. Table 3 shows the states that ended the UI benefits early and when those announcements were made.

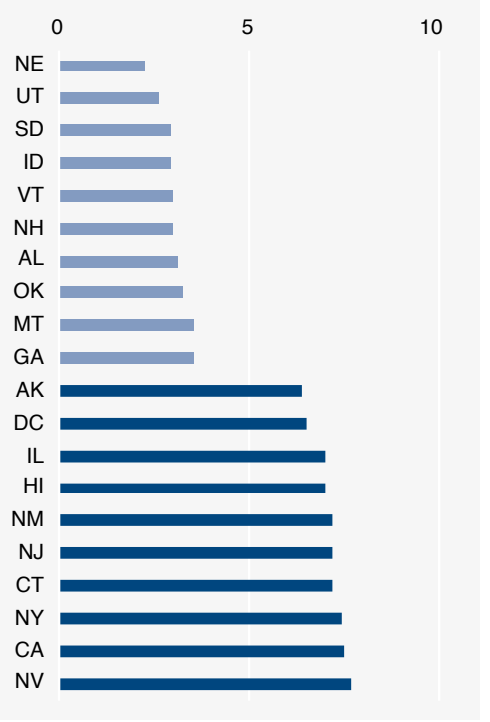
### TABLE 3 | STATES ENDING UNEMPLOYMENT BENEFITS*

| JUNE 12TH | JUNE 19TH | JUNE 26TH | JUNE 30TH | JULY 3RD | July 10th |
|---|---|---|---|---|---|
| Alaska | Alabama | Arkansas | Montana | Maryland | Arizona |
| Iowa | Idaho | Florida | South Carolina | Tennessee | |
| Mississippi | Indiana | Georgia | | | |
| Missouri | Nebraska | Ohio | | | |
| | North Dakota | Oklahoma | | | |
| | New Hampshire | South Dakota | | | |
| | West Virginia | Texas | | | |
| | Wyoming | Utah | | | |

**Some states ended increased and expanded unemployment benefits early, but litigation kept the benefits in effect until September of 2021.*

*Source: Committee to Unleash Prosperity*

### FIGURE 4 , TABLE 4 | 10 BEST AND WORST AUGUST 2021 UNEMPLOYMENT RATE




| STATE | AUGUST UNEMPLOYMENT RATES |
|---|---|
| NE | 2.2 |
| UT | 2.6 |
| SD | 2.9 |
| ID | 2.9 |
| VT | 3.0 |
| NH | 3.0 |
| AL | 3.1 |
| OK | 3.2 |
| MT | 3.5 |
| GA | 3.5 |
| AK | 6.4 |
| DC | 6.5 |
| IL | 7.0 |
| HI | 7.0 |
| NM | 7.2 |
| NJ | 7.2 |
| CT | 7.2 |
| NY | 7.4 |
| CA | 7.5 |
| NV | 7.7 |

*Source: United States Bureau of Labor Statistics*

States like California, New York, and Illinois remained closed much longer than states like Florida, Texas and Utah. Throughout the pandemic, starting back in March of 2020, the states with very strict lockdown and stay-at-home orders suffered substantial increases in unemployment. As Figure 4, Table 4 shows, the higher unemployment benefits had a long-lasting negative effect on getting workers back on the job.

The lesson learned from the UI experiment is that these policies without work requirements sharply reduced employment. There is no free lunch with UI benefits.

## Americans Continue to "Vote with their Feet"

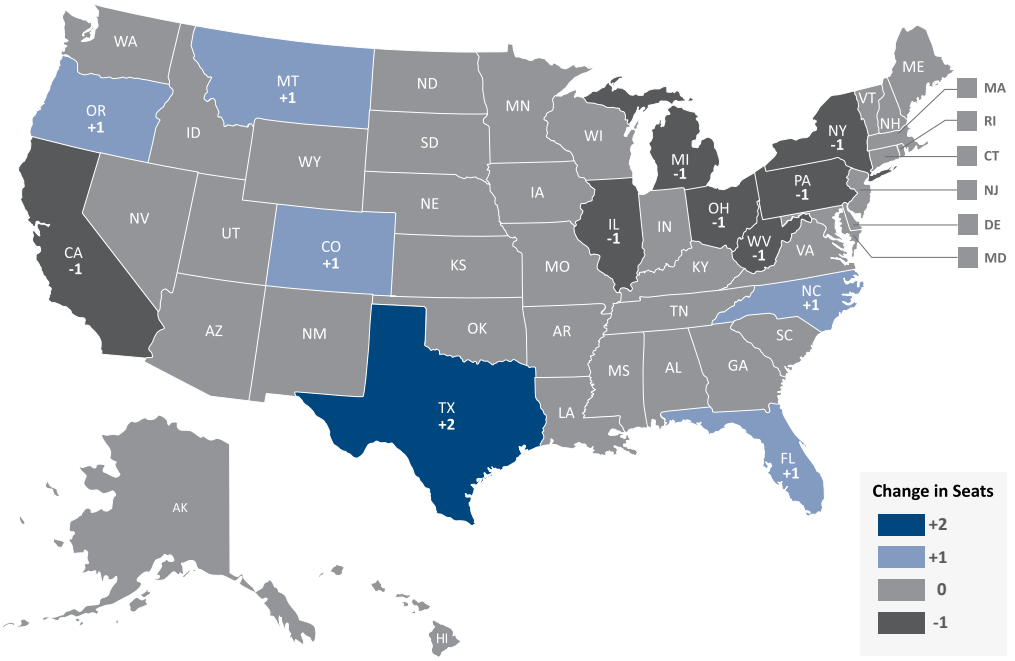
Data from the 2020 Census and population estimates from 2021 indicate Americans continue to move, or "vote with their feet," to states that have lower tax burdens, value economic competitiveness and implemented less stringent or no lockdowns during the COVID-19 pandemic. This data corroborates nearly 15 years of *Rich States, Poor States* research, which has revealed that states with lower taxes, especially those that avoid personal income taxes, have seen significantly better rates of in-migration than states with high income tax rates.

Beyond the political themes, the Census data tells us an essential story from a policy perspective – the story of relative economic health from the 50 "laboratories of democracy." The states gaining Congressional seats with the new Census numbers have an average economic outlook ranking of 19.0, while the states losing representation have an average economic competitiveness ranking of 36.3.

As expected, Texas is the big winner of the 2020 Census.[53] The Lone Star State was the only state to gain more than one Congressional seat. Additionally, its population grew by an incredible 310,288 residents during the heart of the pandemic (July 1, 2020 to July 1, 2021).[54] Florida also gained a Congressional seat due to Americans voting with their feet over the last decade. The Sunshine State's population grew by 211,196 residents during the past year alone.[55] Texas and Florida remain great examples of how avoiding an income tax and having a free-market policy environment significantly boosts economic development efforts and attracts taxpayers and job creators from high-tax states.

On the other hand, Illinois, California and New York continue to hemorrhage residents who are searching for refuge from high taxes, unaffordable cost of living and draconian government lockdowns. Each of these states lost a Congressional seat in the 2020 Census report.[56] For New York, this represents yet another loss in Congressional representation. Since 1960, the Empire State has

**FIGURE 5 | GAINS/LOSSES IN 2020 CENSUS REAPPORTIONMENT**




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

**TABLE 5 | NET CONGRESSIONAL SEAT GAINS AND LOSSES SINCE 1960**

| State | Net Gains | State | Net Losses |
|---|---|---|---|
| Florida | +16 | Alabama | -1 |
| Texas | +15 | Connecticut | -1 |
| California | +14 | Kansas | -1 |
| Arizona | +6 | Kentucky | -1 |
| Colorado | +4 | Mississippi | -1 |
| Georgia | +4 | North Dakota | -1 |
| Nevada | +3 | Oklahoma | -1 |
| North Carolina | +3 | South Dakota | -1 |
| Washington | +3 | Indiana | -2 |
| Oregon | +2 | Louisiana | -2 |
| Utah | +2 | Missouri | -2 |
| New Mexico | +1 | Wisconsin | -2 |
| South Carolina | +1 | Iowa | -3 |
| Virginia | +1 | Massachusetts | -3 |
| | | New Jersey | -3 |
| | | West Virginia | -3 |
| | | Michigan | -6 |
| | | Illinois | -7 |
| | | Ohio | -9 |
| | | Pennsylvania | -10 |
| | | New York | -15 |

*Source: United States Census Bureau*

lost a net of 15 Congressional seats.[57] Its population decline during the COVID-19 pandemic has continued the trend of residents fleeing. New York's population declined by 319,020 (1.6%) during the pandemic.[58]

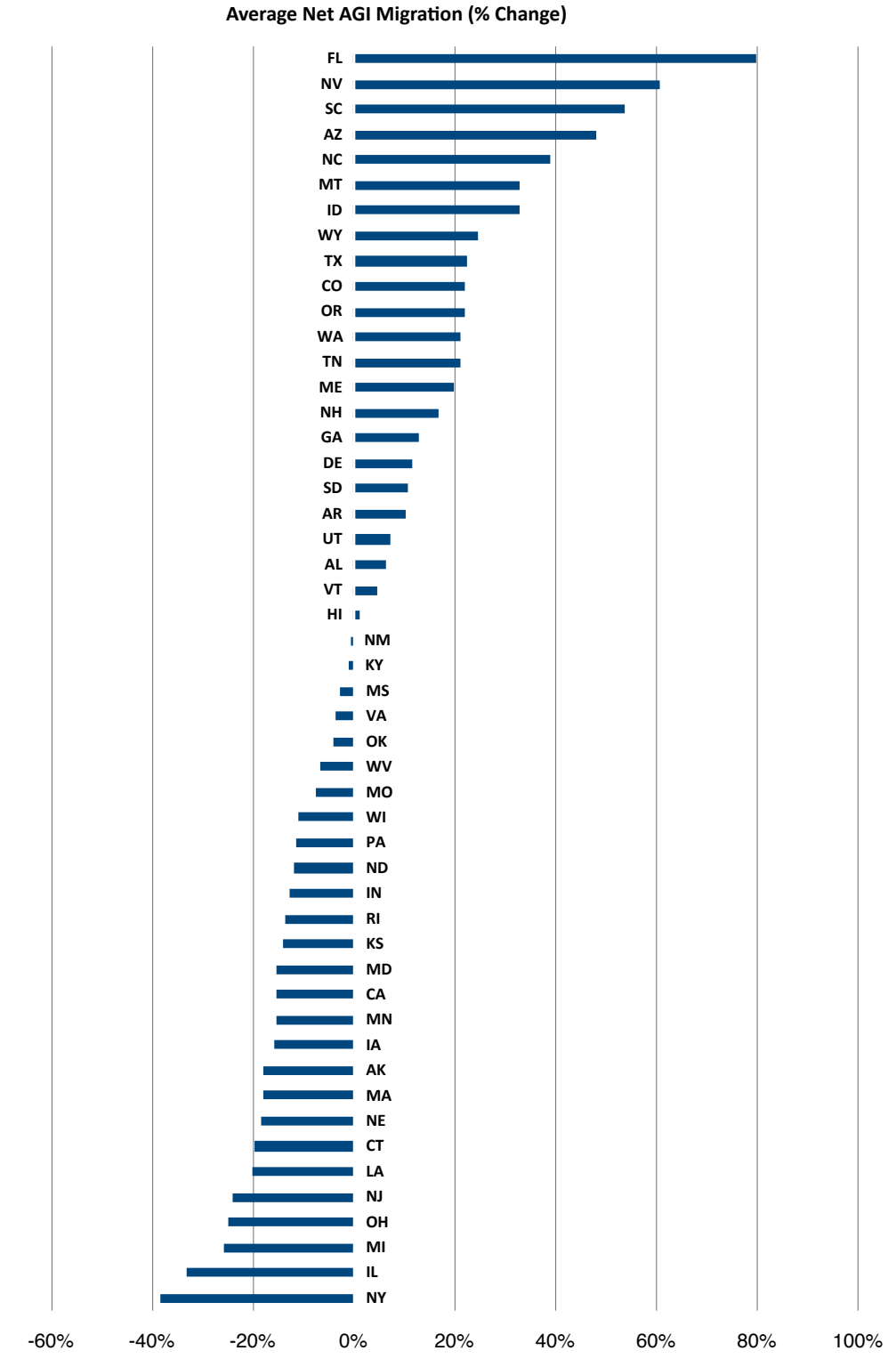
Population data in Illinois tells a similar story. Illinois has lost a net of seven Congressional seats since 1960.[59] It was one of only three states to lose population between 2010 and 2020.[60] Illinois saw an additional decline of 113,776 of residents during the COVID-19 pandemic.[61]

One of the most significant stories from the 2020 Census data comes at the expense of California. Since gaining statehood in 1850, California had never lost a Congressional seat during reapportionment. Its 170-year streak came to an end in 2020, as the Golden State lost its first Congressional seat in state history.

Looking at polling data, this migration of Californians to other states shows no signs of stopping. University of California, Berkeley polling finds more than half of California voters polled had thought about leaving California for another state.[62] Of the voters polled, 71% cited high housing costs and 58% cited high taxes as their motivation for wanting to move.[63] Many Californians made good on those thoughts during the COVID-19 pandemic, as California's net population declined by 261,902.[64] The benefits of sunny weather in Silicon Valley and Hollywood no longer outweigh the costs of bad policies that kill economic opportunity.

Contrast the exodus of Californians, Illinoisans and New Yorkers with the growth and opportunity states. As previously discussed, Texas and Florida have seen enormous population growth over the past decade and during the COVID-19 pandemic, but other free market-oriented states saw population increases as well. In addition to the Census data, a study from United Van Lines suggests that Americans aren't just moving to warm weather states like Texas and Florida.[65] The study found 69% of moves in South Dakota in 2021 were inbound from other states.[66] South Dakota is beau-

## FIGURE 6| AVERAGE NET ADJUSTED GROSS INCOME (AGI) MIGRATION, 1997-2019




*Source: Internal Revenue Service*

tiful, but it is unlikely taxpayers are moving there for the subzero winter weather. It is more likely that the bigger draw is South Dakota's free market policies such as no personal income tax, no corporate income tax and right to work laws.

Out of all 50 states, Utah saw the largest increase (18.4%) in population over the last decade and a 1.7% increase during the pandemic. Idaho's population increased by 17.3% over the last decade and by 2.9% during the pandemic. Montana, which gained a Congressional seat in the 2020 Census, saw a 9.6% increase in population from 2010-2020 and a 1.7% increase during the pandemic.

Taxpayers aren't just seeking refuge in states with outstanding economic outlook. Sometimes these refugees flee with the mentality of "anywhere but here." That's one way to explain the high percentage of inbound moves in states like Vermont (74.3%) and Oregon (60.5%) during the pandemic.[67] In all but two editions of Rich States, Poor States, Vermont ranks better than neighboring New York. The same can be said for Oregon with regard to neighboring California. In fact, Oregon gained so many California tax refugees over the last decade that it gained a Congressional seat after reapportionment.

Americans continue to vote with their feet in response to uncompetitive state economic policies. As economic theory suggests, if taxes drive up the cost of living in one state, then states with lower taxes become much more attractive places to live and work. As Golden Rule 10 of the ALEC-Laffer "Golden Rules of Effective Taxation" states, "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."

The migration of taxpayers from California and New York to Texas, Florida, South Dakota and others is economic theory come true. The gains in these states can be attributed to their commitment to reopening (or, in South Dakota's case, never closing) their economies, as well as their longstanding commitment to pro-growth economic policies. Residents of big government states see better futures for themselves in states where taxes are low, government spending is under control and government doesn't try to force businesses to close. Limited government, free market states will continue to see an influx of residents seeking to live where freedom is maximized.

## Conclusion

State policymakers would be wise to recognize how economic policy drives individual decision making. No amount of economic favoritism or targeted tax breaks can reverse out-migration in the long-term if economic policy, broadly speaking, trends toward the uncompetitive. If states want to become more attractive to new residents and job creators, making tax and economic policy more competitive for all is a prerequisite.

Though the American Rescue Plan Act came with onerous strings attached, states still found a way to provide tax cuts for taxpayers. These cuts, in combination with ending unemployment benefits, are crucial to returning states to the pre-pandemic prosperity they experienced. With inflation caused by reckless federal spending on the rise, it is now more important than ever that states find ways to give their taxpayers a break.

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CHAPTER

2

# State Taxes During the Great Depression

# State Taxes During the Great Depression

The role of state and local taxation in causing – and sustaining – the Great Depression of the 1930s was enormous. Real tax rates, particularly at the local level, increased in real terms in the deflation-cursed contraction of 1929 to 1933. Incredibly, while unemployment reached heights of 40% in these years, taxes soared. Historical scholarship and policy commentary alike have largely passed over the culpability of taxation, particularly state and local taxation, in the Depression, the most horrible event of American economic history. In confronting the problem that excessive state taxation poses today, it is important to learn how bad it can get when such matters go unchecked.

In 1932, as the United States careened toward the trough of the Great Depression, total revenue at all levels of government was 13.3% of GDP.[1] Of this 13.3%, localities accounted for 7.6 percentage points, state governments 3.2 percentage points, and the federal government 2.5 percentage points. The lion's share – 81% – of total government revenue in 1932 accrued at the non-federal level. And a great portion of this non-federal revenue came from one source: local property taxes.[2]

Perhaps astonishingly to a contemporary observer, in 1928, no state in the union (there were 48 at the time) had a gross sales tax and only 12 had an income tax. The reigning tax-load carrier – property taxes – cut such a profile in the national tax landscape that revenues from this source rose from 4.7% of GDP in 1929 to 7.6% in 1932.[3] In that grim year, non-federal property taxes collected three times as much as did the entire federal tax system.

The tremendous economic crisis of the early 1930s therefore had a predominant tax accompaniment – state and, particularly, local taxation. Property tax collection soared as a percentage of GDP in the early 1930s as GDP was falling precipitously, banks were failing and people were losing their homes to foreclosure. The connection was direct. The inflexibility of nominal tax assessments in the price-deflationary depression after 1929 led to enormous increases in real property tax bills. Given the collapse in growth and employment, these bills could not be paid anywhere near in full, houses and places of business were repossessed and bank assets degraded. The sharp growth of non-federal taxation at the hands of the property tax and the emergence of the Great Depression were two sides of the same coin.

The wreckage was beyond severe. The thousands of closed banks, the hundreds of thousands of foreclosed properties and the futility of levying taxation at the current rates and on the current objects motivated a historic tax switch in the mid-1930s. Along came the first big wave of new tax impositions at the state level, particularly of general sales taxes and income taxes. Any number of states that began such taxes in this environment, including California, would never drop them.

## The Property Tax Crisis

In the 1920s, the size of local governments expanded dramatically. Local tax revenue through the early twentieth century had generally held at about 3% of national GDP.[4] In 1920, it was 3.6%, rising to 5.6% in 1925 and 6.5% in 1929.[5] The driver was the federal income tax. This new tax, imple-

mented in 1913 and with a top rate ranging between 25 and 77% from 1917 to 1929, did not apply to municipal bond income.[6] High earners and the rich piled into the funding instruments of state and particularly local governments with abandon in the changed circumstances. In turn, states and localities enhanced their revenue systems to cover the interest and principal payments on their huge new bond issues. Everything came to a head with the economic dip of 1929.[7]

Property tax assessments in the 1920s and early 1930s were generally on a several-year lag. When deflation of some 6% per annum descended upon the economy from 1929 to 1932, real property values came up increasingly short against assessed values. This pushed up the real amount of both mortgage payments and property tax bills. These increases accumulated as unemployment reached for 25%. The situation in central places, including Chicago, became so dire that schoolteachers were paid in scrip for want of tax collections. In Newark, a third of property owners did not pay their taxes in 1933. Nationally, the tax delinquency rate was at least 25%.[8]

Tax strikes focused on the property tax sprouted across the country. As a historian of this subject has noted:

> *"Every state and hundreds of counties witnessed the formation of taxpayers' and economy leagues. Measured in the number of organizations, the tax revolt of the 1970s and 1980s looks puny by comparison."*[9]

This is an accurate assessment. The tax revolts of the early 1930s, as state and especially local real tax rates and obligations soared into the teeth of 20-40% unemployment, remain the major example of this activity since the tariff nullification crisis of 200 years ago. The revolts of the 1930s were large and sustained, however, for an ominous reason, they failed. In the property tax revolts of the 1970s (for example, California's revolt over Proposition 13), success came so definitively that the cause folded. Crucially, this is not what ensued from the ubiquitous tax revolts of the early 1930s. Rather, the energy of those tax revolts ended up as a pretext for the big slate of new tax impositions at the state level. In the 1970s, major tax protests led to major tax-rate cuts; in the 1930s, even greater tax protests led to permanent new forms of taxation.

## The Rise of State Sales and Income Taxes

The spectacle of school systems closed for want of property tax revenue, shuttered banks whose mortgage assets went belly-up because tax assessments were not indexed for deflation and unprecedented public clamor over the received tax system scared the daylights out of state governments. They responded throughout the desperate course of the 1930s by imposing taxes at the state level such that revenue might flow from a central state source to the precarious localities.

This was the theory behind the rise of general sales and personal and corporate income taxes across dozens of states in the 1930s. Clearly, local tax systems had failed during (and in good part caused) the Great Depression. Localities had largely relied on taxes on wealth, namely on the improved value of land. The property tax dinged mortgage holders for the full value of their mortgaged asset, as opposed to only their equity in that asset. States decided the reform in order was that which targeted economic streams as opposed to the stock of property. There would be taxes on yearly income and everyday sales, so as to diminish emphasis of lump-sum taxation on real estate.

