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States Can't Tax Their Way Back To Prosperity: Lessons Learned from the 1990-91 Recession

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Introduction

Following eight years of robust state budget surpluses, the economic recession in 2001 caused a dramatic fiscal turnaround in state capitals across the nation. From Boston to Sacramento, the state financial condition is worse than it's been in a decade. Lawmakers in nearly half of the states have responded by raising taxes. The most commonly used revenue vehicles are tobacco taxes and a host of fees and user charges. With the notable exceptions of Kansas, Nebraska and Tennessee, most states avoided raising their sales, income or property taxes, undoubtedly due to reluctance to raise broad-based taxes during an election year.

Few states bit the bullet and cut bloated state budgets—which nearly doubled in size during the prosperous 1990s. Many states simply pushed their fiscal problems into 2003 by drawing down rainy day reserve funds, tobacco settlement funds, or using gimmicky accounting tricks. In fact, many of the accountants at Enron or Worldcom would feel right at home in some state capitals.

If the national economy and the stock market do not dramatically improve, many states are on a collision course with record budget deficits in 2003. Four of the nation's largest states —California, Florida, Illinois and Michigan— could face severe fiscal distress in 2003. California is facing a 2003 budget deficit of $10 billion and a two-year deficit projection of nearly $34 billion—the largest deficit in the history of state government. Consequently, due to the short-term fixes employed by many states, and the slow economic recovery, fiscal year 2003 is expected to see major initiatives to raise tax rates in many states.

This study examines what happened during the last recession when states faced similar fiscal outlooks. The 1990s are an ideal experiment in how different fiscal strategies impact subsequent economic performance and budget health in the states. In the early 1990s, roughly a dozen governors signed major income tax hikes into law in an attempt to close budget gaps. This study reveals that these tax-raising states had among the worst subsequent rates of economic and income growth. Furthermore, states that raised taxes in the early 1990s recovered more slowly from the recession, and their budget problems persisted longer than states that did not raise taxes.

Starting in 1993 with the election of Christine Todd Whitman in New Jersey, and then carrying over into 1994 when more than a dozen additional tax-cutting governors were elected to office, many states reversed fiscal strategy and cut tax rates. This study presents several case studies in how governors and state legislators were successful in generating strong income growth, new business investment, and faster job growth by adopting incentive-based income tax rate reductions.

In sum, the fiscal lessons of the 1990s confirm nearly two decades of academic research: State tax policies can have a profound impact on the relative economic performance of the states. States with low and falling tax burdens—especially falling income tax burdens—outperform states with high and rising tax burdens. Most importantly, however,

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states that attempt to balance their budgets with higher tax rates are likely to lose jobs and businesses and thus create even larger long term structural deficits. In the early 1990s, California, Connecticut, New Jersey, New York and Rhode Island learned this lesson the hard way: No state can tax its way back to prosperity. Instead of raising taxes, fiscally troubled states should adopt the Michigan model of the early 1990s and cut taxes, which will improve business conditions and reverse job losses. When Michigan did this, it had one of the fastest rates of new job creation of any of the states in the 1990s.

How Taxes Effect State Economies

Tax increases can be fiscally tempting during tough times—particularly tax hikes oriented toward the rich that will not be directly felt by a large percentage of the voters. These tax policies are counterproductive. Higher tax levies imposed on wealthy individuals and businesses reduce economic activity inside the state and shrink the overall tax base. Wealthy individuals will simply relocate their homes and businesses out of a state that is raising taxes "on the rich" and move to more taxpayer-friendly jurisdictions.