From 1929 to 1937, an additional 18 states imposed a tax on personal income, an additional 18 did so on corporate income and 22 states imposed a general sales tax (see Table 1). Marginal rates were generally around 5% on the personal income tax side (California began with a 15% top rate) and 3-6% on the corporate income tax side. The new sales taxes averaged about 2%. The most active year was 1933, in which 12 states initiated a general sales tax, five a personal income tax and four a corporate tax. No year in American economic history has been as bleak as 1933 in terms of economic output loss, unemployment and impoverishment. Fittingly, it remains the record for most new state tax impositions in one year.[10]

## TABLE 1 | PERSONAL INCOME TAXES, CORPORATE INCOME TAXES AND SALES TAXES ENACTED DURING THE GREAT DEPRESSION (1929-1937)

| | PERSONAL INCOME TAX | | CORPORATE INCOME TAX | | SALES TAX | |
|---|---|---|---|---|---|---|
| STATE | YEAR | TOP MARGINAL RATE | YEAR | TOP MARGINAL RATE | YEAR | RATE |
| AL | 1933 | 5.00% | 1933 | 3.00% | 1936 | 1.50% |
| AZ | 1933 | 4.50% | 1933 | 5.00% | 1933 | 2.00% |
| AR | 1929 | 5.00% | 1929 | 2.00% | 1935 | 2.00% |
| CA | 1935 | 15.00% | 1929 | 2.00% | 1933 | 2.50% |
| CO | 1937 | 6.00% | 1937 | 4.00% | 1935 | 2.00% |
| GA* | 1929 | N/A | 1929 | N/A | - | - |
| HI† | - | - | - | - | 1935 | N/A |
| ID | 1931 | 4.00% | 1931 | 4.00% | - | - |
| IL | - | - | - | - | 1933 | 2.00% |
| IA | 1934 | 5.00% | 1934 | 2.00% | 1933 | 2.00% |
| KS | 1933 | 4.00% | 1933 | 2.00% | 1937 | 2.00% |
| KY | 1936 | 5.00% | 1936 | 4.00% | - | - |
| LA | 1934 | 6.00% | 1934 | 4.00% | - | - |
| MD | 1937 | 0.50% | 1937 | 0.50% | - | - |
| MI | - | - | - | - | 1933 | 3.00% |
| MN | 1933 | 5.00% | 1933 | 5.00% | - | - |
| MS | - | - | - | - | 1930 | 2.00% |
| MO | - | - | - | - | 1934 | 0.50% |
| MT | 1933 | 4.00% | - | - | - | - |
| NM | - | - | - | - | 1933 | 2.00% |
| NC | - | - | - | - | 1933 | 3.00% |
| ND | - | - | - | - | 1935 | 2.00% |
| OH | - | - | - | - | 1934 | 3.00% |
| OK | - | - | 1929 | N/A | 1933 | 1.00% |
| OR | 1930 | 5.00% | 1929 | 5.00% | - | - |
| PA | - | - | 1935 | 6.00% | - | - |
| SD | - | - | - | - | 1933 | 2.00% |
| TN± | 1931 | 5.00% | - | - | - | - |
| UT‡ | 1931 | 4.00% | 1929 | 3.00% | 1933 | 2.00% |
| VT§ | 1931 | 4.00% | 1929 | 2.00% | - | - |
| WA | - | - | - | - | 1933 | 2.00% |
| WV | - | - | - | - | 1933 | 2.00% |
| WY | - | - | - | - | 1935 | 2.00% |

*Source: Significant Features of Fiscal Federalism*

** Georgia's 1929 personal and corporate income taxes were assessed at rates equal to one-third of the federal personal income and corporate income tax rates. In 1929, the top marginal federal personal and corporate income tax rates were 24% and 11%, respectively. In 1931, Georgia's top marginal personal income tax rate was set at 5%, and the top marginal corporate income tax rate was set at 4%.*

*† Hawaii's 1935 sales tax was in the form of a general excise tax, with varying tax rates imposed by industry.*

*± Tennessee's 1931 personal income tax was limited to interest and dividends and was called the Hall Tax. In 2021, the Hall Tax was fully repealed.*

*‡ In 1933, Utah imposed a temporary 0.75% sales tax. The bill featured a 1935 sunset date, but the sunset date was repealed during a special session held a few months after the passing of the original bill. A permanent 2.00% sales tax replaced the previous 0.75% sales tax.*

*§ Vermont's 1931 top marginal personal income tax rate was 4% on unearned income and 2% on earned income.*

Previously in American history, state tax revenue was regularly a small fraction of local tax revenue. The final overtaking began in 1939. In that year, state revenue surpassed local revenue. In the early 1940s, this new pattern held for good. At the end of the 1920s, state revenue had been a third of local revenue. Local revenue in 1939 was at the 1929 level in inflation-adjusted terms. State revenue, however, had tripled in these terms over that same interval.

Therefore, what occurred after the property tax rout of the deep early Great Depression years was not exactly a tax switch. The bloated, unindexed property tax helped to usher in the Great Depression in the early 1930s. Real local tax revenue peaked in 1932, at a quarter above the level of 1929, settling back to that par over the next seven years. But state revenue dramatically increased. By the end of the Great Depression decade, not only were local taxes still at their high level achieved in 1929, but state taxes were far higher than they had ever been. Moreover, the forms of state taxation had multiplied. A majority of states had a personal and corporate income tax and over 40% had a general sales tax.

In contemplating the size and complexity of taxation at the state level today, it is important to keep in mind the origins of the state tax system in the Great Depression. General sales taxes at the state level began with the Great Depression – they did not exist in 1928. The broader array of state taxes (including the widespread adoption of the income tax) was another creature of the Great Depression. And the system of collecting large amounts of money through the state tax system for redistribution to localities originated in the direness of the 1930s. The very idea of having a state sales tax was born of the gravest tax and economic calamity of modern history – that of the trough of the Great Depression. Limiting and abolishing systems of state taxation today would be a welcome return to the sounder fiscal regimes of the era prior to 1929, indeed prior to the federal income tax of 1913. Sticking with the range of new tax impositions at the state level dating from the 1930s is to indulge the "solutions" of Great Depression policy that solved very little.

(Based on the forthcoming book *Taxes Have Consequences: An Income-Tax History of the United States* by Arthur B. Laffer, Brian Domitrovic and Jeanne Cairns Sinquefield.)

**TABLE 2 | REAL FEDERAL, STATE AND LOCAL TAX REVENUES AND GDP FOR FY 1929-FY 1940 IN 2012 DOLLARS (IN BILLIONS)**

| YEAR | TOTAL | FEDERAL | STATE | LOCAL | GDP |
|---|---|---|---|---|---|
| 1929 | $105.24 | $37.52 | $17.11 | $50.62 | $1,109.47 |
| 1930 | $103.40 | $30.60 | $19.61 | $53.20 | $1,015.09 |
| 1931 | $100.27 | $22.10 | $21.83 | $56.35 | $950.05 |
| 1932 | $110.27 | $20.74 | $26.28 | $63.26 | $827.50 |
| 1933 | $117.12 | $34.82 | $21.52 | $60.78 | $817.30 |
| 1934 | $129.23 | $43.97 | $26.83 | $58.43 | $905.64 |
| 1935 | $132.92 | $46.89 | $25.05 | $60.97 | $986.20 |
| 1936 | $150.09 | $55.07 | $34.66 | $60.37 | $1,113.25 |
| 1937 | $158.75 | $62.99 | $42.28 | $53.48 | $1,170.29 |
| 1938 | $156.10 | $55.66 | $49.66 | $50.78 | $1,131.50 |
| 1939 | $158.45 | $57.80 | $50.81 | $49.84 | $1,222.36 |
| 1940 | $188.56 | $80.53 | $53.74 | $54.29 | $1,330.13 |

*Source: Statistical Abstract of the United States, Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, BEA*

## ENDNOTES


1. Carter, Susan B. Historical Statistics of the United States: Earliest times to the Present. Millennial ed. Cambridge University Press. 2006.
2. Sources for historical state and local tax revenues come from a variety of sources including the Historical Statistics of the United States, Millennial edition (New York: Cambridge University Press, 2006), Federal Reserve Economic Data, and the Bureau of Economic Analysis.
3. Ibid.
4. Ibid.
5. Ibid.
6. Ibid.
7. "Historical U.S. Federal Individual Income Tax Rates & Brackets, 1892-2021." Tax Foundation. August 24, 2021.
8. "The Chicago Teacher Revolt of 1933" The Labor Heritage Foundation. August 15, 2012. https://www.laborheritage.org/the-chicago-teacher-revolt-of-1933/
9. Beito, David T. "Taxpayers in Revolt: Tax Resistance During the Great Depression." Chapel Hill: University of North Carolina Press. December 10, 1989.
10. "Significant Features of Fiscal Federalism: Volume 1." United States Advisory Commission on Intergovernmental Relations. 1995.

Salt Lake City, Utah

CHAPTER

3

# 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, 2021**

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

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

## ALEC-Laffer State Economic Performance Rankings, 2009-2019

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

# Alabama

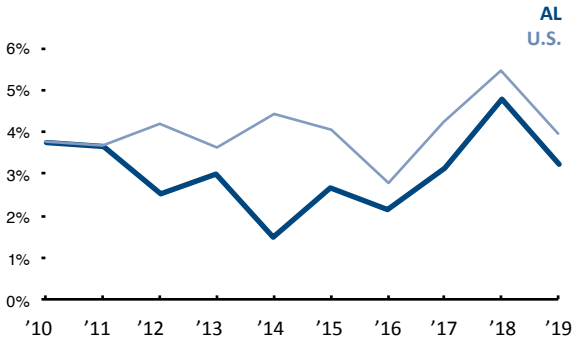
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**28** Economic Performance Rank

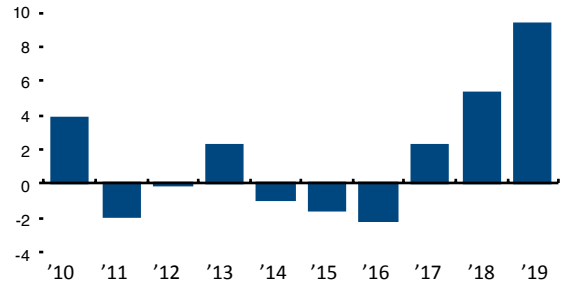
**25** Economic Outlook Rank

**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.**

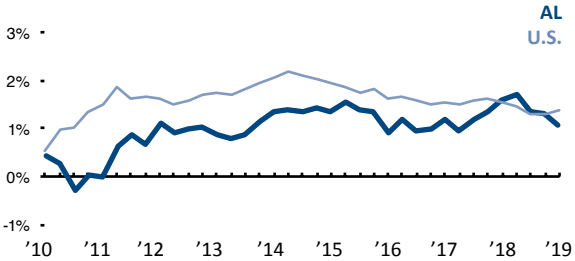
State Gross Domestic Product
Cumulative Growth 2009-2019 34.9% Rank: 37




Absolute Domestic Migration
Cumulative 2010-2019 16,414 Rank: 18
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 10.4% Rank: 28




**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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 20 | 19 | 21 | 21 | 20 | 21 | 23 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 4.15% | 12 |
| Top Marginal Corporate Income Tax Rate | 6.05% | 18 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | -$1.84 | 1 |
| Property Tax Burden (per $1,000 of personal income) | $14.29 | 1 |
| Sales Tax Burden (per $1,000 of personal income) | $25.72 | 35 |
| Remaining Tax Burden (per $1,000 of personal income) | $21.46 | 41 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $1.54 | 42 |
| Debt Service as a Share of Tax Revenue | 6.8% | 30 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 586.0 | 40 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 65.6 | 42 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.33 | 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) | 0 | 32 |

# Alaska

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

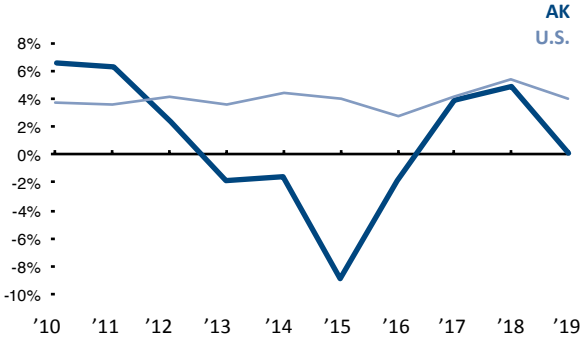
**48** Economic Performance Rank

**18** Economic Outlook Rank

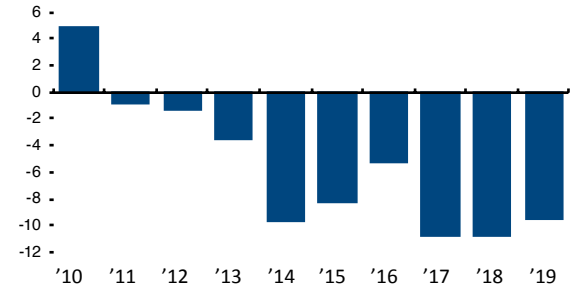
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

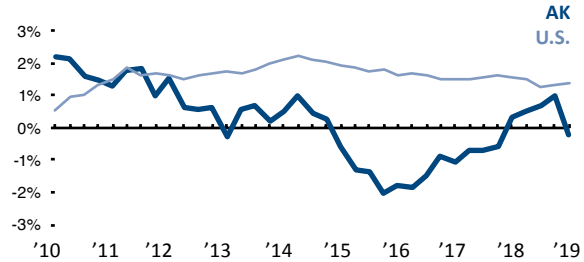
State Gross Domestic Product
Cumulative Growth 2009-2019 9.5% Rank: 50




Absolute Domestic Migration
Cumulative 2010-2019 -54,868 Rank: 32
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 1.9% Rank: 48




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 18 | 14 | 25 | 30 | 34 | 30 | 26 |

| 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) | $37.23 | 40 |
| Sales Tax Burden (per $1,000 of personal income) | $5.67 | 5 |
| Remaining Tax Burden (per $1,000 of personal income) | $12.78 | 4 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.00 | 12 |
| Debt Service as a Share of Tax Revenue | 9.7% | 49 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 709.1 | 49 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 73.1 | 5 |
| State Minimum Wage (federal floor is $7.25) | $10.34 | 34 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.86 | 41 |
| 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 |

# Arizona

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

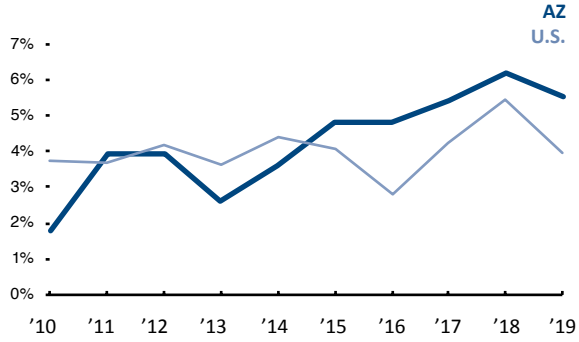
**7** Economic Performance Rank

**13** Economic Outlook Rank

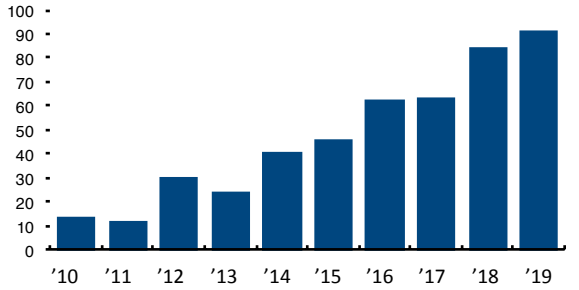
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

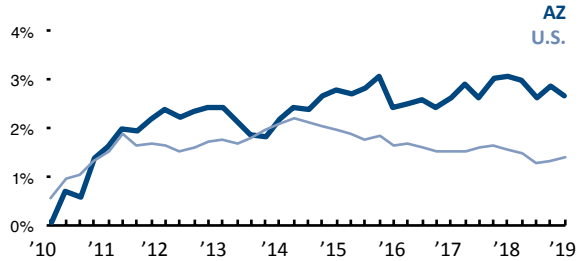
State Gross Domestic Product
Cumulative Growth 2009-2019 51.8% Rank: 14




Absolute Domestic Migration
Cumulative 2010-2019 463,597 Rank: 4
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 24.5% Rank: 7




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 7 | 5 | 5 | 8 | 5 | 11 | 10 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 8.00% | 42 |
| Top Marginal Corporate Income Tax Rate | 4.90% | 11 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $12.90 | 32 |
| Property Tax Burden (per $1,000 of personal income) | $25.99 | 17 |
| Sales Tax Burden (per $1,000 of personal income) | $35.78 | 45 |
| Remaining Tax Burden (per $1,000 of personal income) | $10.62 | 1 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.18 | 7 |
| Debt Service as a Share of Tax Revenue | 6.9% | 33 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 390.7 | 2 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.8 | 17 |
| State Minimum Wage (federal floor is $7.25) | $12.15 | 44 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.05 | 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 |

# Arkansas

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

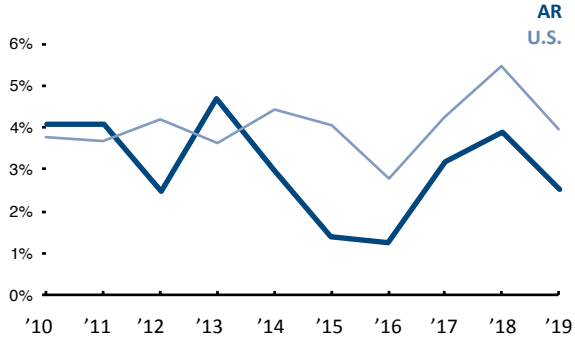
**26** Economic Performance Rank

**23** Economic Outlook Rank

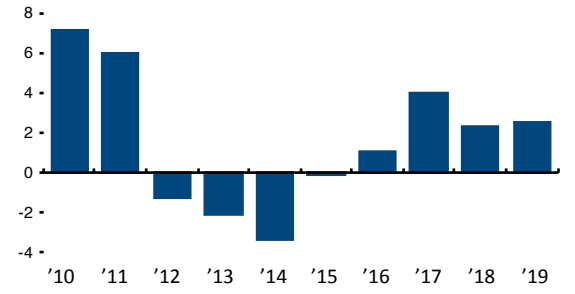
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

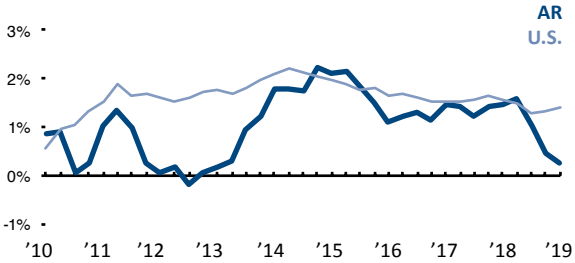
State Gross Domestic Product
Cumulative Growth 2009-2019 35.0% Rank: 36




Absolute Domestic Migration
Cumulative 2010-2019 16,091 Rank: 20
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 10.7% Rank: 26




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 26 | 22 | 20 | 23 | 22 | 23 | 22 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.90% | 25 |
| Top Marginal Corporate Income Tax Rate | 6.20% | 19 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $15.52 | 37 |
| Property Tax Burden (per $1,000 of personal income) | $18.32 | 5 |
| Sales Tax Burden (per $1,000 of personal income) | $36.95 | 46 |
| Remaining Tax Burden (per $1,000 of personal income) | $16.41 | 21 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.46 | 35 |
| Debt Service as a Share of Tax Revenue | 4.5% | 9 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 563.7 | 38 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 69.5 | 30 |
| State Minimum Wage (federal floor is $7.25) | $11.00 | 36 |
| Average Workers' Compensation Costs (per $100 of payroll) | $0.72 | 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 |

# California

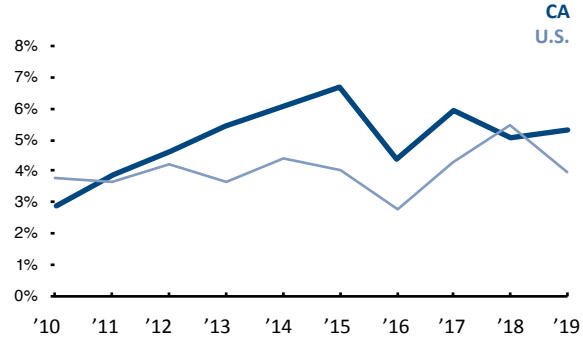
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**16** Economic Performance Rank

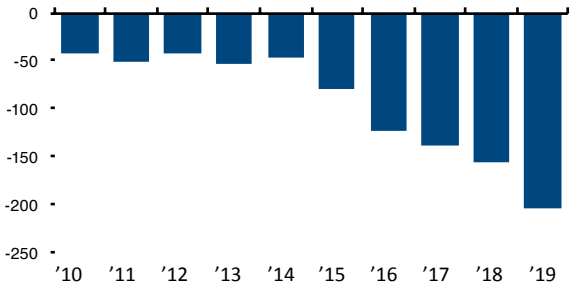
**45** Economic Outlook Rank

**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.**

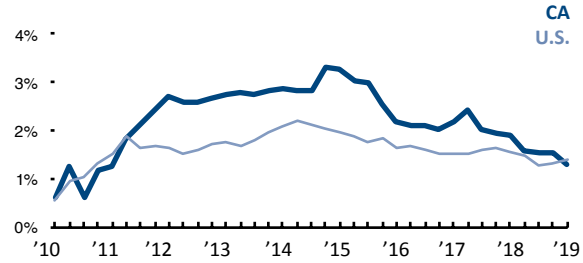
State Gross Domestic Product
Cumulative Growth 2009-2019 63.2% Rank: 4




Absolute Domestic Migration -933,214 Rank: 49
Cumulative 2010-2019
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 23.0% 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 47 | 44 | 46 | 47 | 47 | 47 | 46 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 13.30% | 49 |
| Top Marginal Corporate Income Tax Rate | 8.84% | 40 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $40.22 | 50 |
| Property Tax Burden (per $1,000 of personal income) | $27.08 | 19 |
| Sales Tax Burden (per $1,000 of personal income) | $21.59 | 22 |
| Remaining Tax Burden (per $1,000 of personal income) | $17.12 | 25 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $2.26 | 46 |
| Debt Service as a Share of Tax Revenue | 7.9% | 39 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 478.1 | 7 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 60.2 | 48 |
| State Minimum Wage (federal floor is $7.25) | $14.00 | 50 |
| Average Workers' Compensation Costs (per $100 of payroll) | $2.16 | 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) | 2 | 3 |

# Colorado

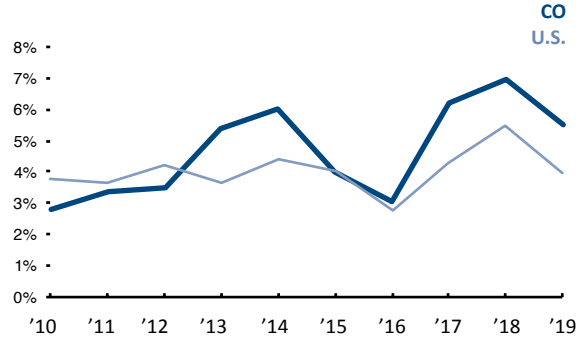
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**2** Economic Performance Rank

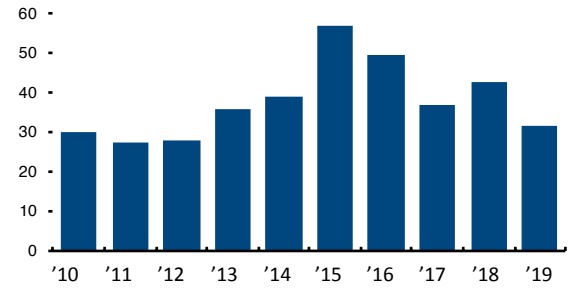
**20** Economic Outlook Rank

**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.**

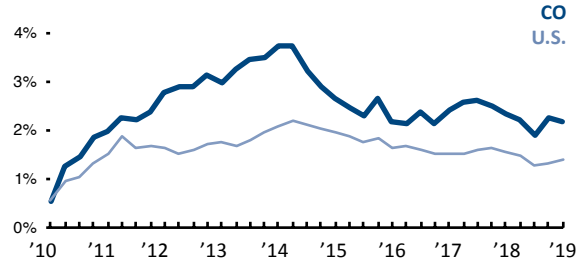
State Gross Domestic Product
Cumulative Growth 2009-2019 58.0% Rank: 6




Absolute Domestic Migration
Cumulative 2010-2019 375,632 Rank: 6
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 26.4% 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 22 | 21 | 16 | 15 | 15 | 18 | 18 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 4.55% | 13 |
| Top Marginal Corporate Income Tax Rate | 4.55% | 9 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $7.61 | 21 |
| Property Tax Burden (per $1,000 of personal income) | $28.39 | 24 |
| Sales Tax Burden (per $1,000 of personal income) | $24.56 | 33 |
| Remaining Tax Burden (per $1,000 of personal income) | $13.62 | 7 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.08 | 22 |
| Debt Service as a Share of Tax Revenue | 8.6% | 44 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 540.2 | 34 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.7 | 21 |
| State Minimum Wage (federal floor is $7.25) | $12.32 | 46 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.25 | 18 |
| 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

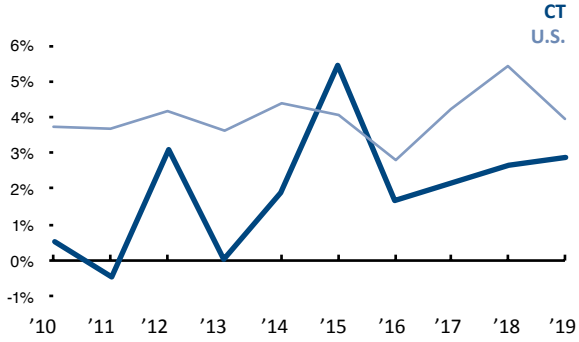
**50** Economic Performance Rank

**39** Economic Outlook Rank

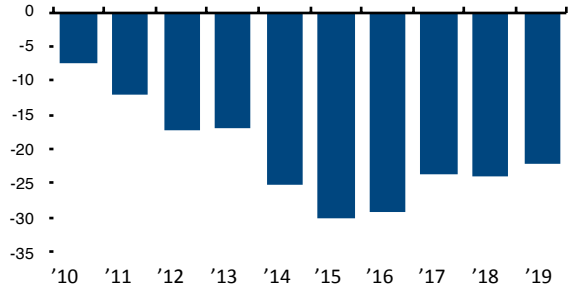
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

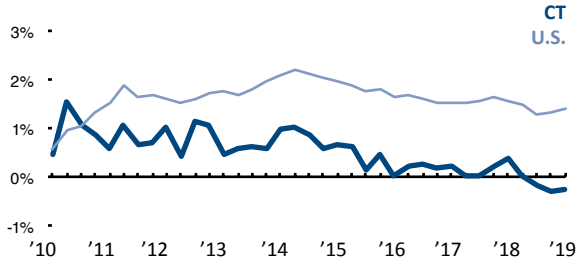
State Gross Domestic Product
Cumulative Growth 2009-2019 21.5% Rank: 48




Absolute Domestic Migration
Cumulative 2010-2019 -208,004 Rank: 43
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 4.5% Rank: 47




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 44 | 47 | 47 | 46 | 40 | 40 | 40 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 6.99% | 35 |
| 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) | $42.42 | 44 |
| Sales Tax Burden (per $1,000 of personal income) | $17.32 | 11 |
| Remaining Tax Burden (per $1,000 of personal income) | $16.06 | 18 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $2.51 | 47 |
| Debt Service as a Share of Tax Revenue | 6.8% | 29 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 511.9 | 20 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 73.8 | 3 |
| State Minimum Wage (federal floor is $7.25) | $12.00 | 41 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.99 | 45 |
| 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

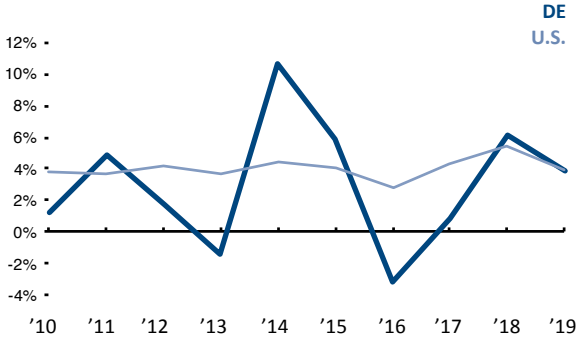
**20** Economic Performance Rank

**31** Economic Outlook Rank

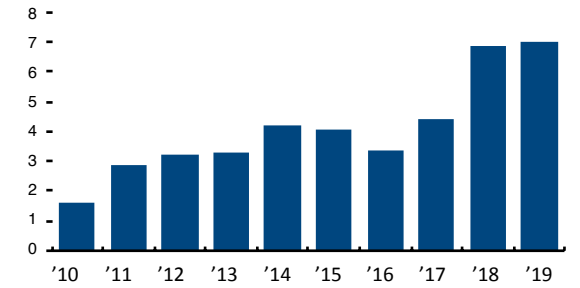
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

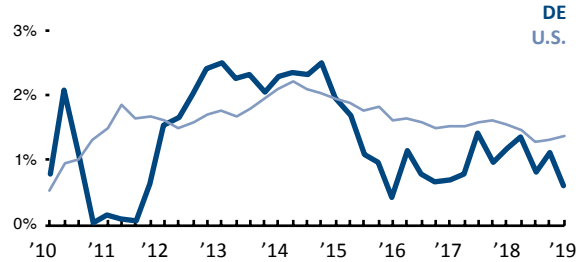
State Gross Domestic Product
Cumulative Growth 2009-2019 34.6% Rank: 38




Absolute Domestic Migration
Cumulative 2010-2019 40,847 Rank: 15
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 12.8% Rank: 21




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 27 | 38 | 44 | 37 | 36 | 36 | 24 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 7.85% | 41 |
| Top Marginal Corporate Income Tax Rate | 11.77% | 47 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $15.10 | 35 |
| Property Tax Burden (per $1,000 of personal income) | $18.01 | 4 |
| Sales Tax Burden (per $1,000 of personal income) | $0.00 | 1 |
| Remaining Tax Burden (per $1,000 of personal income) | $50.55 | 50 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.04 | 21 |
| Debt Service as a Share of Tax Revenue | 5.5% | 18 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 514.8 | 23 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 76.3 | 1 |
| State Minimum Wage (federal floor is $7.25) | $9.25 | 28 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.97 | 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 |

# Florida

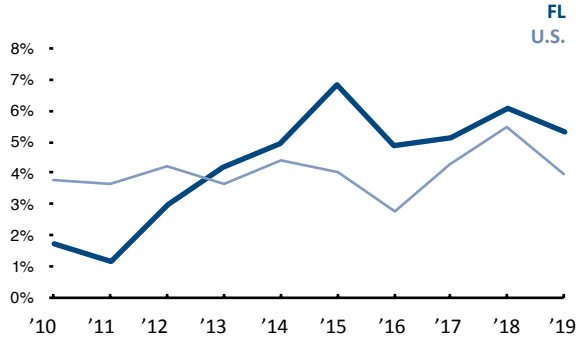
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**5** Economic Performance Rank

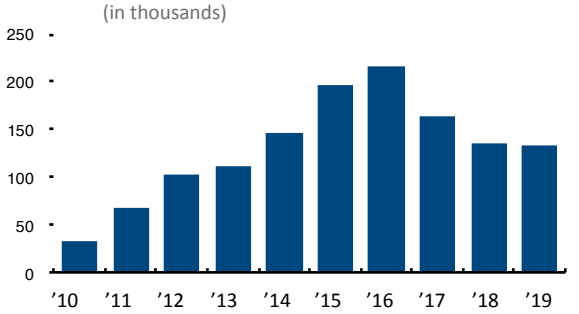
**2** Economic Outlook Rank

**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.**

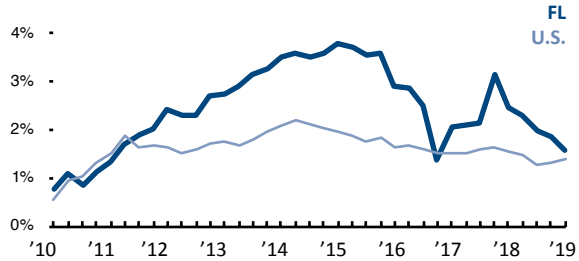
State Gross Domestic Product
Cumulative Growth 2009-2019 52.5% Rank: 12




Absolute Domestic Migration
Cumulative 2010-2019 1,313,236 Rank: 1
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 26.1% Rank: 4




**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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 16 | 15 | 8 | 6 | 6 | 9 | 7 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 0.00% | 1 |
| Top Marginal Corporate Income Tax Rate | 4.46% | 8 |
| 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) | $27.83 | 22 |
| Sales Tax Burden (per $1,000 of personal income) | $30.59 | 40 |
| Remaining Tax Burden (per $1,000 of personal income) | $19.20 | 34 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.51 | 3 |
| Debt Service as a Share of Tax Revenue | 5.5% | 19 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 421.4 | 3 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 62.3 | 46 |
| State Minimum Wage (federal floor is $7.25) | $8.65 | 22 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.41 | 24 |
| 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

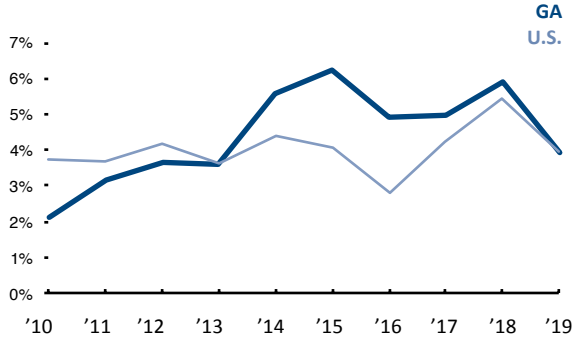
**10** Economic Performance Rank

**14** Economic Outlook Rank

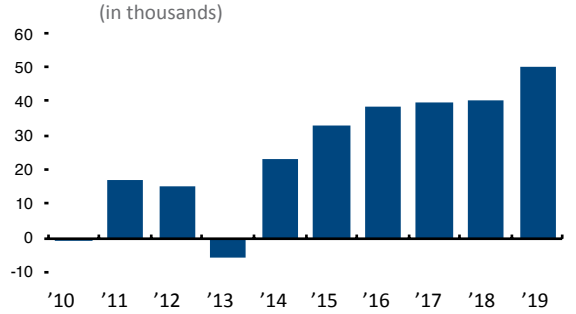
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

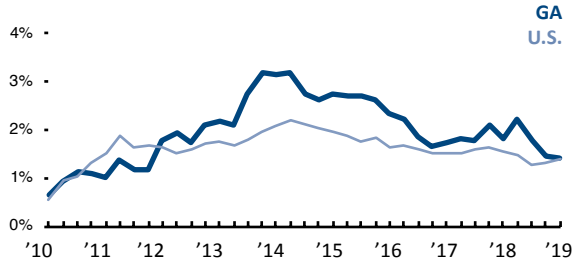
State Gross Domestic Product
Cumulative Growth 2009-2019 54.1% Rank: 10




Absolute Domestic Migration
Cumulative 2010-2019 249,480 Rank: 9
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 20.4% Rank: 13




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 9 | 7 | 19 | 17 | 11 | 20 | 21 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.75% | 23 |
| Top Marginal Corporate Income Tax Rate | 6.39% | 21 |
| 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) | $26.36 | 18 |
| Sales Tax Burden (per $1,000 of personal income) | $20.35 | 20 |
| Remaining Tax Burden (per $1,000 of personal income) | $12.24 | 3 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.60 | 2 |
| Debt Service as a Share of Tax Revenue | 5.9% | 24 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 498.2 | 16 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 66.1 | 41 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.64 | 36 |
| 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 | 32 |

# Hawaii

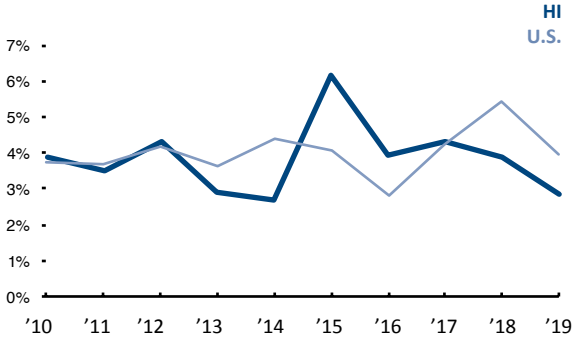
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**27** Economic Performance Rank

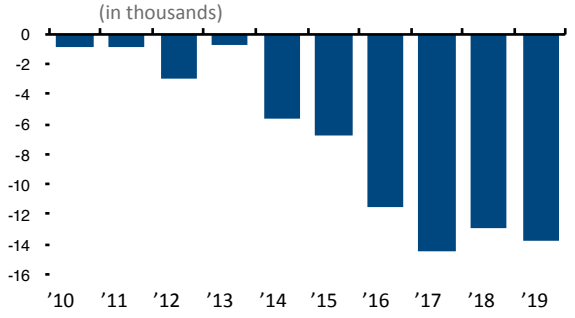
**42** Economic Outlook Rank

**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.**

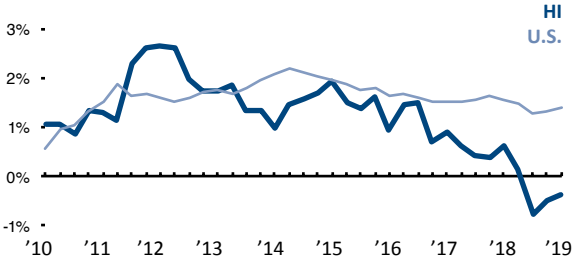
State Gross Domestic Product
Cumulative Growth 2009-2019 45.7% Rank: 22




Absolute Domestic Migration
Cumulative 2010-2019 -70,836 Rank: 36




Non-Farm Payroll Employment
Cumulative 2009-2019 12.3% 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 36 | 37 | 42 | 43 | 45 | 45 | 44 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 11.00% | 46 |
| Top Marginal Corporate Income Tax Rate | 6.40% | 22 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $13.54 | 34 |
| Property Tax Burden (per $1,000 of personal income) | $24.96 | 16 |
| Sales Tax Burden (per $1,000 of personal income) | $49.52 | 50 |
| Remaining Tax Burden (per $1,000 of personal income) | $26.96 | 46 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.26 | 27 |
| Debt Service as a Share of Tax Revenue | 3.5% | 2 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 518.1 | 24 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 71.1 | 15 |
| State Minimum Wage (federal floor is $7.25) | $10.10 | 32 |
| Average Workers' Compensation Costs (per $100 of payroll) | $2.08 | 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) | 1 | 15 |

# Idaho

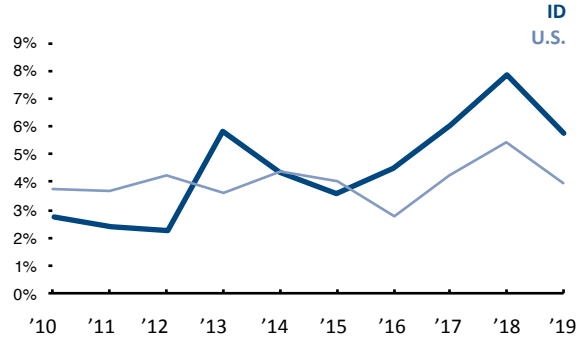
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**8** Economic Performance Rank

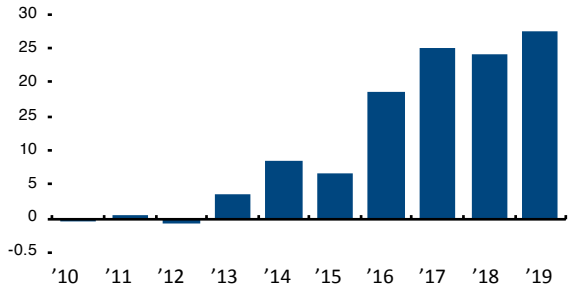
**11** Economic Outlook Rank

**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.**

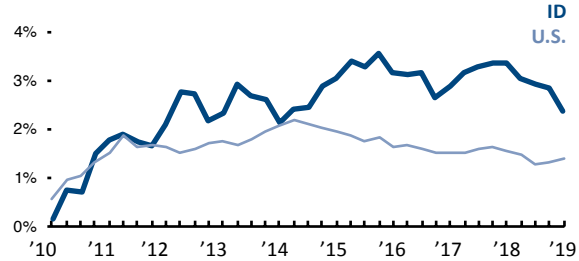
State Gross Domestic Product
Cumulative Growth 2009-2019 55.6% Rank: 8




Absolute Domestic Migration
Cumulative 2010-2019 113,293 Rank: 12
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 26.0% Rank: 5




**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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| **ECONOMIC OUTLOOK RANK** | **5** | **6** | **15** | **10** | **2** | **2** | **3** |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 6.93% | 33 |
| Top Marginal Corporate Income Tax Rate | 6.93% | 27 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $15.19 | 36 |
| Property Tax Burden (per $1,000 of personal income) | $23.72 | 15 |
| Sales Tax Burden (per $1,000 of personal income) | $23.80 | 30 |
| Remaining Tax Burden (per $1,000 of personal income) | $14.45 | 10 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.28 | 30 |
| Debt Service as a Share of Tax Revenue | 3.6% | 3 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 482.8 | 8 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 72.2 | 9 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.56 | 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 |

# Illinois

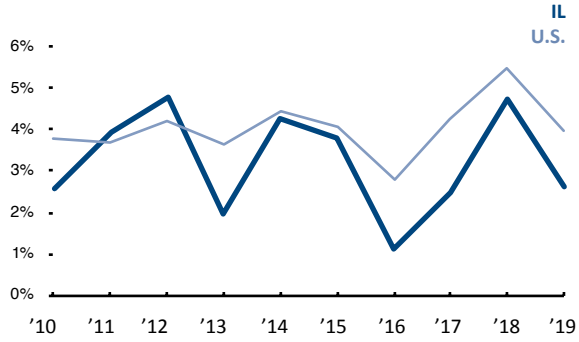
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**42** Economic Performance Rank

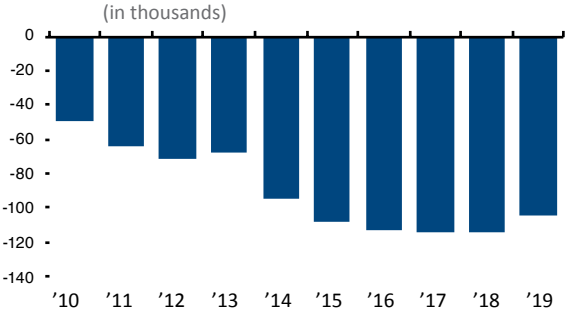
**47** Economic Outlook Rank

**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.**

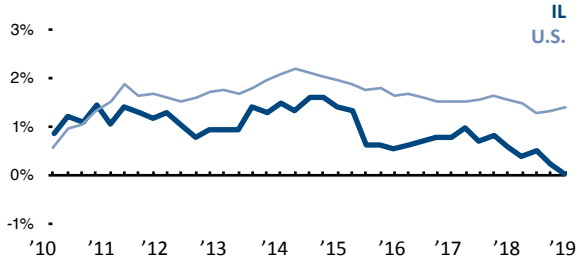
State Gross Domestic Product
Cumulative Growth 2009-2019 37.3% Rank: 34