Do state tax policies influence state economic performance? A multitude of factors—the educational system, energy prices, infrastructure, labor conditions, wages, crime rates, regulatory climate, even the weather—impact a state's financial condition. Tax policy, however, is also an important contributing factor to the economic climate of a state. Since capital is more mobile today, economists are more convinced than ever of the inverse relationship between higher taxes and higher growth rates. Studies have consistently shown that states with high and rising tax burdens are more likely to suffer economic decline, while those with lower and falling tax burdens are more likely to enjoy robust economic growth.[i] A study by the Federal Reserve Board of Atlanta examined state economic performance from 1960 to 1992 and found that "tax rates [average and marginal] are negatively related to growth and are sufficiently variable over time to reasonably explain variations in growth rates."[ii]

In the 1990s, states with high and rising tax burdens underperformed relative to states with low and falling tax rates. I produced a study for the Joint Economic Committee of Congress in 1994 that examined the economic growth records of ten states that had raised taxes in fiscal years 1990 through 1993 and ten states that had cut taxes during the same period. The tax-hiking states experienced a net gain of only 3,000 new jobs, an increase in the unemployment rate of 2.2 percentage points, and a $484 real *decline* in personal income per family of four. In contrast, the tax-cutting states created 653,000 new jobs, and experienced an increase in the unemployment rate of only 0.6 percentage points and a $300 real *increase* in personal income per family of four.

The contrast was even greater when only income tax changes were considered. The income-tax-hiking states experienced a net *loss* of 182,000 jobs, a 2.3 percentage point increase in the unemployment rate, and a $613 real *decline* in personal income per family of four. The income-tax-cutting states created 975,000 new jobs, and experienced an increase in the unemployment rate of only 0.3 percentage points and a $148 real *increase* in personal income per family of four.

State Taxes and Economic Performance in the 1990s

Our first task in this study is to examine how the overall level of taxes at the beginning of the decade impacted the rate of economic growth and job creation in the states over the subsequent ten-year period 1990-2000. To achieve this objective, we use standard Census Bureau, Bureau of Economic Analysis, and Bureau of Labor Statistics data through 2000.

We find that the negative relationship between taxes and growth at the state level is still as pronounced as ever. Table 1 shows our findings. The ten states with the highest per capita state tax burdens in 1990 experienced economic growth that was, at most, half the rate of that of the ten states with the lowest per capita state tax burdens.

- Population growth was 14.1 percent in the lowest tax states versus only 10.8 percent in the highest tax states.
- Real personal income grew by 40.5 percent in the lowest tax states, but by only 25.6 percent in the highest tax states.

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- Job growth was 28.0 percent in the lowest tax states, compared to only 13.3 percent in the highest tax states.

Are Some Tax Actions Worse than Others?

Not all tax policy changes have an equivalent economic impact. According to supply-side economic theory, tax rate increases have the most negative impact on economic activity, because the marginal rate of taxation on investment, work, and savings is very important in maintaining economic growth. Raising income and business tax rates is therefore the most deleterious economic action for states since it raises the cost of every additional hour of work or every additional dollar invested. Thus, our second experiment in this study was to examine how tax *rate changes* impacted growth in the 1990s.

The evidence from the 1990s confirms the supply-side theory. In the chart below, we compare the economic records of the ten states that raised income tax rates with the fifteen states that cut income tax rates. Here is what the analysis found (summarized in Table 2):

- Population growth in tax rate cutting states (17.6%) was twice the level of the tax rate raising states (7.6%).
- Job creation rates were almost three times higher in the tax rate cutting states (18.6%) than in tax rate raising states (6.8%).
- Real personal income growth in the tax rate reducing states (34%) beat the tax rate increasing states (23%) by ten percent.

These significant economic differences are at least partially explainable by differences in tax policies, confirming the fact that raising income tax rates is typically one of the most economically harmful steps to take. Cutting tax rates, however, is typically an effective economic recovery policy.

The same analysis was also performed by dividing states on the basis of whether they raised or cut their corporate income tax rates. In the 1990s, nine states raised their corporate tax rates and 11 states cut corporate rates. Table 3 shows there was no significant difference in economic performance between these states. The corporate tax cutting states performed only slightly better than the tax raising states in terms of job creation, population growth and personal income gains. These results suggest states can get more "bang for the buck" by cutting personal income tax rates than by cutting corporate rates, but raising personal or corporate tax rates is still economically inadvisable as a budget-balancing tool in times of fiscal crisis.

State Tax Cuts: Fiscally Irresponsible?

The evidence so far suggests the economic futility of raising taxes to balance state budgets. What about the converse? Can states increase revenues when tax rates are cut? In many instances, the answer to this question is an unequivocal "yes."

A fascinating analysis by Michael Flynn, Director of Legislation and Policy at the American Legislative Exchange Council, finds that most states had healthy revenue growth even after they cut taxes during the late 1990s. Table 4 shows that in the 15 states that cut income taxes by at least $75 million between 1995 and 1998, income tax revenues climbed by a robust ten percent or more in every state except Michigan (where income tax revenues fell by 18 percent). In eight of the 15 states, income tax revenue growth was at or above the rate for all fifty states (29 percent).[iii] Clearly, tax cuts can be an act of fiscal prudence and provide an economic stimulus for states.

State Fiscal Lessons from the Last Recession

The economy slipped into a mild recession in 1990-91, similar in length and severity to the recession of 2001. The recession hit state budgets with the customary lag effect, making 1991-92 the most difficult budget years for the states. Then, as now, states employed a wide range of fiscal strategies to combat the deficit-inducing impact of economic contraction. Thus, we believe a review of the lessons from differing state fiscal strategies during that last recession is worth examining in these current, fiscally troubled times for states.

During the recession of 1990-91, more than half of the states—including, most notably, New York, New Jersey, Connecticut and California—raised taxes. Other states curtailed spending growth and avoided major tax hikes. This experience serves as a useful guide to differing fiscal approaches, and

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how they impacted state balance sheets and overall economic performance.

What is striking about the early and mid 1990s is the aggressive tax cutting in 1995-96 after a wave of pro-growth, reform-minded governors won election. In fact, the 1995-96 biennium was the largest state tax-cutting period since the early 1980s. The top ten tax-cutting states reduced state taxes as a share of total tax collections by about 7 percent. Michigan cut tax revenues by more than 10 percent.

Below, we contrasted the economic and fiscal performance of the top ten tax-raising states from 1990-96 with the ten states that cut taxes or at least avoided tax increases. (We excluded Alaska from the study because of peculiarities in its revenue sources.) We examined the change in the economic status of these states (the dependent variables) over the period 1990-97. Major findings, as summarized in Table 6, include the following:

- Budget Reserves: The budget reserves of the tax-cutting states (7.1 percent of state expenditures) were much higher than those of the states that raised taxes (1.7 percent) (see Figure 1). Tax-cutting states were in better fiscal health than tax-increasing states.
- Bond Ratings: If tax cuts contribute to fiscal deterioration, then the bond ratings of the ten states that cut taxes aggressively in the 1990s should be worse than the ten states that raised taxes. In fact, just the opposite was true. In the tax-cutting states, the average Moody's bond rating in 1995 was between Aaa and Aa. In the tax-raising states, the average Moody's bond rating was between Aa and A1.
- Population Growth: Americans voted with their feet in favor of tax-cutting states. Figure 2 shows that population gains were 3.8 percent in the tax-raising states, but 13 percent in tax-cutting states. The tax-cutting states gained 500,000 more people than the tax-increasing states.
- Employment Growth: Businesses migrated to low-tax states in the 1990s, enhancing job growth in their new locales. From 1990 to 1997, the United States gained approximately 12 million (net) new jobs. But in the ten states that raised taxes, total employment rose by 5 percent, which was only one-third the job growth in the tax-cutting states (16 percent). Some of the tax raising states lost jobs from 1990-95, including Rhode Island, Connecticut, California and Massachusetts. Job flight was reversed only after taxes were cut in these states in the mid 1990s. (See Figure 3.) None of the tax-cutting states lost jobs in the first half of the '90s.
- Incomes: Total state income grew by 22.5 percent in the tax-cutting states—twice the rate of income growth in the tax raising states (11.3%). (See Figure 4.)