Absolute Domestic Migration -902,387 Rank: 48
Cumulative 2010-2019
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 9.3% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 48 | 40 | 43 | 44 | 48 | 48 | 47 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 4.95% | 14 |
| Top Marginal Corporate Income Tax Rate | 9.50% | 43 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $1.57 | 14 |
| Property Tax Burden (per $1,000 of personal income) | $40.75 | 43 |
| Sales Tax Burden (per $1,000 of personal income) | $19.60 | 18 |
| Remaining Tax Burden (per $1,000 of personal income) | $20.92 | 38 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $3.64 | 50 |
| Debt Service as a Share of Tax Revenue | 11.2% | 50 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 486.9 | 11 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 59.6 | 50 |
| State Minimum Wage (federal floor is $7.25) | $11.00 | 36 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.46 | 27 |
| 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 | 32 |

# Indiana

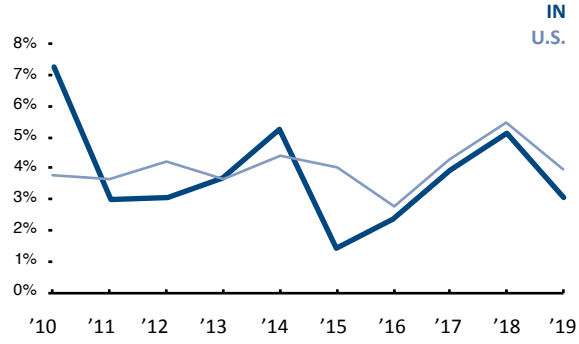
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**21** Economic Performance Rank

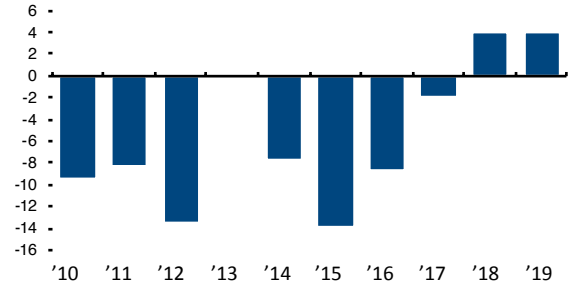
**6** Economic Outlook Rank

**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.**

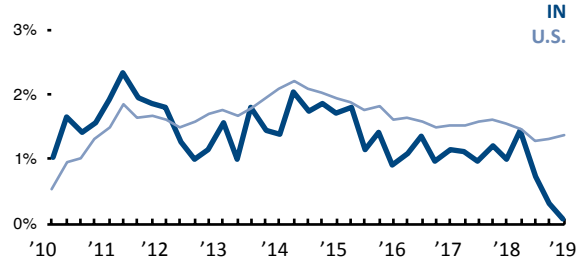
State Gross Domestic Product
Cumulative Growth 2009-2019 45.2% Rank: 25




Absolute Domestic Migration
Cumulative 2010-2019 -55,167 Rank: 33
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 13.3% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 3 | 3 | 6 | 2 | 3 | 3 | 4 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.25% | 20 |
| Top Marginal Corporate Income Tax Rate | 5.25% | 15 |
| 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) | $22.37 | 11 |
| Sales Tax Burden (per $1,000 of personal income) | $25.21 | 34 |
| Remaining Tax Burden (per $1,000 of personal income) | $17.84 | 27 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.67 | 1 |
| Debt Service as a Share of Tax Revenue | 7.4% | 38 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 500.0 | 17 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 68.9 | 31 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $0.77 | 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 |

# Iowa

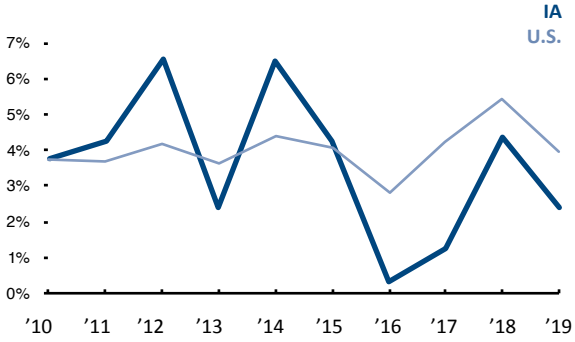
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**33** Economic Performance Rank

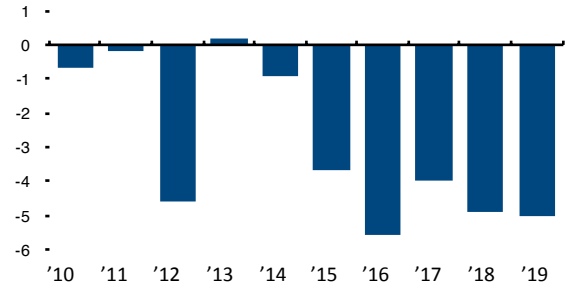
**33** Economic Outlook Rank

**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.**

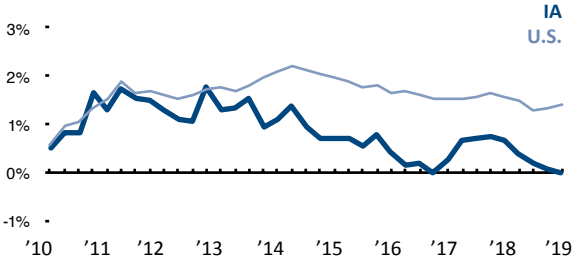
State Gross Domestic Product
Cumulative Growth 2009-2019 42.3% Rank:27




Absolute Domestic Migration
Cumulative 2010-2019 -29,252 Rank: 27
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 7.8% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 25 | 25 | 29 | 29 | 29 | 25 | 27 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.37% | 21 |
| Top Marginal Corporate Income Tax Rate | 9.68% | 44 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $13.20 | 33 |
| Property Tax Burden (per $1,000 of personal income) | $34.97 | 37 |
| Sales Tax Burden (per $1,000 of personal income) | $23.56 | 27 |
| Remaining Tax Burden (per $1,000 of personal income) | $18.50 | 29 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.33 | 6 |
| Debt Service as a Share of Tax Revenue | 3.9% | 6 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 594.7 | 42 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.6 | 23 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.54 | 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) | 0 | 32 |

# Kansas

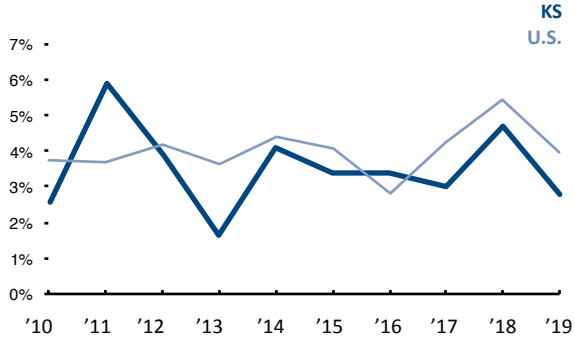
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**39** Economic Performance Rank

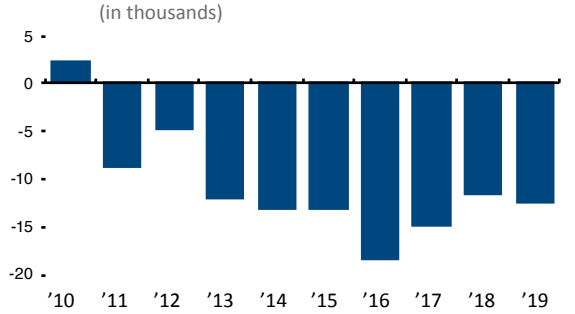
**26** Economic Outlook Rank

**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.**

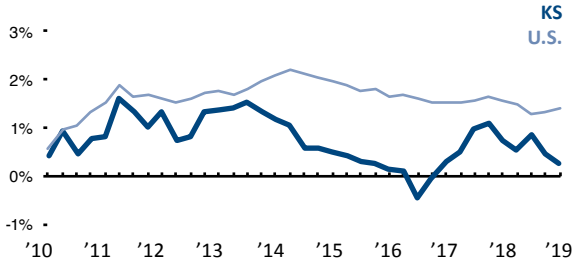
State Gross Domestic Product
Cumulative Growth 2009-2019 41.4% Rank: 29




Absolute Domestic Migration
Cumulative 2010-2019 -105,634 Rank: 40
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 7.2% Rank: 41




**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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| **ECONOMIC OUTLOOK RANK** | **15** | **18** | **27** | **26** | **26** | **26** | **25** |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.70% | 22 |
| 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) | $32.12 | 34 |
| Sales Tax Burden (per $1,000 of personal income) | $30.73 | 41 |
| Remaining Tax Burden (per $1,000 of personal income) | $14.08 | 9 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.00 | 12 |
| Debt Service as a Share of Tax Revenue | 5.8% | 21 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 692.5 | 48 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 68.8 | 32 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.12 | 12 |
| 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 | 32 |

# Kentucky

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

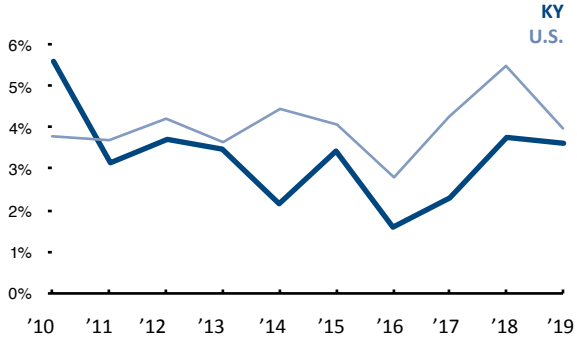
**29** Economic Performance Rank

**29** Economic Outlook Rank

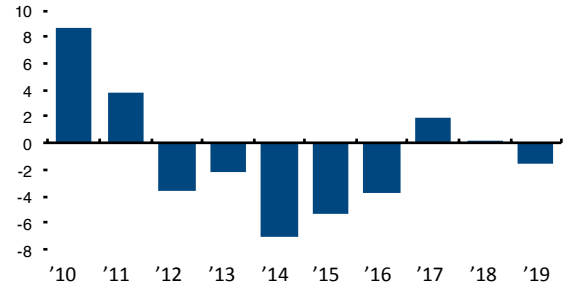
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

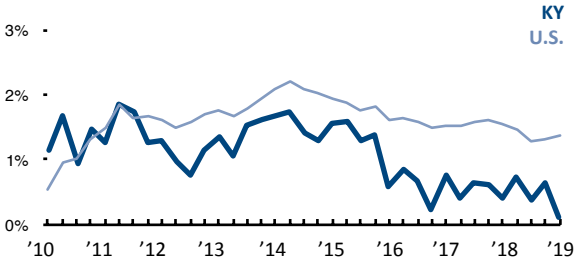
State Gross Domestic Product
Cumulative Growth 2009-2019 38.0% Rank: 33




Absolute Domestic Migration
Cumulative 2010-2019 -8,567 Rank: 23
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 10.6% Rank: 27




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 39 | 30 | 33 | 33 | 31 | 33 | 31 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 7.20% | 38 |
| Top Marginal Corporate Income Tax Rate | 7.20% | 30 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $1.79 | 15 |
| Property Tax Burden (per $1,000 of personal income) | $20.33 | 7 |
| Sales Tax Burden (per $1,000 of personal income) | $19.41 | 16 |
| Remaining Tax Burden (per $1,000 of personal income) | $19.01 | 33 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.04 | 10 |
| Debt Service as a Share of Tax Revenue | 8.3% | 41 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 539.3 | 33 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 66.5 | 40 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.13 | 13 |
| 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 | 32 |

# Louisiana

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

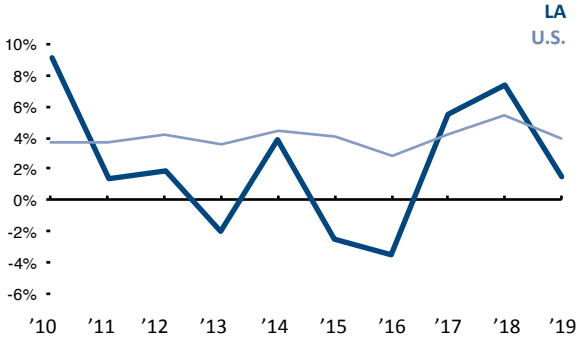
**49** Economic Performance Rank

**22** Economic Outlook Rank

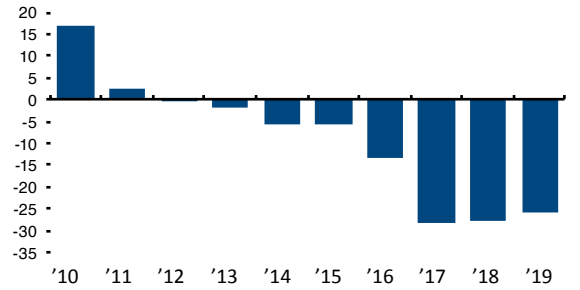
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

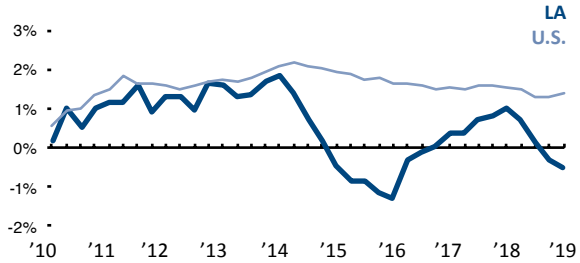
State Gross Domestic Product
Cumulative Growth 2009-2019 24.0% Rank: 46




Absolute Domestic Migration
Cumulative 2010-2019 -89,556 Rank: 39
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 5.2% Rank: 46




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 29 | 26 | 28 | 28 | 27 | 27 | 30 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 3.78% | 11 |
| Top Marginal Corporate Income Tax Rate | 6.32% | 20 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $11.10 | 28 |
| Property Tax Burden (per $1,000 of personal income) | $19.82 | 6 |
| Sales Tax Burden (per $1,000 of personal income) | $41.05 | 49 |
| Remaining Tax Burden (per $1,000 of personal income) | $16.97 | 23 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.11 | 9 |
| Debt Service as a Share of Tax Revenue | 6.9% | 31 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 556.8 | 36 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 60.0 | 49 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.95 | 43 |
| 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

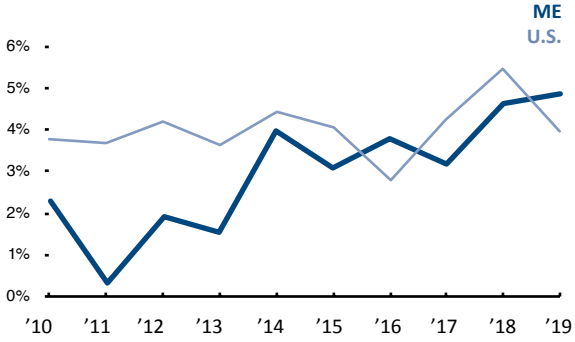
**36** Economic Performance Rank

**43** Economic Outlook Rank

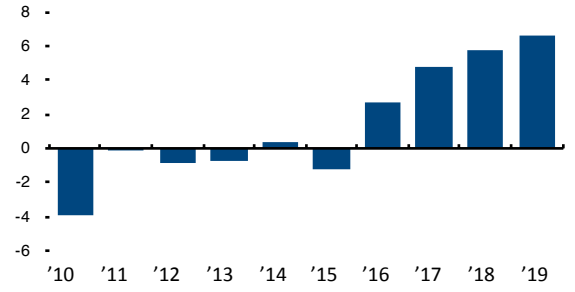
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

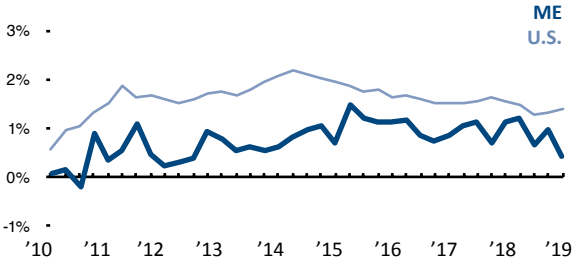
State Gross Domestic Product
Cumulative Growth 2009-2019 33.9% Rank: 39




Absolute Domestic Migration
Cumulative 2010-2019 13,392 Rank: 21
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 6.5% Rank: 44




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 40 | 42 | 38 | 42 | 42 | 42 | 41 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 7.15% | 37 |
| Top Marginal Corporate Income Tax Rate | 8.93% | 41 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $25.42 | 47 |
| Property Tax Burden (per $1,000 of personal income) | $47.19 | 47 |
| Sales Tax Burden (per $1,000 of personal income) | $23.96 | 31 |
| Remaining Tax Burden (per $1,000 of personal income) | $17.03 | 24 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.16 | 25 |
| Debt Service as a Share of Tax Revenue | 3.8% | 4 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 526.7 | 27 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 73.8 | 2 |
| State Minimum Wage (federal floor is $7.25) | $12.15 | 44 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.62 | 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 |

# Maryland

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

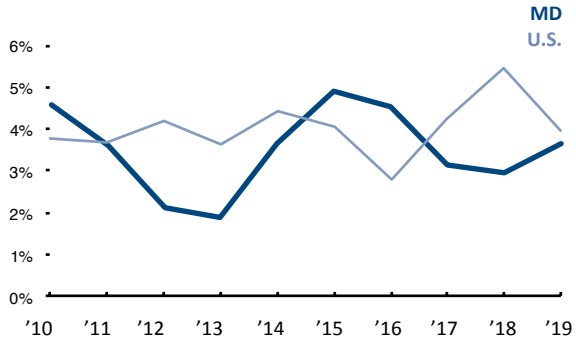
**35** Economic Performance Rank

**40** Economic Outlook Rank

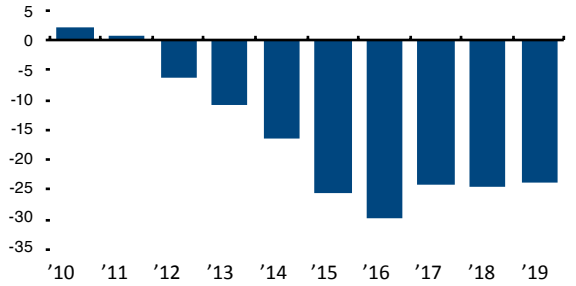
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

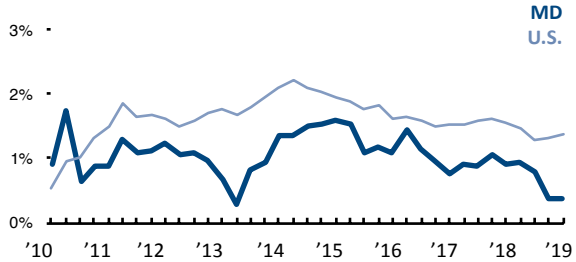
State Gross Domestic Product
Cumulative Growth 2009-2019 41.1% Rank: 30




Absolute Domestic Migration
Cumulative 2010-2019 -158,912 Rank: 41
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 10.3% Rank: 30




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 34 | 33 | 31 | 34 | 32 | 35 | 37 |

| 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) | $8.95 | 25 |
| Property Tax Burden (per $1,000 of personal income) | $27.44 | 21 |
| Sales Tax Burden (per $1,000 of personal income) | $12.66 | 8 |
| Remaining Tax Burden (per $1,000 of personal income) | $22.86 | 42 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.38 | 32 |
| Debt Service as a Share of Tax Revenue | 5.6% | 20 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 503.5 | 18 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 69.7 | 27 |
| State Minimum Wage (federal floor is $7.25) | $11.75 | 39 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.14 | 14 |
| 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 | 32 |

# Massachusetts

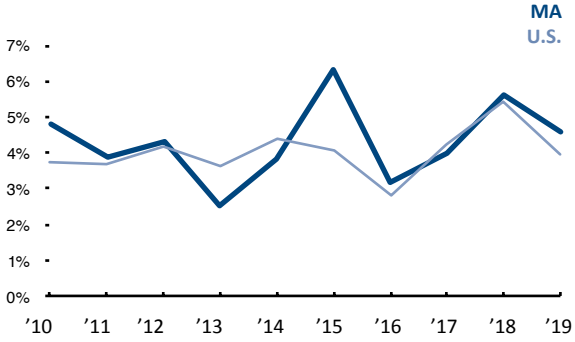
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**19** Economic Performance Rank

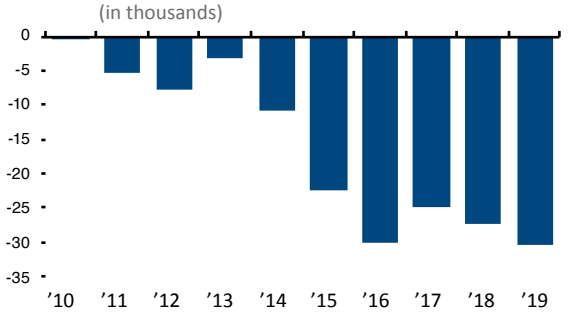
**30** Economic Outlook Rank

**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.**

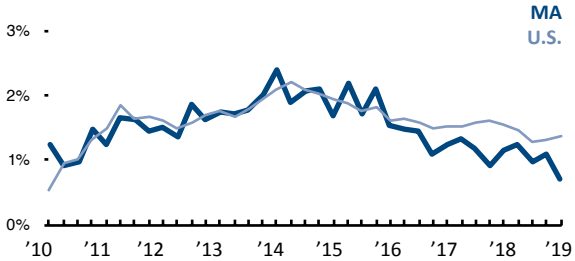
State Gross Domestic Product
Cumulative Growth 2009-2019 52.5% Rank: 13