State Economic Performance Before and After Tax Cuts

The final piece to this puzzle is to examine what happened in states like New Jersey, California, New York and Connecticut when they switched fiscal policies from tax raising to tax cutting. We examined the experience of nine states that are particularly illustrative of the impact of tax cuts on state economic development, states that raised taxes in the late 1980s or early 1990s, then cut them in more recent years.

The nine states analyzed are Arizona, California, Connecticut, Georgia, Massachusetts, Michigan, New Jersey, New York and Pennsylvania. In 8 of the 9 states, job growth had been negative or zero in the years before the tax cuts; economic growth was positive in the years after the tax cuts. Here are the summaries of the fiscal and economic circumstances in each of these states:

Arizona: Under Gov. Fife Symington, taxes were cut by $1.5 billion from 1992-94. The top income tax rate fell from 8.7 percent to 5.6 percent, and the corporate income tax was cut as well. Over this time period, job creation, population and new business creation grew at three times the national average. Employment had been steadily falling in Arizona in the two years before Symington's tax cutting.

California: In 1990, the legislature and Gov. Pete Wilson enacted a $7 billion tax increase, the largest in the history of the fifty states. The top income tax rate was raised from 9.5 percent to 11 percent. This rate hike was noteworthy because it failed to raise any new revenue while sinking the state deeper into recession. The already ailing economy continued to decline; from 1990 to 1993 the state lost 350,000

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jobs. In 1995 the tax hike was repealed, and over the next four years the state gained more than 200,000 jobs and the unemployment rate fell sharply. Now, after a four-year, 40 percent bulge in the state budget, the Gray Davis administration is looking at a whole new slate of tax hikes to close a two-year, $34 billion deficit. (See Figure 5)

Connecticut: Connecticut became the 41st state to adopt a personal income tax in 1991, enacting the largest tax increase in state history. It caused an enormous exodus from the state, making Connecticut one of only two states to lose population in the 1990s. In 1995-96 Gov. John Rowland enacted a $300 million income tax cut, financed by a zero-growth budget that cut general assistance welfare, public housing aid, transportation funds, and imposed a hiring freeze. The tax cuts helped pull the state economy out of the recession, which had devastated the state's insurance, defense and banking industries—a recession exacerbated by Gov. Lowell Weicker's tax grab. From 1990 to 1995, 125,000 jobs were lost. Between 1995 and 1999, all the lost jobs were replaced.

Georgia: In the mid-1990s, then-Gov. Zell Miller enacted a series of tax cuts. In 1996, Miller signed a $500 million tax cut, exempting food from the sales tax. In 1994, Miller approved a $100 million tax cut for families with children by raising the dependent exemption from $1,500 to $2,500, and signed an income tax cut for senior citizens with retirement income. These tax cuts lead to an economic boom in the state. In the 1990s, Georgia had the fastest growth rate of any state east of the Mississippi; employment grew more than twice the regional average between 1990-96.

Massachusetts: Gov. Michael Dukakis's last budget contained a series of tax increases designed to close a $1-billion-plus budget deficit, which ultimately was not eliminated until Gov. William Weld's tight spending restraint, privatization of state services, and reduction in the public payroll. Weld enacted an income tax rollback in 1991—the first of eight tax cuts he pushed through in his first term. He also canceled several Dukakis tax hikes. Between 1992 and 1996, the state regained the 150,000 jobs it lost during the 1990-91 recession.