Absolute Domestic Migration -162,465 Rank: 42
Cumulative 2010-2019
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 15.4% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 28 | 28 | 26 | 25 | 25 | 28 | 35 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.00% | 16 |
| Top Marginal Corporate Income Tax Rate | 8.00% | 36 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $2.93 | 17 |
| Property Tax Burden (per $1,000 of personal income) | $36.58 | 39 |
| Sales Tax Burden (per $1,000 of personal income) | $13.44 | 9 |
| Remaining Tax Burden (per $1,000 of personal income) | $11.16 | 2 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.26 | 28 |
| Debt Service as a Share of Tax Revenue | 7.3% | 37 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 486.7 | 10 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 69.6 | 28 |
| State Minimum Wage (federal floor is $7.25) | $13.50 | 48 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.17 | 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) | 1 | 15 |

# Michigan

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

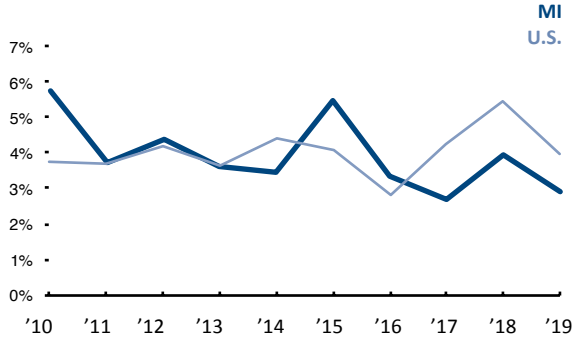
**30** Economic Performance Rank

**16** Economic Outlook Rank

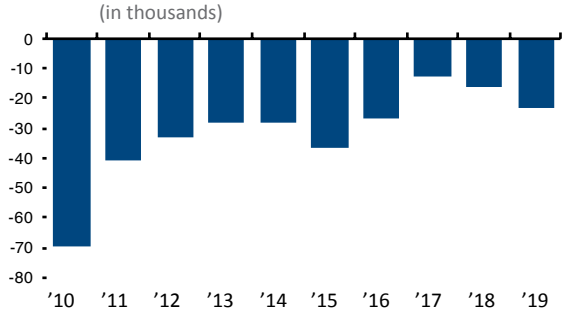
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

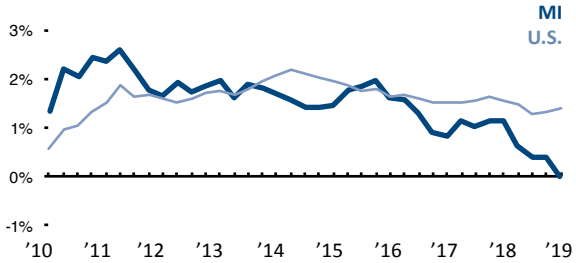
State Gross Domestic Product
Cumulative Growth 2009-2019 46.9% Rank: 21




Absolute Domestic Migration -316,617 Rank: 46
Cumulative 2010-2019
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 15.0% Rank: 18




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 12 | 24 | 22 | 20 | 18 | 12 | 14 |

| 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) | $2.78 | 16 |
| Property Tax Burden (per $1,000 of personal income) | $31.27 | 33 |
| Sales Tax Burden (per $1,000 of personal income) | $21.08 | 21 |
| Remaining Tax Burden (per $1,000 of personal income) | $16.61 | 22 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.03 | 20 |
| Debt Service as a Share of Tax Revenue | 7.2% | 34 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 434.2 | 4 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 68.8 | 33 |
| State Minimum Wage (federal floor is $7.25) | $9.65 | 30 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.14 | 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

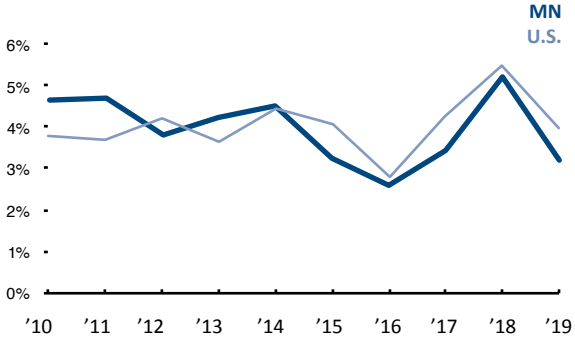
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**18** Economic Performance Rank

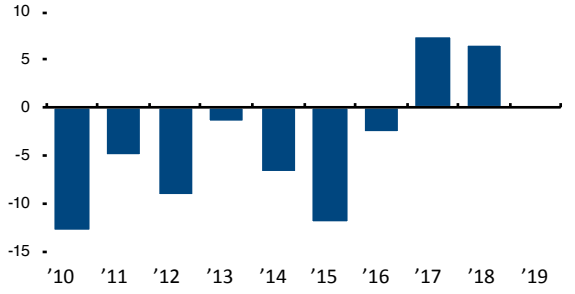
**46** Economic Outlook Rank

**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.**

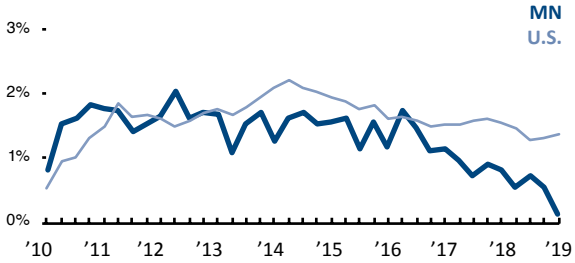
State Gross Domestic Product
Cumulative Growth 2009-2019 47.3% Rank: 18




Absolute Domestic Migration
Cumulative 2010-2019 -35,084 Rank: 28
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 12.8% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| **ECONOMIC OUTLOOK RANK** | **46** | **48** | **45** | **45** | **44** | **41** | **45** |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 9.85% | 45 |
| Top Marginal Corporate Income Tax Rate | 9.80% | 45 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $19.98 | 45 |
| Property Tax Burden (per $1,000 of personal income) | $29.52 | 28 |
| Sales Tax Burden (per $1,000 of personal income) | $19.43 | 17 |
| Remaining Tax Burden (per $1,000 of personal income) | $23.54 | 43 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.55 | 36 |
| Debt Service as a Share of Tax Revenue | 5.0% | 13 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 532.7 | 30 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.7 | 20 |
| State Minimum Wage (federal floor is $7.25) | $10.08 | 31 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.61 | 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 | 32 |

# Mississippi

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

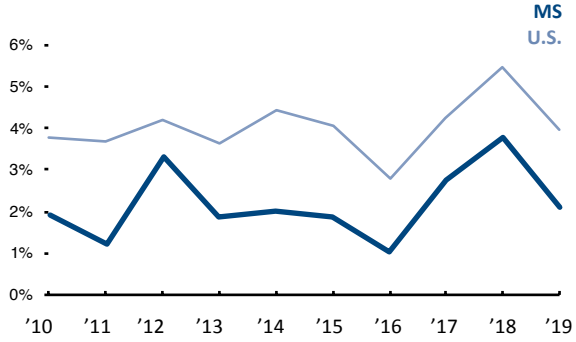
**47** Economic Performance Rank

**27** Economic Outlook Rank

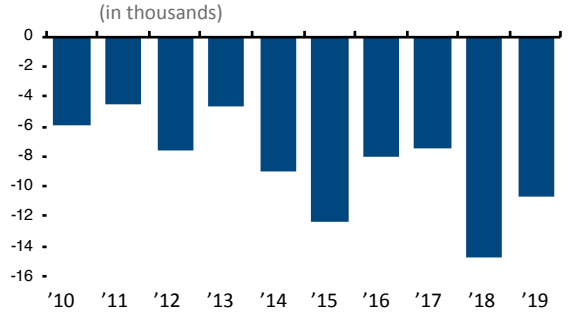
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

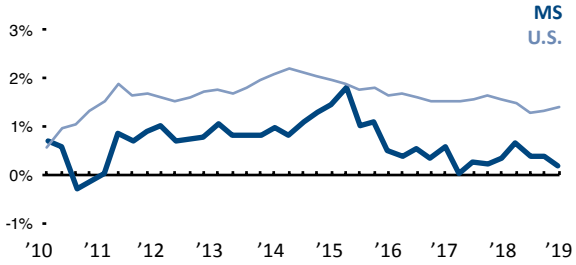
State Gross Domestic Product
Cumulative Growth 2009-2019 24% Rank: 47




Absolute Domestic Migration
Cumulative 2010-2019 -85,033 Rank: 38




Non-Farm Payroll Employment
Cumulative 2009-2019 7.0% Rank: 43




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 14 | 20 | 17 | 22 | 24 | 19 | 20 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.00% | 16 |
| Top Marginal Corporate Income Tax Rate | 5.00% | 13 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $9.13 | 26 |
| Property Tax Burden (per $1,000 of personal income) | $28.53 | 26 |
| Sales Tax Burden (per $1,000 of personal income) | $32.08 | 42 |
| Remaining Tax Burden (per $1,000 of personal income) | $19.57 | 35 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.22 | 26 |
| Debt Service as a Share of Tax Revenue | 5.0% | 14 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 619.3 | 44 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 61.9 | 47 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.20 | 17 |
| 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 |

# Missouri

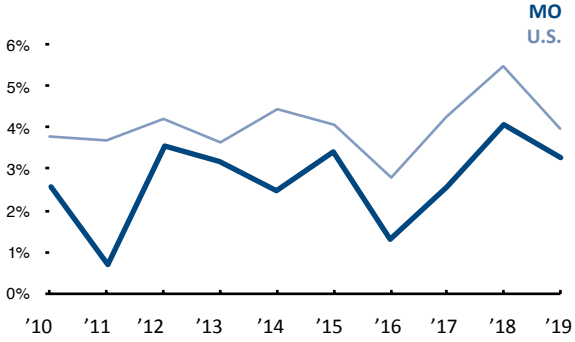
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**41** Economic Performance Rank

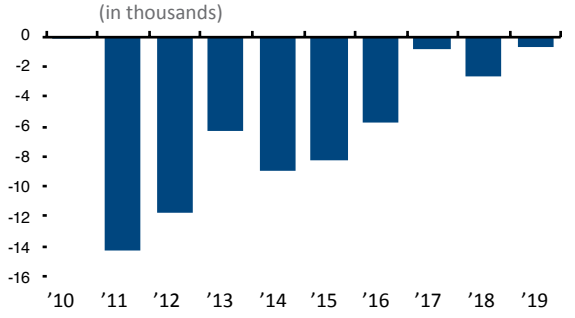
**21** Economic Outlook Rank

**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.**

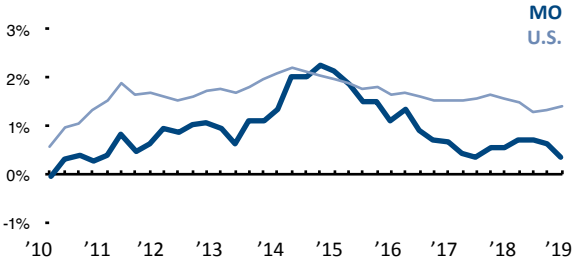
State Gross Domestic Product
Cumulative Growth 2009-2019 30.6% Rank: 41




Absolute Domestic Migration
Cumulative 2010-2019 -60,217 Rank: 35




Non-Farm Payroll Employment
Cumulative 2009-2019 8.7% 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 24 | 27 | 24 | 24 | 23 | 22 | 19 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 6.40% | 28 |
| Top Marginal Corporate Income Tax Rate | 4.58% | 10 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $12.68 | 31 |
| Property Tax Burden (per $1,000 of personal income) | $23.25 | 12 |
| Sales Tax Burden (per $1,000 of personal income) | $23.58 | 28 |
| Remaining Tax Burden (per $1,000 of personal income) | $13.23 | 5 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.03 | 11 |
| Debt Service as a Share of Tax Revenue | 7.3% | 36 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 513.8 | 22 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 64.4 | 44 |
| State Minimum Wage (federal floor is $7.25) | $10.30 | 33 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.65 | 37 |
| 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

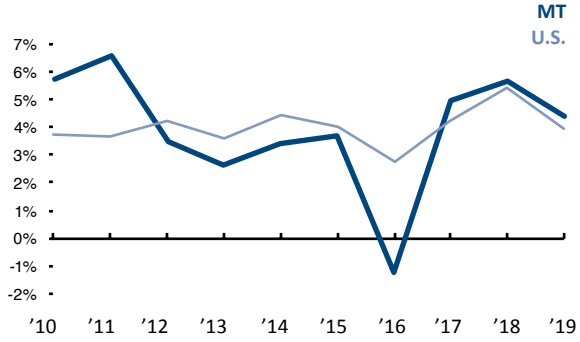
**15** Economic Performance Rank

**34** Economic Outlook Rank

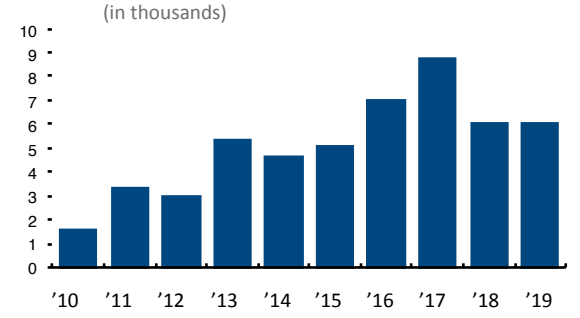
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

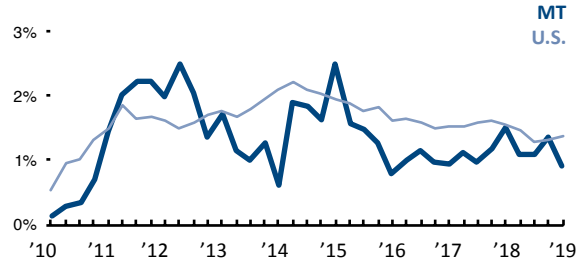
State Gross Domestic Product
Cumulative Growth 2009-2019 46.9% Rank: 20




Absolute Domestic Migration
Cumulative 2010-2019 50,650 Rank: 14
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 13.3% Rank: 20




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 43 | 43 | 40 | 39 | 43 | 39 | 33 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 6.90% | 32 |
| Top Marginal Corporate Income Tax Rate | 6.75% | 25 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $18.34 | 42 |
| Property Tax Burden (per $1,000 of personal income) | $36.38 | 38 |
| Sales Tax Burden (per $1,000 of personal income) | $0.00 | 1 |
| Remaining Tax Burden (per $1,000 of personal income) | $20.94 | 39 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.15 | 23 |
| Debt Service as a Share of Tax Revenue | 4.5% | 8 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 573.1 | 39 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 72.5 | 7 |
| State Minimum Wage (federal floor is $7.25) | $8.75 | 23 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.69 | 39 |
| 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 | 32 |

# Nebraska

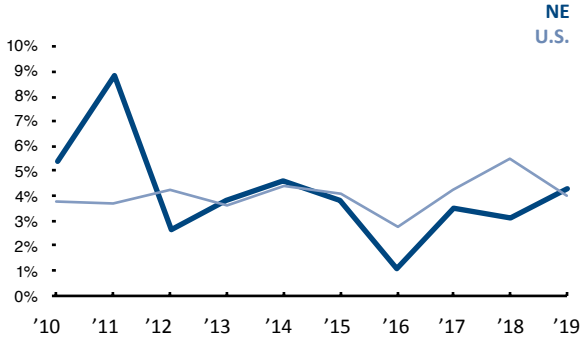
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**24** Economic Performance Rank

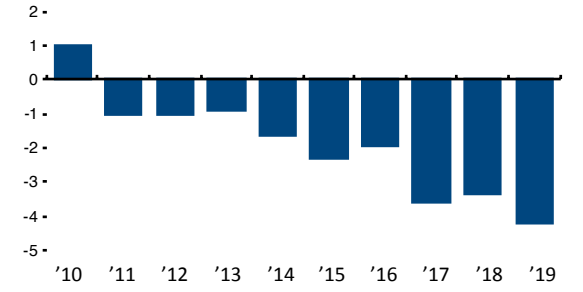
**35** Economic Outlook Rank

**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.**

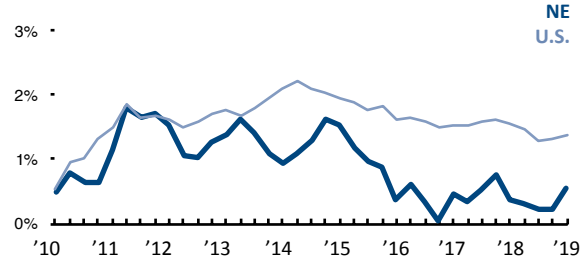
State Gross Domestic Product
Cumulative Growth 2009-2019 49.3% Rank: 17




Absolute Domestic Migration
Cumulative 2010-2019 -18,956 Rank: 26
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 9.2% 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 35 | 31 | 32 | 32 | 28 | 34 | 36 |

| 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) | $18.93 | 44 |
| Property Tax Burden (per $1,000 of personal income) | $38.94 | 41 |
| Sales Tax Burden (per $1,000 of personal income) | $23.39 | 26 |
| Remaining Tax Burden (per $1,000 of personal income) | $14.66 | 11 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.00 | 12 |
| Debt Service as a Share of Tax Revenue | 5.4% | 16 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 650.8 | 47 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 72.3 | 8 |
| State Minimum Wage (federal floor is $7.25) | $9.00 | 26 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.44 | 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 | 32 |

# Nevada

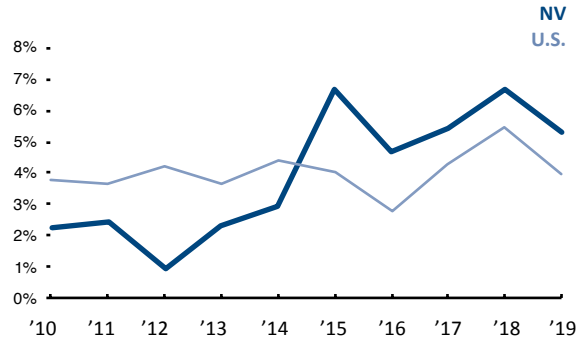
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**11** Economic Performance Rank

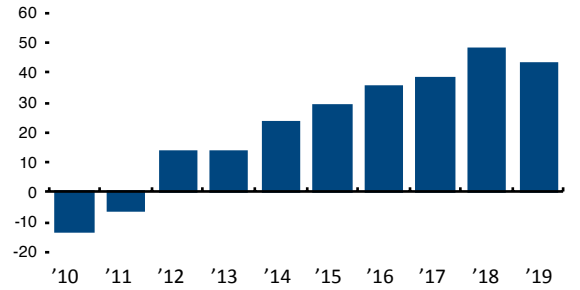
**7** Economic Outlook Rank

**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.**

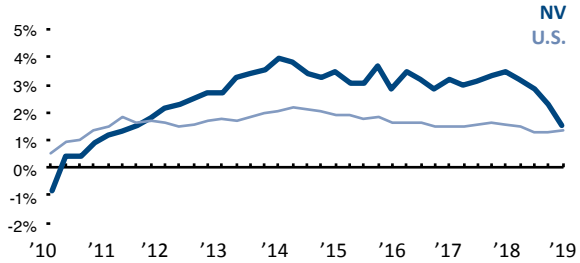
State Gross Domestic Product
Cumulative Growth 2009-2019 47.3% Rank: 19




Absolute Domestic Migration
Cumulative 2010-2019 224,658 Rank: 11
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 26.4% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 8 | 10 | 14 | 13 | 13 | 5 | 6 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 0.00% | 1 |
| Top Marginal Corporate Income Tax Rate | 0.65% | 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) | $21.57 | 9 |
| Sales Tax Burden (per $1,000 of personal income) | $40.12 | 48 |
| Remaining Tax Burden (per $1,000 of personal income) | $34.33 | 49 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.43 | 34 |
| Debt Service as a Share of Tax Revenue | 7.3% | 35 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 385.4 | 1 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 69.5 | 29 |
| State Minimum Wage (federal floor is $7.25) | $9.00 | 26 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.07 | 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) | 2 | 3 |

# New Hampshire

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

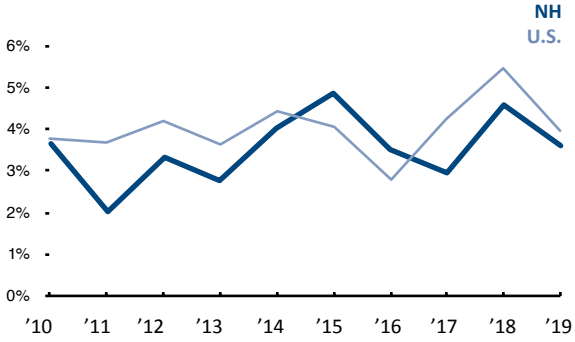
**25** Economic Performance Rank

**19** Economic Outlook Rank

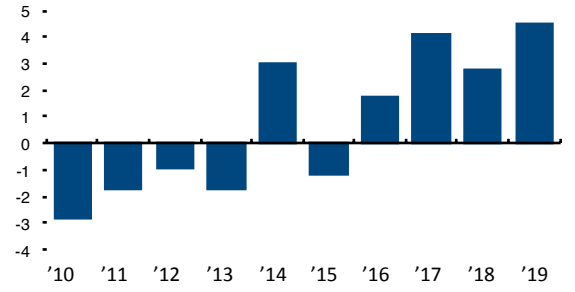
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

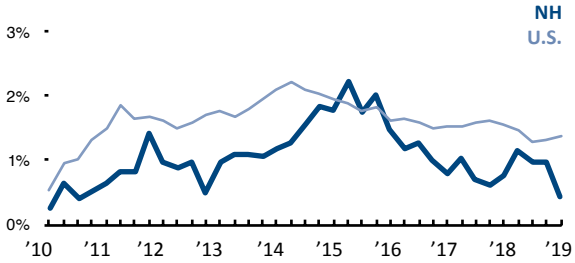
State Gross Domestic Product
Cumulative Growth 2009-2019 41.6% Rank: 28




Absolute Domestic Migration
Cumulative 2010-2019 7,859 Rank: 22
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 9.6% Rank: 32




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 32 | 29 | 23 | 18 | 17 | 16 | 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) | $55.89 | 50 |
| Sales Tax Burden (per $1,000 of personal income) | $0.00 | 1 |
| Remaining Tax Burden (per $1,000 of personal income) | $20.74 | 37 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.27 | 29 |
| Debt Service as a Share of Tax Revenue | 6.2% | 26 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 513.5 | 21 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.7 | 18 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.37 | 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 | 32 |

# New Jersey

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

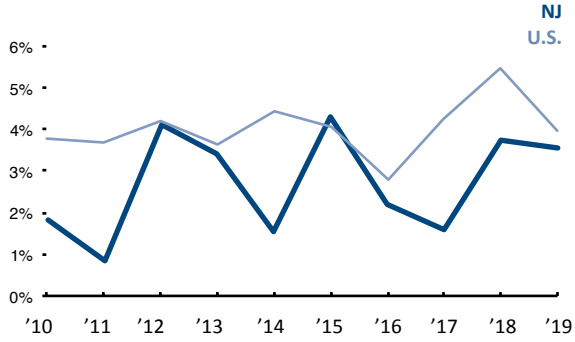
**46** Economic Performance Rank

**48** Economic Outlook Rank

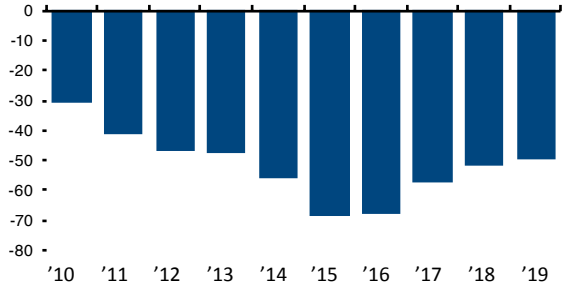
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

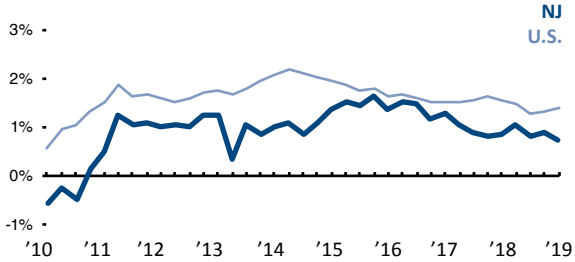
State Gross Domestic Product
Cumulative Growth 2009-2019 30.6% Rank: 42




Absolute Domestic Migration
Cumulative 2010-2019 -512,722 Rank: 47
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 9.2% Rank: 37




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 45 | 46 | 48 | 48 | 46 | 46 | 48 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 11.75% | 47 |
| Top Marginal Corporate Income Tax Rate | 11.50% | 46 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $24.81 | 46 |
| Property Tax Burden (per $1,000 of personal income) | $50.83 | 48 |
| Sales Tax Burden (per $1,000 of personal income) | $17.71 | 12 |
| Remaining Tax Burden (per $1,000 of personal income) | $13.91 | 8 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $1.63 | 43 |
| Debt Service as a Share of Tax Revenue | 5.1% | 15 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 545.1 | 35 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 65.4 | 43 |
| State Minimum Wage (federal floor is $7.25) | $12.00 | 41 |
| Average Workers' Compensation Costs (per $100 of payroll) | $2.52 | 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) | 1 | 15 |

# New Mexico

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

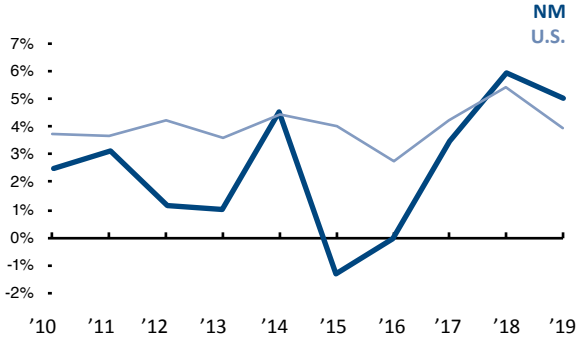
**43** Economic Performance Rank

**38** Economic Outlook Rank

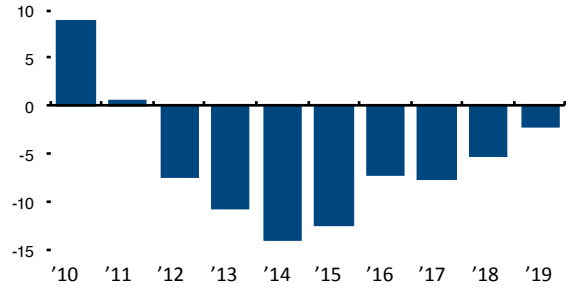
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

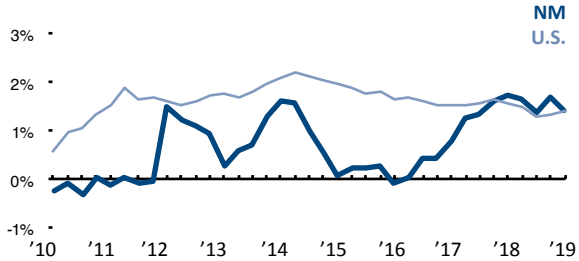
State Gross Domestic Product
Cumulative Growth 2009-2019 28.2% Rank: 44




Absolute Domestic Migration
Cumulative 2010-2019 -56,737 Rank: 34
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 7.0% Rank: 42




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 37 | 34 | 34 | 35 | 35 | 29 | 34 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.90% | 25 |
| Top Marginal Corporate Income Tax Rate | 5.90% | 16 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $11.93 | 30 |
| Property Tax Burden (per $1,000 of personal income) | $20.50 | 8 |
| Sales Tax Burden (per $1,000 of personal income) | $37.92 | 47 |
| Remaining Tax Burden (per $1,000 of personal income) | $15.31 | 14 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $2.57 | 48 |
| Debt Service as a Share of Tax Revenue | 8.0% | 40 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 589.4 | 41 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.6 | 22 |
| State Minimum Wage (federal floor is $7.25) | $10.50 | 35 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.34 | 22 |
| 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 | 32 |

# New York

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

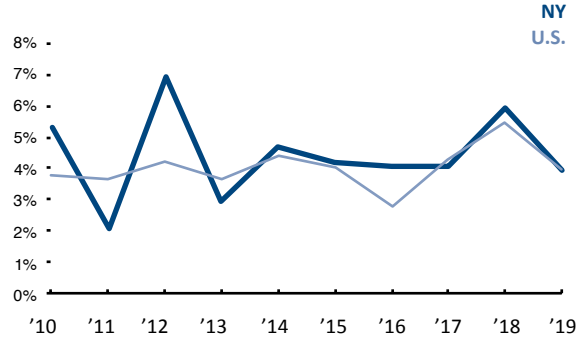
**23** Economic Performance Rank

**50** Economic Outlook Rank

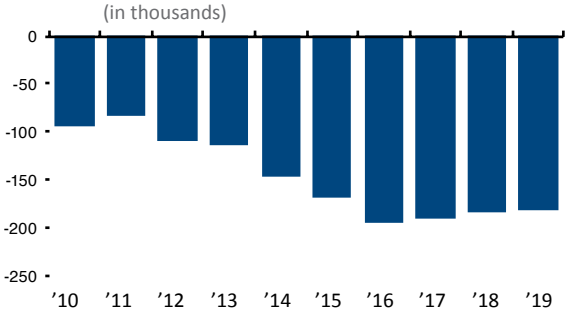
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

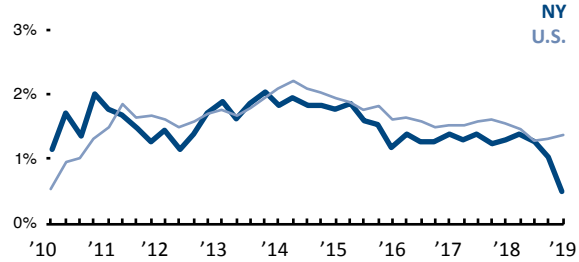
State Gross Domestic Product
Cumulative Growth 2009-2019 54.0% Rank: 11




Absolute Domestic Migration
Cumulative 2010-2019 -1,448,228 Rank: 50




Non-Farm Payroll Employment
Cumulative 2009-2019 15.2% Rank: 17




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 50 | 50 | 50 | 50 | 50 | 50 | 50 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 12.70% | 48 |
| Top Marginal Corporate Income Tax Rate | 17.30% | 50 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $16.69 | 41 |
| Property Tax Burden (per $1,000 of personal income) | $44.77 | 45 |
| Sales Tax Burden (per $1,000 of personal income) | $24.13 | 32 |
| Remaining Tax Burden (per $1,000 of personal income) | $18.30 | 28 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.93 | 40 |
| Debt Service as a Share of Tax Revenue | 9.1% | 46 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 624.1 | 46 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 67.7 | 36 |
| State Minimum Wage (federal floor is $7.25) | $12.50 | 47 |
| Average Workers' Compensation Costs (per $100 of payroll) | $2.23 | 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) | 0 | 32 |

# North Carolina

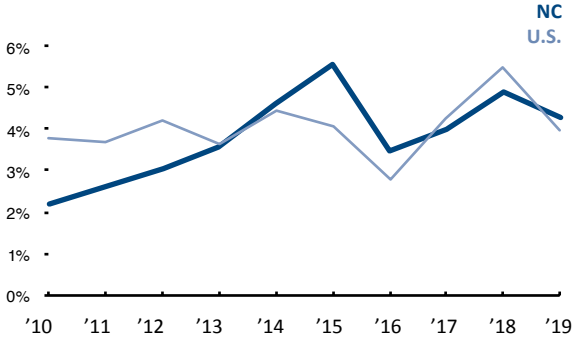
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**14** Economic Performance Rank

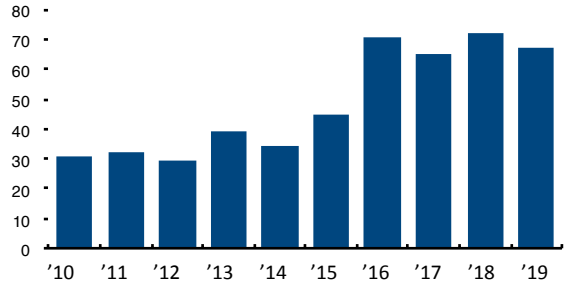
**5** Economic Outlook Rank

**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.**

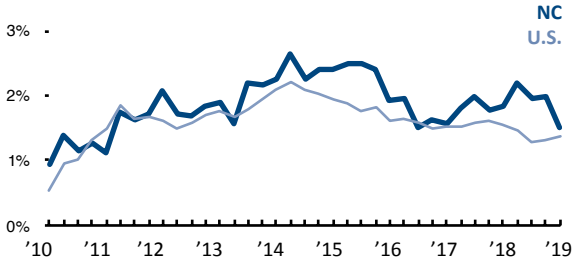
State Gross Domestic Product
Cumulative Growth 2009-2019 45.4% Rank: 24




Absolute Domestic Migration
Cumulative 2010-2019 485,416 Rank: 3
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 19.0% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 6 | 4 | 2 | 3 | 7 | 6 | 5 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.25% | 19 |
| Top Marginal Corporate Income Tax Rate | 2.50% | 4 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $7.53 | 19 |
| Property Tax Burden (per $1,000 of personal income) | $22.05 | 10 |
| Sales Tax Burden (per $1,000 of personal income) | $23.71 | 29 |
| Remaining Tax Burden (per $1,000 of personal income) | $16.06 | 19 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.43 | 33 |
| Debt Service as a Share of Tax Revenue | 4.9% | 12 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 529.6 | 29 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.9 | 16 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.31 | 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) | 1 | 15 |

# North Dakota

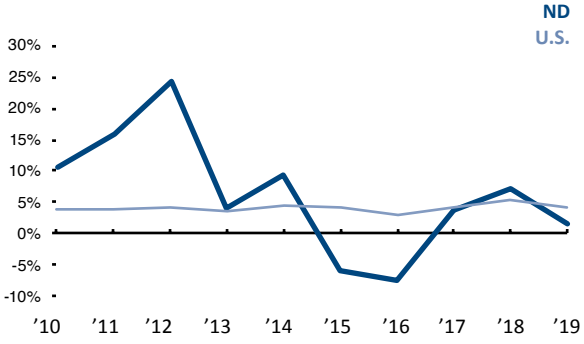
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**12** Economic Performance Rank

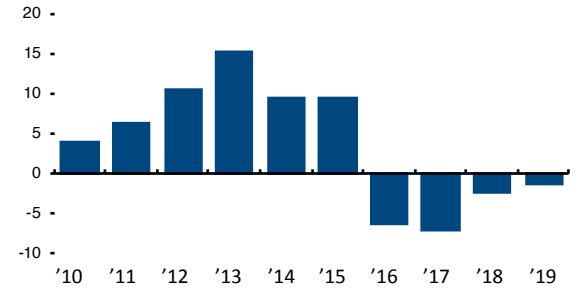
**8** Economic Outlook Rank

**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.**

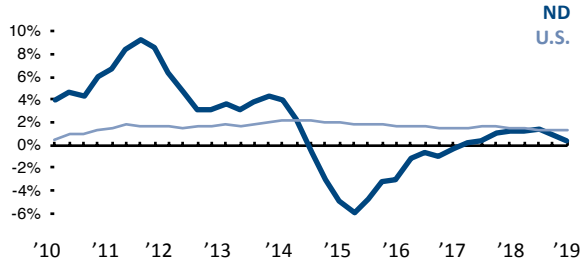
State Gross Domestic Product
Cumulative Growth 2009-2019 77.4% Rank: 1




Absolute Domestic Migration
Cumulative 2010-2019 37,690 Rank: 17
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 18.7% Rank: 15




**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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 4 | 2 | 3 | 4 | 4 | 4 | 11 |

| 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) | $8.52 | 24 |
| Property Tax Burden (per $1,000 of personal income) | $30.69 | 30 |
| Sales Tax Burden (per $1,000 of personal income) | $28.50 | 37 |
| Remaining Tax Burden (per $1,000 of personal income) | $18.88 | 31 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.48 | 5 |
| Debt Service as a Share of Tax Revenue | 4.2% | 7 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 622.3 | 45 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 72.6 | 6 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $0.67 | 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 | 32 |

# Ohio

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

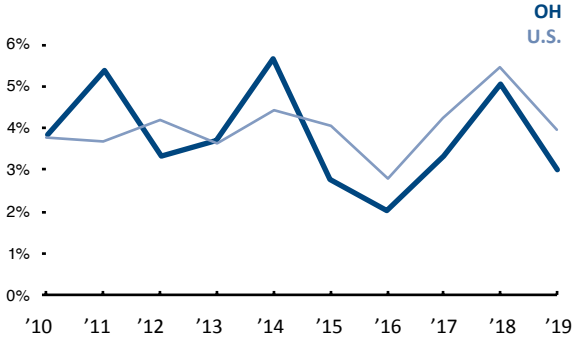
**32** Economic Performance Rank

**28** Economic Outlook Rank

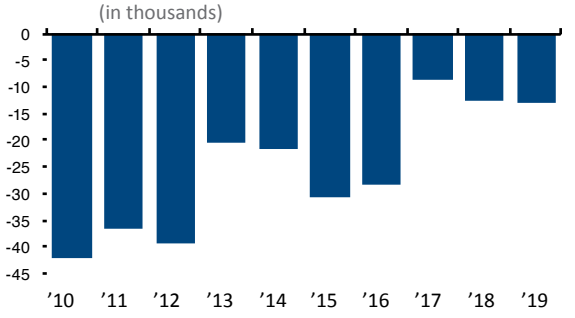
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

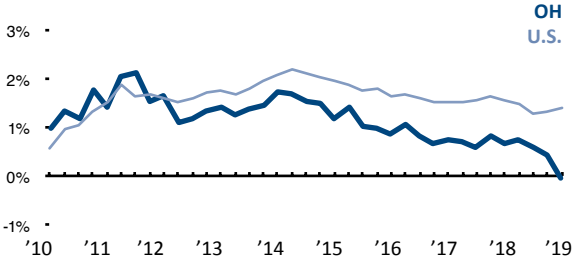
State Gross Domestic Product
Cumulative Growth 2009-2019 45.5% Rank: 23




Absolute Domestic Migration
Cumulative 2010-2019 -250,579 Rank: 44




Non-Farm Payroll Employment
Cumulative 2009-2019 11.0% Rank: 25




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 23 | 23 | 18 | 19 | 21 | 24 | 29 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 7.30% | 39 |
| Top Marginal Corporate Income Tax Rate | 3.69% | 6 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $15.65 | 39 |
| Property Tax Burden (per $1,000 of personal income) | $28.43 | 25 |
| Sales Tax Burden (per $1,000 of personal income) | $22.68 | 24 |
| Remaining Tax Burden (per $1,000 of personal income) | $16.21 | 20 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.74 | 39 |
| Debt Service as a Share of Tax Revenue | 5.8% | 22 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 497.8 | 15 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 67.7 | 35 |
| State Minimum Wage (federal floor is $7.25) | $8.80 | 25 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.11 | 11 |
| 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

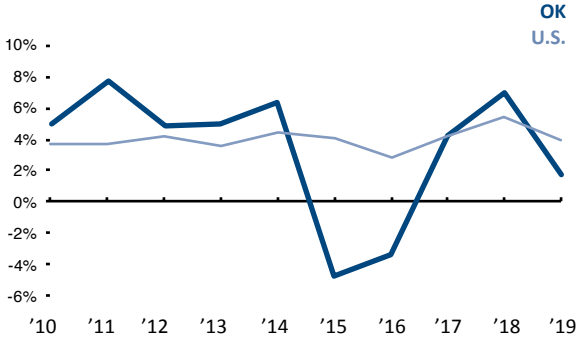
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**22** Economic Performance Rank

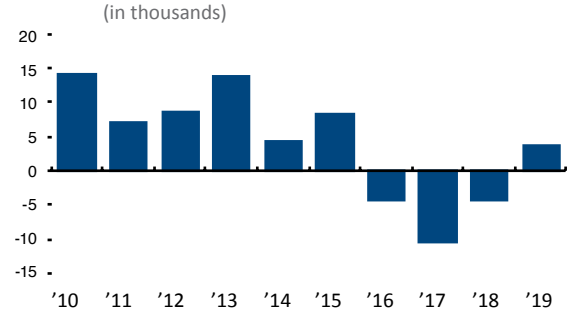
**3** Economic Outlook Rank

**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.**

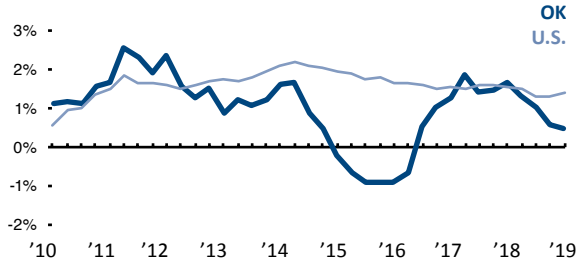
State Gross Domestic Product
Cumulative Growth 2009-2019 38.5% Rank: 32




Absolute Domestic Migration
Cumulative 2010-2019 40,392 Rank: 16
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 10.4% Rank: 29




**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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| **ECONOMIC OUTLOOK RANK** | **21** | **16** | **10** | **16** | **16** | **13** | **9** |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.00% | 16 |
| Top Marginal Corporate Income Tax Rate | 6.00% | 17 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $7.41 | 18 |
| Property Tax Burden (per $1,000 of personal income) | $17.21 | 2 |
| Sales Tax Burden (per $1,000 of personal income) | $28.12 | 36 |
| Remaining Tax Burden (per $1,000 of personal income) | $15.53 | 15 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.00 | 12 |
| Debt Service as a Share of Tax Revenue | 4.6% | 10 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 524.6 | 26 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 71.2 | 14 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.66 | 38 |
| 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 |

# Oregon

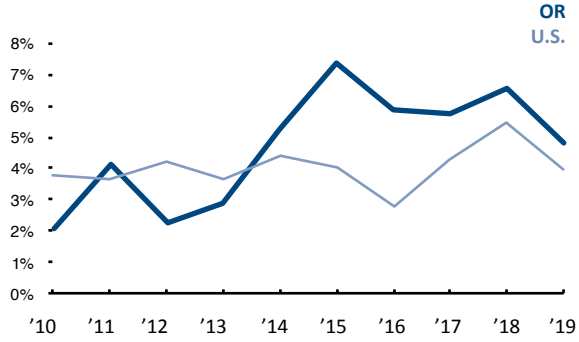
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**9** Economic Performance Rank

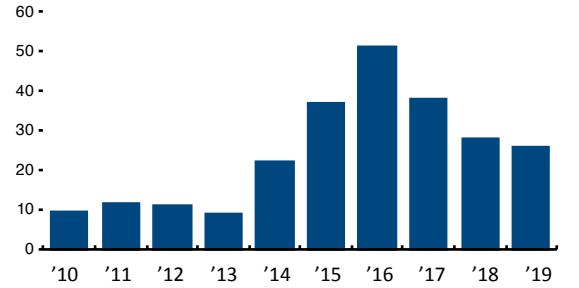
**44** Economic Outlook Rank

**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.**

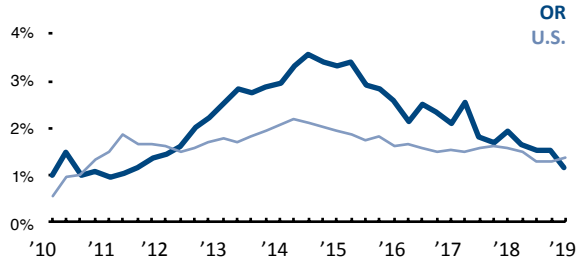
State Gross Domestic Product
Cumulative Growth 2009-2019 57.9% Rank: 7




Absolute Domestic Migration
Cumulative 2010-2019 241,823 Rank: 10
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 21.9% 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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 42 | 45 | 41 | 41 | 41 | 44 | 42 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 14.68% | 50 |
| Top Marginal Corporate Income Tax Rate | 15.80% | 48 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $40.03 | 49 |
| Property Tax Burden (per $1,000 of personal income) | $31.19 | 31 |
| Sales Tax Burden (per $1,000 of personal income) | $0.00 | 1 |
| Remaining Tax Burden (per $1,000 of personal income) | $21.25 | 40 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $2.14 | 45 |
| Debt Service as a Share of Tax Revenue | 6.9% | 32 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 492.1 | 13 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 69.9 | 25 |
| State Minimum Wage (federal floor is $7.25) | $12.00 | 41 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.00 | 7 |
| 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

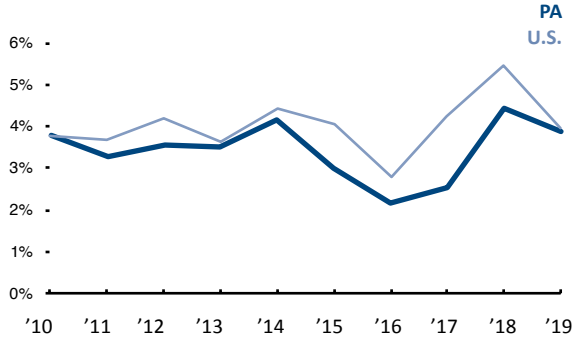
**40** Economic Performance Rank

**36** Economic Outlook Rank

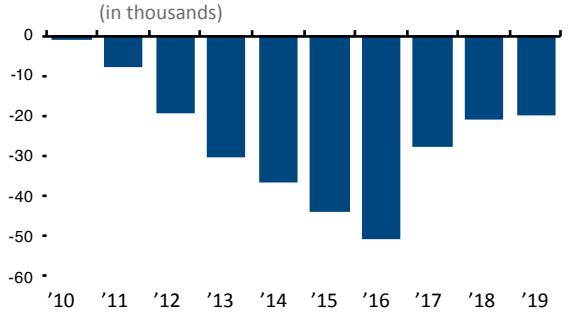
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

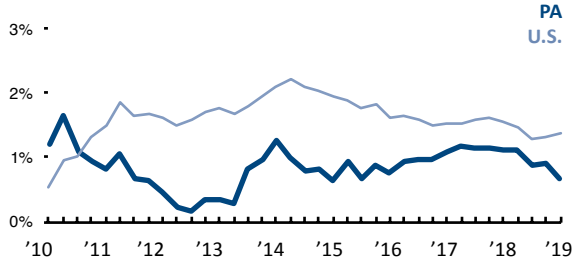
State Gross Domestic Product
Cumulative Growth 2009-2019 40.2% Rank: 31




Absolute Domestic Migration
Cumulative 2010-2019 -255,171 Rank: 45




Non-Farm Payroll Employment
Cumulative 2009-2019 8.7% Rank: 38




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 33 | 41 | 39 | 38 | 38 | 38 | 38 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 6.94% | 34 |
| Top Marginal Corporate Income Tax Rate | 16.84% | 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) | $29.01 | 27 |
| Sales Tax Burden (per $1,000 of personal income) | $16.98 | 10 |
| Remaining Tax Burden (per $1,000 of personal income) | $24.00 | 44 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.02 | 19 |
| Debt Service as a Share of Tax Revenue | 6.5% | 27 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 435.2 | 5 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 66.6 | 39 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.55 | 31 |
| 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 | 32 |

# Rhode Island

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

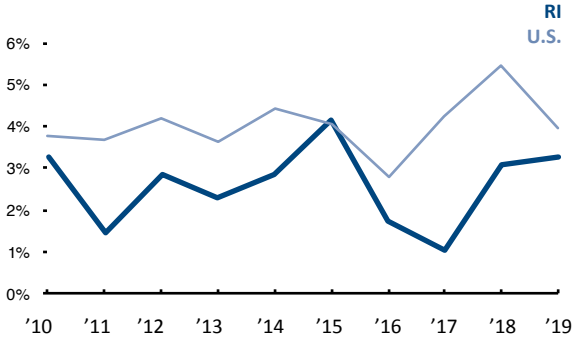
**37** Economic Performance Rank

**41** Economic Outlook Rank

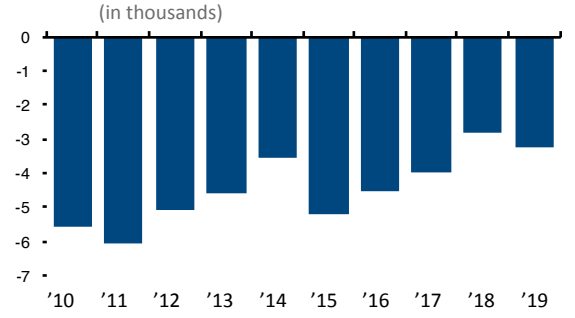
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

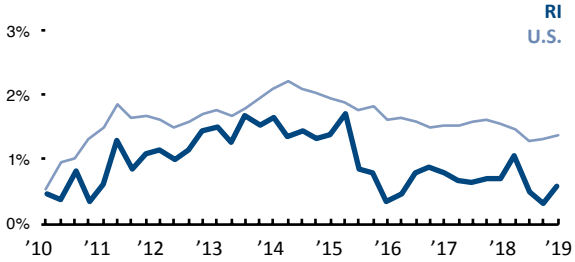
State Gross Domestic Product
Cumulative Growth 2009-2019 29.2% Rank: 43




Absolute Domestic Migration
Cumulative 2010-2019 -44,175 Rank: 30




Non-Farm Payroll Employment
Cumulative 2009-2019 9.5% Rank: 33




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 41 | 39 | 35 | 36 | 39 | 43 | 43 |

| 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) | $11.35 | 29 |
| Property Tax Burden (per $1,000 of personal income) | $45.27 | 46 |
| Sales Tax Burden (per $1,000 of personal income) | $18.46 | 14 |
| Remaining Tax Burden (per $1,000 of personal income) | $18.61 | 30 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.29 | 31 |
| Debt Service as a Share of Tax Revenue | 9.1% | 47 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 456.9 | 6 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.5 | 24 |
| State Minimum Wage (federal floor is $7.25) | $11.50 | 38 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.93 | 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) | 2 | 3 |

# South Carolina

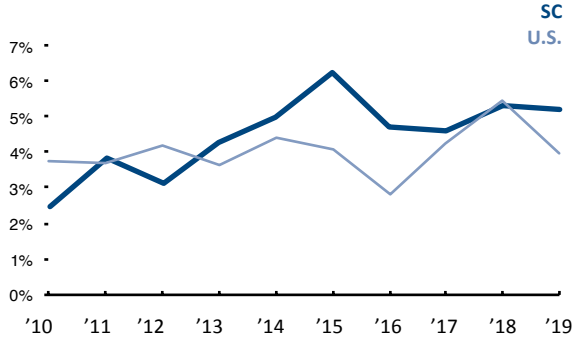
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**6** Economic Performance Rank

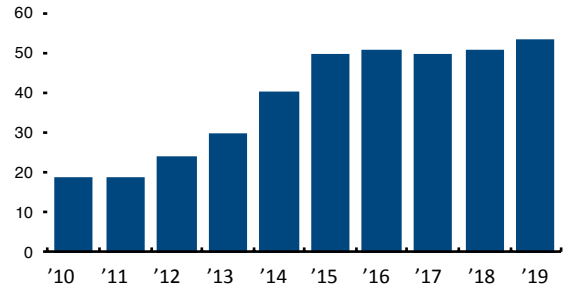
**24** Economic Outlook Rank

**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.**

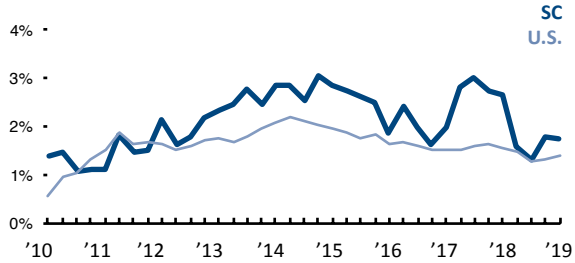
State Gross Domestic Product
Cumulative Growth 2009-2019 54.8% Rank: 9




Absolute Domestic Migration
Cumulative 2010-2019 381,378 Rank: 5
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 23.0% Rank: 9




**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

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 31 | 32 | 30 | 27 | 33 | 32 | 32 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 7.00% | 36 |
| Top Marginal Corporate Income Tax Rate | 5.00% | 13 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $18.76 | 43 |
| Property Tax Burden (per $1,000 of personal income) | $28.32 | 23 |
| Sales Tax Burden (per $1,000 of personal income) | $18.32 | 13 |
| Remaining Tax Burden (per $1,000 of personal income) | $17.69 | 26 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.00 | 12 |
| Debt Service as a Share of Tax Revenue | 6.8% | 28 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 536.8 | 32 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 67.6 | 37 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.56 | 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 |

# South Dakota

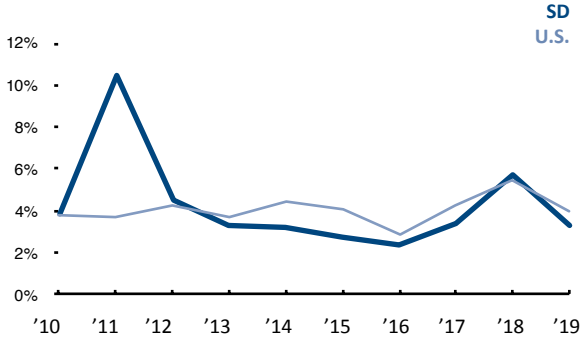
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**17** Economic Performance Rank

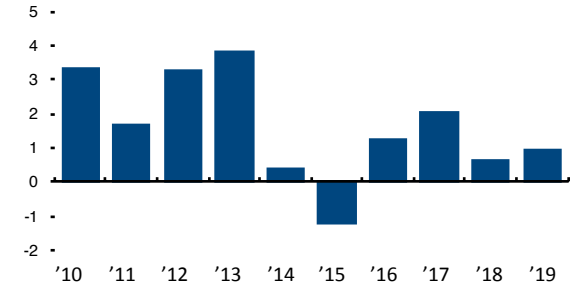
**10** Economic Outlook Rank

**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.**

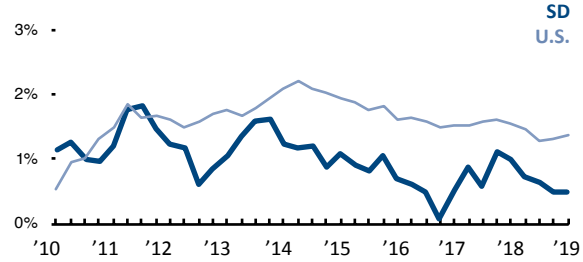
State Gross Domestic Product
Cumulative Growth 2009-2019 51.2% Rank: 15




Absolute Domestic Migration
Cumulative 2010-2019 16,096 Rank: 19
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 10.1% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 2 | 9 | 11 | 12 | 9 | 7 | 13 |

| 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) | $31.24 | 32 |
| Sales Tax Burden (per $1,000 of personal income) | $33.53 | 43 |
| Remaining Tax Burden (per $1,000 of personal income) | $19.57 | 36 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.00 | 12 |
| Debt Service as a Share of Tax Revenue | 5.5% | 17 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 535.6 | 31 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 72.0 | 10 |
| State Minimum Wage (federal floor is $7.25) | $9.45 | 29 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.48 | 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

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

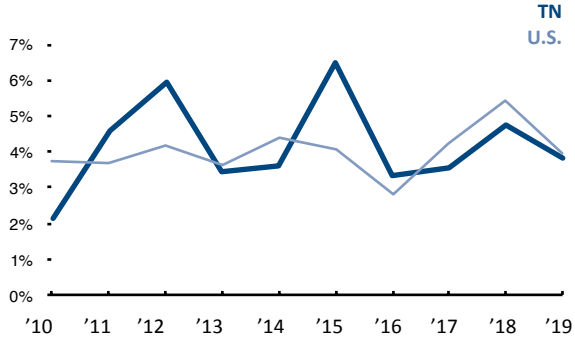
**13** Economic Performance Rank

**12** Economic Outlook Rank

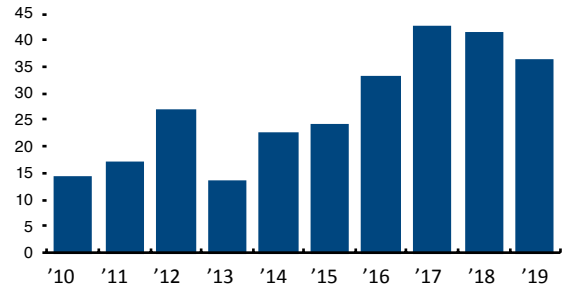
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

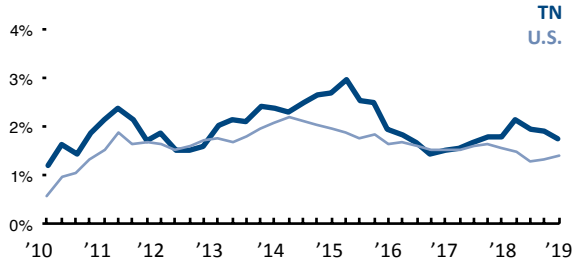
State Gross Domestic Product
Cumulative Growth 2009-2019 50.4% Rank: 16




Absolute Domestic Migration
Cumulative 2010-2019 270,611 Rank: 8
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 21.0% Rank: 12




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 19 | 17 | 7 | 5 | 12 | 8 | 8 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 0.00% | 1 |
| Top Marginal Corporate Income Tax Rate | 6.50% | 23 |
| 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) | $17.40 | 3 |
| Sales Tax Burden (per $1,000 of personal income) | $29.13 | 39 |
| Remaining Tax Burden (per $1,000 of personal income) | $18.90 | 32 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $2.60 | 49 |
| Debt Service as a Share of Tax Revenue | 8.5% | 43 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 491.6 | 12 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 68.3 | 34 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.09 | 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) | 2 | 3 |

# Texas

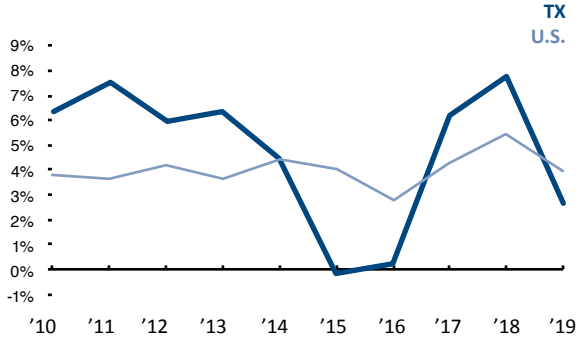
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**1** Economic Performance Rank

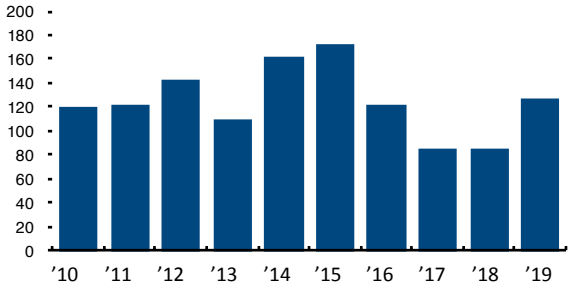
**9** Economic Outlook Rank

**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.**

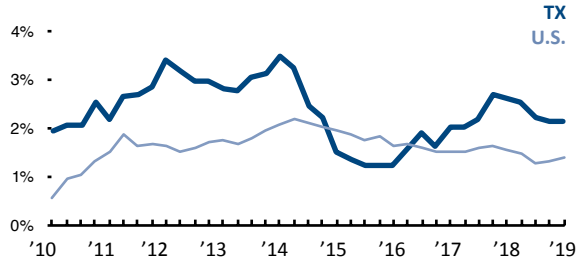
State Gross Domestic Product
Cumulative Growth 2009-2019 58.5% Rank: 5




Absolute Domestic Migration
Cumulative 2010-2019 1,236,832 Rank: 2
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 26.0% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 13 | 11 | 12 | 9 | 14 | 15 | 15 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 0.00% | 1 |
| Top Marginal Corporate Income Tax Rate | 2.66% | 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) | $39.82 | 42 |
| Sales Tax Burden (per $1,000 of personal income) | $28.59 | 38 |
| Remaining Tax Burden (per $1,000 of personal income) | $15.74 | 17 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.16 | 24 |
| Debt Service as a Share of Tax Revenue | 9.0% | 45 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 523.8 | 25 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 67.1 | 38 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $0.98 | 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) | 2 | 3 |

# Utah

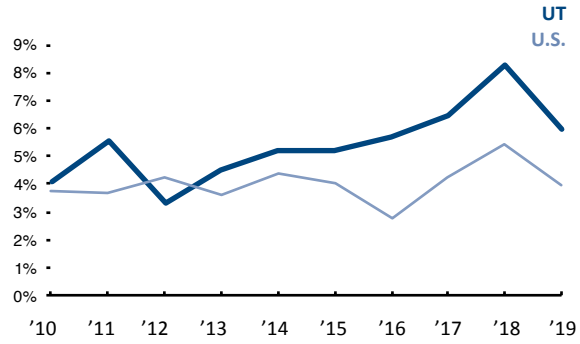
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**4** Economic Performance Rank

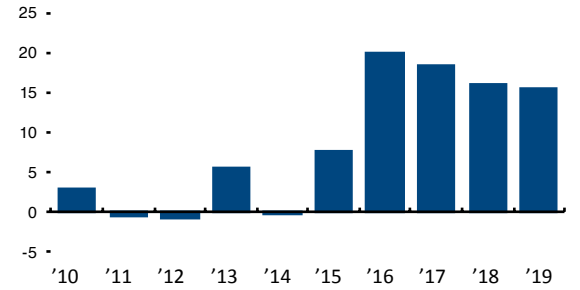
**1** Economic Outlook Rank

**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.**

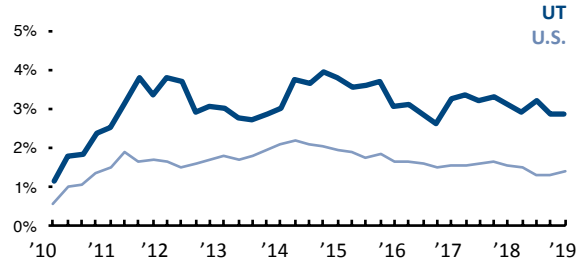
State Gross Domestic Product
Cumulative Growth 2009-2019 69.6% Rank: 3




Absolute Domestic Migration
Cumulative 2010-2019 84,634 Rank: 13
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 34.0% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 4.95% | 14 |
| Top Marginal Corporate Income Tax Rate | 4.95% | 12 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $0.29 | 12 |
| Property Tax Burden (per $1,000 of personal income) | $23.61 | 13 |
| Sales Tax Burden (per $1,000 of personal income) | $21.83 | 23 |
| Remaining Tax Burden (per $1,000 of personal income) | $15.06 | 12 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.02 | 18 |
| Debt Service as a Share of Tax Revenue | 5.9% | 25 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 497.6 | 14 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 70.7 | 19 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $0.85 | 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

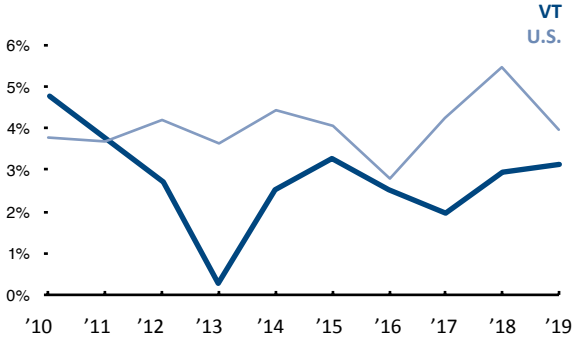
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**38** Economic Performance Rank

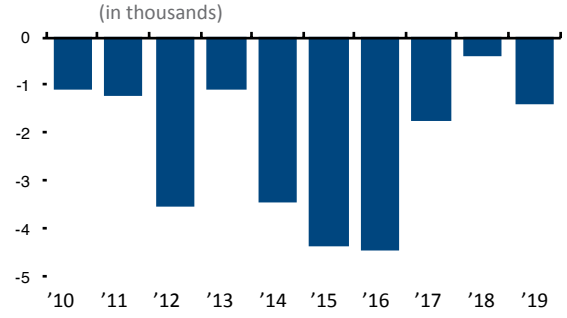
**49** Economic Outlook Rank

**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.**

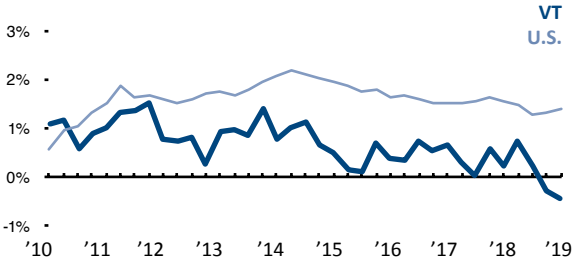
State Gross Domestic Product
Cumulative Growth 2009-2019 31.5% Rank: 40




Absolute Domestic Migration
Cumulative 2010-2019 -11,229 Rank: 24
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 6.0% 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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 49 | 49 | 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) | $28.76 | 48 |
| Property Tax Burden (per $1,000 of personal income) | $52.05 | 49 |
| Sales Tax Burden (per $1,000 of personal income) | $12.55 | 7 |
| Remaining Tax Burden (per $1,000 of personal income) | $27.76 | 48 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.59 | 37 |
| Debt Service as a Share of Tax Revenue | 3.8% | 5 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 596.3 | 43 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 71.7 | 11 |
| State Minimum Wage (federal floor is $7.25) | $11.75 | 39 |
| Average Workers' Compensation Costs (per $100 of payroll) | $2.21 | 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) | 0 | 32 |

# Virginia

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

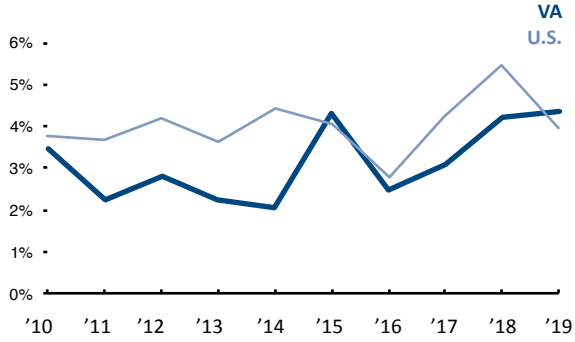
**31** Economic Performance Rank

**17** Economic Outlook Rank

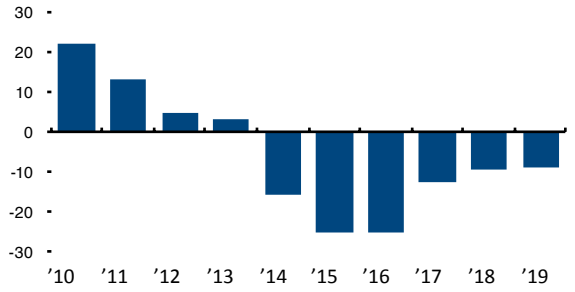
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

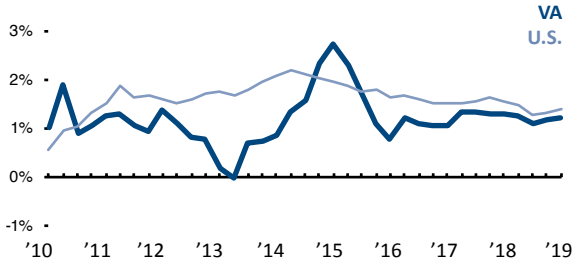
State Gross Domestic Product
Cumulative Growth 2009-2019 36.0% Rank: 35




Absolute Domestic Migration
Cumulative 2010-2019 -54,651 Rank: 31
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 12.4% Rank: 23




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 11 | 12 | 13 | 11 | 10 | 14 | 16 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 5.75% | 23 |
| Top Marginal Corporate Income Tax Rate | 7.64% | 32 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $7.60 | 20 |
| Property Tax Burden (per $1,000 of personal income) | $29.99 | 29 |
| Sales Tax Burden (per $1,000 of personal income) | $11.49 | 6 |
| Remaining Tax Burden (per $1,000 of personal income) | $15.57 | 16 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $1.78 | 44 |
| Debt Service as a Share of Tax Revenue | 5.9% | 23 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 527.3 | 28 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 71.3 | 12 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.28 | 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) | 0 | 32 |

# Washington

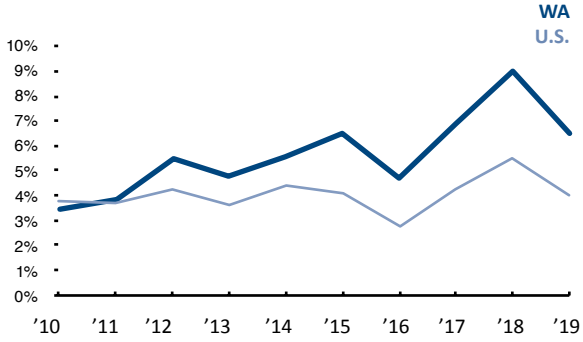
**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

**3** Economic Performance Rank

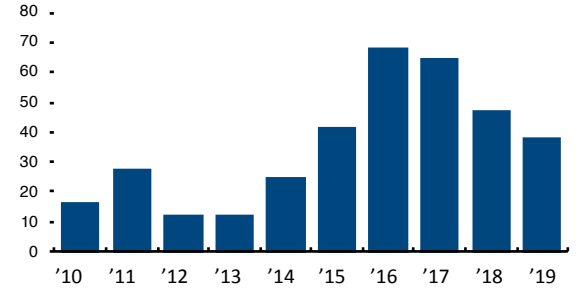
**37** Economic Outlook Rank

**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.**

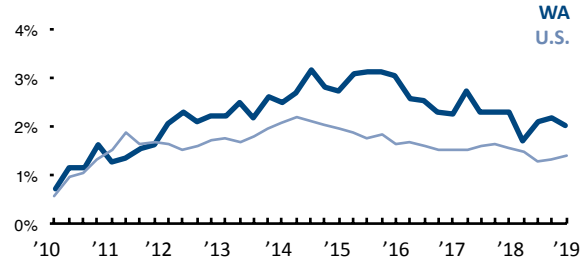
State Gross Domestic Product
Cumulative Growth 2009-2019 73.3% Rank: 2




Absolute Domestic Migration
Cumulative 2010-2019 349,920 Rank: 7
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 23.2% Rank: 8




**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 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 38 | 35 | 36 | 40 | 37 | 37 | 39 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 0.00% | 1 |
| Top Marginal Corporate Income Tax Rate | 6.85% | 26 |
| 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) | $27.43 | 20 |
| Sales Tax Burden (per $1,000 of personal income) | $34.25 | 44 |
| Remaining Tax Burden (per $1,000 of personal income) | $24.89 | 45 |
| Estate/Inheritance Tax Levied? | Yes | 50 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.97 | 41 |
| Debt Service as a Share of Tax Revenue | 8.5% | 42 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 510.5 | 19 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 69.8 | 26 |
| State Minimum Wage (federal floor is $7.25) | $13.69 | 49 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.53 | 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) | 2 | 3 |

# West Virginia

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

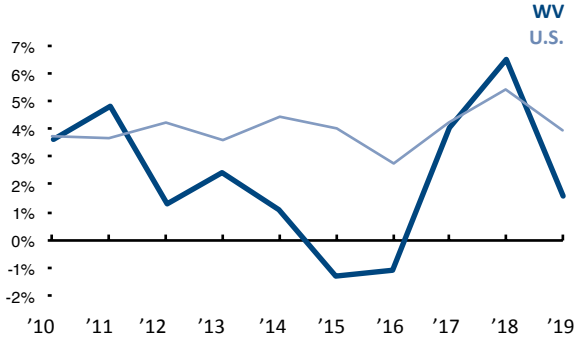
**45** Economic Performance Rank

**32** Economic Outlook Rank

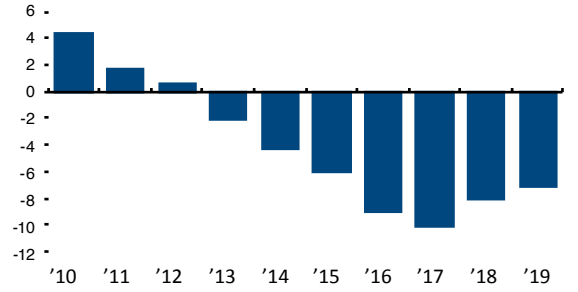
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

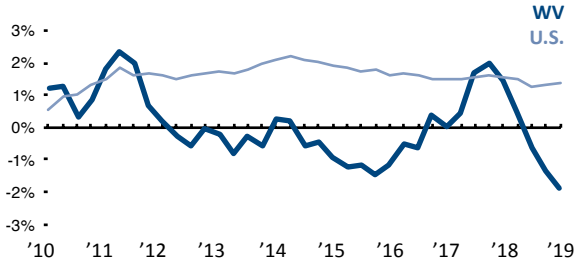
State Gross Domestic Product
Cumulative Growth 2009-2019 25.1% Rank: 45




Absolute Domestic Migration
Cumulative 2010-2019 -39,980 Rank: 29
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 0.8% Rank: 50




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 30 | 36 | 37 | 31 | 30 | 31 | 28 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 6.50% | 29 |
| Top Marginal Corporate Income Tax Rate | 6.50% | 23 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $15.53 | 38 |
| Property Tax Burden (per $1,000 of personal income) | $23.70 | 14 |
| Sales Tax Burden (per $1,000 of personal income) | $18.78 | 15 |
| Remaining Tax Burden (per $1,000 of personal income) | $27.26 | 47 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.15 | 8 |
| Debt Service as a Share of Tax Revenue | 9.6% | 48 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 561.1 | 37 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 63.3 | 45 |
| State Minimum Wage (federal floor is $7.25) | $8.75 | 23 |
| Average Workers' Compensation Costs (per $100 of payroll) | $0.79 | 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 | 32 |

# Wisconsin

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

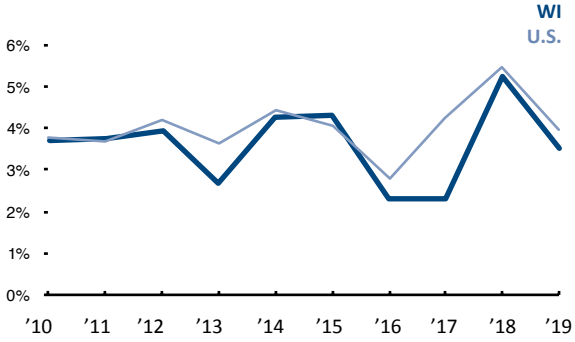
**34** Economic Performance Rank

**15** Economic Outlook Rank

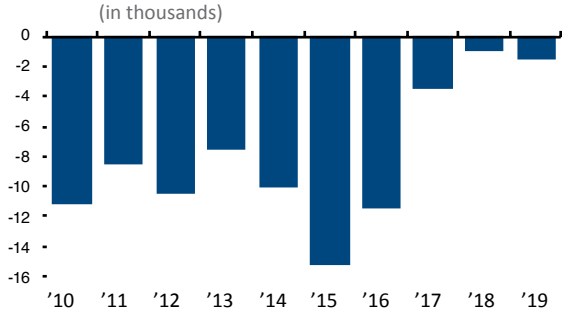
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

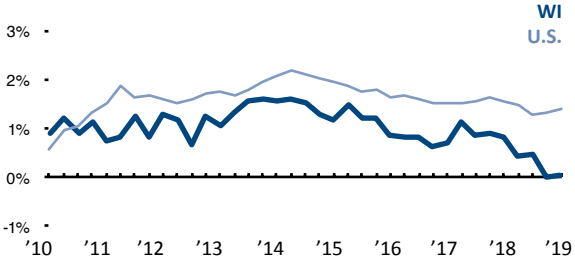
State Gross Domestic Product
Cumulative Growth 2009-2019 42.3% Rank: 26




Absolute Domestic Migration
Cumulative 2010-2019 -79,708 Rank: 37




Non-Farm Payroll Employment
Cumulative 2009-2019 9.5% Rank: 34




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 17 | 13 | 9 | 14 | 19 | 17 | 12 |

| Variable | Data | Rank |
|---|---|---|
| Top Marginal Personal Income Tax Rate | 7.65% | 40 |
| Top Marginal Corporate Income Tax Rate | 7.90% | 35 |
| Personal Income Tax Progressivity (change in tax liability per $1,000 of income) | $16.57 | 40 |
| Property Tax Burden (per $1,000 of personal income) | $33.32 | 35 |
| Sales Tax Burden (per $1,000 of personal income) | $20.11 | 19 |
| Remaining Tax Burden (per $1,000 of personal income) | $15.09 | 13 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | -$0.50 | 4 |
| Debt Service as a Share of Tax Revenue | 4.8% | 11 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 485.3 | 9 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 71.2 | 13 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.74 | 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) | 1 | 15 |

# Wyoming

**2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX**

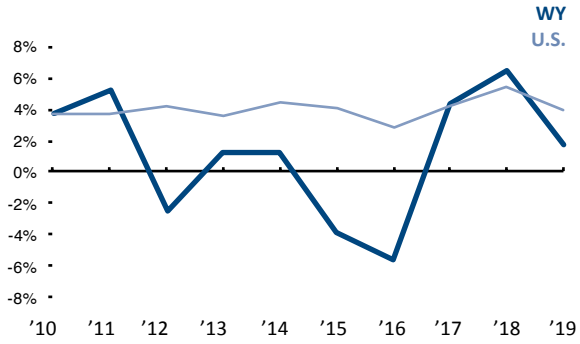
**44** Economic Performance Rank

**4** Economic Outlook Rank

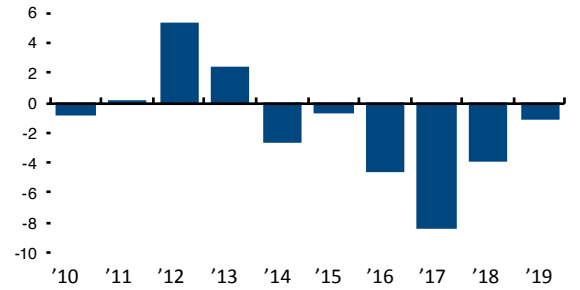
**Economic Performance Rank** (1=best 50=worst)
**A backward-looking measure based on the state's performance (equal-weighted average) in the three important performance variables shown below. These variables are highly influenced by state policy.**

**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.**

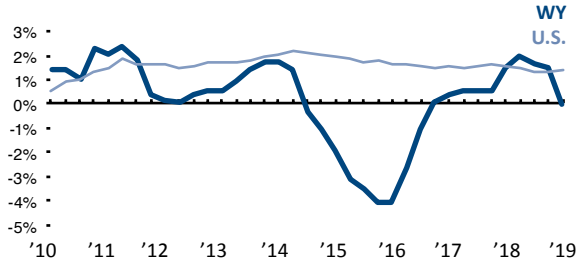
State Gross Domestic Product
Cumulative Growth 2009-2019 12.0% Rank: 49




Absolute Domestic Migration
Cumulative 2010-2019 -14,046 Rank: 25
(in thousands)




Non-Farm Payroll Employment
Cumulative 2009-2019 1.7% Rank: 49




Historical Ranking Comparison

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 |
|---|---|---|---|---|---|---|---|
| ECONOMIC OUTLOOK RANK | 10 | 8 | 4 | 7 | 8 | 10 | 2 |

| 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) | $34.29 | 36 |
| Sales Tax Burden (per $1,000 of personal income) | $22.88 | 25 |
| Remaining Tax Burden (per $1,000 of personal income) | $13.45 | 6 |
| Estate/Inheritance Tax Levied? | No | 1 |
| Recently Legislated Tax Changes (2019 & 2020, per $1,000 of personal income) | $0.61 | 38 |
| Debt Service as a Share of Tax Revenue | 2.2% | 1 |
| Public Employees Per 10,000 of Population (full-time equivalent) | 882.8 | 50 |
| State Liability System Survey (tort litigation treatment, judicial impartiality, etc.) | 73.1 | 4 |
| State Minimum Wage (federal floor is $7.25) | $7.25 | 1 |
| Average Workers' Compensation Costs (per $100 of payroll) | $1.44 | 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 | 32 |

# Appendix

## 2021 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 2021 ALEC-Laffer Economic Outlook ranking 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 variable includes local taxes, if any, and any impact of federal deductibility, if allowed. A state's largest city is 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, 2021.

### 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 is used as a proxy for local tax rates. In the case of gross receipts or business franchise taxes, an effective tax rate is approximated using NIPA profits, rental and proprietor's income and gross domestic product data. For an explanation of the estimation of Texas' franchise tax, see note below. 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 a gross receipts tax. Therefore, we believe the best measurement for an effective corporate tax rate for Texas is to average the 4.5648% measure we would use if the tax were a gross receipts tax and the 0.75% highest rate on its margin tax, leading to our measure of 2.66%. 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, 2021.

### PERSONAL INCOME TAX PROGRESSIVITY

This variable is measured as the difference between the average tax liability per $1,000, at incomes of $50,000 and $150,000. The tax liabilities are measured using a combination of effective tax rates, exemptions, and deductions at both state and federal levels, which are calculations from Laffer Associates. Tax rates are as of January 1, 2021.

### PROPERTY TAX BURDEN

This variable is calculated by taking tax revenues from state and local property taxes per $1,000 of personal income. We have used U.S. Census Bureau data, for which the most recent year available is 2018. These data were released in October 2020.

### SALES TAX BURDEN

This variable is calculated by taking tax revenues from state and local sales taxes per $1,000 of personal income. Sales taxes taken into consideration include the general sales tax and specific sales taxes. We use U.S. Census Bureau Data, for which the most recent year available is 2018. Where appropriate, gross receipts or business franchise taxes, counted as sales taxes in the Census data, are 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 2020.

### REMAINING TAX BURDEN

This variable is calculated by taking tax revenues from state and local taxes — excluding personal income, corporate income (including corporate license), property, sales and severance per $1,000 of personal income. We use U.S. Census Bureau Data, for which the most recent year available is 2018. These data were released in October 2020.

### ESTATE OR INHERITANCE TAX

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 are drawn from McGuire Woods LLP, "State Death Tax Chart" and indicate the presence of an estate or inheritance tax as of January 1, 2021.

### RECENTLY LEGISLATED TAX CHANGES

This variable calculates each state's relative change in tax burden over a two-year period (in this case, the 2019 and 2020 legislative sessions) for the next fiscal year, using revenue estimates of legislated tax changes per $1,000 of personal income. Personal income data are drawn from 2019. This timeframe ensures that tax changes will still be reflected in a state's ranking despite lags in the tax revenue data. ALEC and Laffer Associates calculations use 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

This variable calculates interest paid on state and local debt as a percentage of state and local total tax revenue. This information comes from 2018 U.S. Census Bureau data. These data were released in October 2020.

### PUBLIC EMPLOYEES PER 10,000 RESIDENTS

This variable shows the full-time equivalent state and local public employees per 10,000 of population. This information comes from 2019 U.S. Census Bureau data. These data were released in June 2020.

### 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 2019 Lawsuit Climate Survey.

### STATE MINIMUM WAGE

This variable indicates 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 of $7.25 per hour. This information comes from the U.S. Department of Labor, as of January 1, 2021.

### WORKERS' COMPENSATION COSTS

This variable highlights the 2020 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

This variable assesses whether or not a state allows employees to be forced to pay union dues as a condition of employment. States receive their rank 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, 2021.

### TAX OR EXPENDITURE LIMIT

This variable measures the influence of tax and expenditure limits on state tax revenue and spending. States were ranked by the effectiveness of state tax or expenditure limits in place according to the methodology in the ALEC "Tax and Expenditure Limitations: A Check on Growing Government" publication (forthcoming). Information was sourced from state constitutions and statutes.

# Appendix

## 2021 ALEC-LAFFER STATE ECONOMIC COMPETITIVENESS INDEX: Economic Performance Methodology

### GROSS DOMESTIC PRODUCT GROWTH

This variable is calculated by observing state GDP growth figures over 10 years from 2009-2019. A percentage change formula over the 10-year timeframe generates a GDP growth figure for each state. Data are drawn from the Bureau of Economic Analysis, which were last updated in November 2020.

### CUMULATIVE DOMESTIC MIGRATION

This variable is a summation of net in-migration of individuals for each state over a 10-year period from 2010-2019. Data are drawn from the U.S. Census Bureau, which were last revised in December 2020.

### NON-FARM EMPLOYMENT GROWTH

This variable is calculated by observing state non-farm employment growth figures over a 10-year period, from 2009-2019. A percentage change formula over the 10-year timeframe generates a decadal non-farm employment growth rate for each state. Data are drawn from the Bureau of Labor Statistics, which were last revised in January 2021.

"*Rich States, Poor States*, the title says it all. States which focus upon the proven principles of free enterprise, low taxation, minimal regulation and limited government prosper. Those which don't fall behind and struggle. If that sounds too simplistic, read on. The facts prove the theory true. My friends Art Laffer, Stephen Moore and Jonathan Williams have assembled an excellent report which can also serve as a valuable guide for legislators, governors and all policymakers. Those who follow its roadmap will soon see their states and the people they represent prosper."

**– Speaker of the House Kim Koppelman, North Dakota**

"As a defender of liberty, I devote my time and resources to promoting limited government and free markets, which is why I am a member of ALEC. *Rich States, Poor State*s is a great publication that highlights efficient, market-friendly regulations that give small business owners more power. As a legislator, I seek the most effective ways to improve Arizona and keep its thriving economy afloat in the face of rising inflation. This publication is a must-read for anyone who wants to keep the United States a strong and prosperous country!"

**– Senate President Pro Tempore Vince Leach, Arizona**
**Chairman, ALEC Task Force on Tax and Fiscal Policy**

"As a state legislator in Nebraska, I turned to *Rich States, Poor States* time and time again as a valuable resource as we fought against higher taxes and more governmental regulation. As Treasurer and now National Chairman of the State Financial Officers Foundation, I have an ever-greater understanding of how fiscal responsibility and a lessened regulatory burden can make the difference on a national level between those states that are thriving versus those states that are struggling. I recommend *Rich States, Poor States* to any policymaker on any level."

**– State Treasurer John Murante, Nebraska**

"As a former State Senator who grew up under socialism in Ukraine, I see a dangerous resemblance of the current efforts in Washington that seek to bring about more centralization of power at the federal level with those from the Soviet Union. To protect the hard-earned freedoms of the American people, states have a responsibility to take their powers back. *Rich States, Poor States* provides a roadmap for states to govern responsibly and avoid a dangerous dependency on the federal government."

**– Congresswoman Victoria Spartz, Indiana**

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