Michigan: Gov. John Engler inherited a $1.5 billion deficit in 1991, and quickly closed the gap through an impressive budget-cutting agenda. He ended a general assistance program for 75,000 employable adults, slashed 6,000 workers from state payrolls, ended low-priority programs such as funding for the arts, and privatized homeless services and other state activities. Engler enacted the first of 15 tax cuts in 1991, even though the state was still in the red. The largest and most controversial was a school financing/tax restructuring program under which local property taxes were sharply reduced and the state sales tax was raised by two percent. This property/sales-tax swap provided a net tax cut of more than $500 million per year. Gov. Engler began a phase-out of the business income tax in the next budget year. The economy has since surged in Michigan. The unemployment rate fell by the mid 1990s to the lowest at any time since the mid-1960s, and this once rust-belt state had lower unemployment than the national average. Under Gov. Engler's leadership, the state created 500,000 jobs in his first two terms in office. In the two years before Engler's tax cutting, the state had no net new jobs.

New Jersey: The leader most responsible for launching the tax cutting experiment around the nation was New Jersey Gov. Christine Todd Whitman, who was first elected in 1993 on a Reaganite 30 percent across-the-board income tax-cut pledge. The top income tax rate in New Jersey was chopped from 7 percent to 6.35 percent in Whitman's first term—a $1.2 billion savings for taxpayers. The typical middle-income family paid about $300 less per year in state income tax. Whitman's tax cuts were a reversal of the soak-the-rich tax hikes enacted by her predecessor, Jim Florio. By the end of 1996, 90 percent of the jobs lost during the Florio years had been recovered. After virtually no growth in the Florio years, state personal income grew by nearly 4 percent per year in the mid-1990s. (See Figure 6)

New York: In 1994, George Pataki narrowly defeated the nation's most articulate champion of big-government liberalism, Mario Cuomo, by running on a platform of income tax cuts. Pataki's 20 percent income tax cut was as large ($2.5 billion) as those enacted by the rest of the states combined. Amazingly, the growth in tax revenues was higher during Pataki's tax cutting first term than during Cuomo's tax-raising final term. After losing one-half million jobs from 1990 to 1995, at least par-

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tially due to Cuomo's tax increases, New York recovered virtually all those jobs by 1998, the end of Pataki's first term. (See Figure 7)

Pennsylvania: In the early 1990s, then-Gov. Robert Casey enacted a $2 billion income tax increase—raising the rate from 2.1 percent to 2.8 percent. Pennsylvania created virtually no jobs from 1990 to 1995. In his first year in office, then-Gov. Tom Ridge pushed through a $200 million business income tax cut and a workmen's compensation reform measure that reduced premiums by roughly 10 percent. In 1996, he endorsed a reduction in the franchise tax and a $1,000 tax credit for new hires. This combination of pro-growth tax cuts lead to a net gain of 200,000 jobs from 1996-98.

These results—suggesting that tax cuts and spending restraint contribute to state economic competitiveness—are consistent with earlier studies. For example, in 1993 the Joint Economic Committee compared the job creation performance and per capita growth of incomes in the states that raised taxes over the period 1990-93 with those of the states that cut taxes or avoided raising taxes. The JEC found that tax-avoiding states created 653,000 new jobs over the period versus just 3,000 in the tax-increasing states. Yet the tax-increasing states have much larger populations.

Conclusion

At least half of the nation's governors (Republicans and Democrats alike) believe they can tax their way back to prosperity. Recent history suggests otherwise. Governors attempted to enact "soak the rich" tax hikes in the early 1990s only to see their states plunge into even deeper pools of red ink and endure further economic contraction. In fact, New Jersey's tax receipts grew twice as fast in the two years after Christine Whitman cut the income tax than they did in the two years after Jim Florio raised that tax.

State lawmakers need to understand that higher tax rates don't redistribute income, they redistribute taxpayers.

Only through budget/spending control and economic growth tax reduction policies will fiscally ailing states close their budget gaps next year. That is the principal fiscal lesson of the recession of 1990-91. Hopefully states won't have to re-learn this lesson the hard way in these financially troubled times.

Notes

1 *See, e.g., Richard Vedder, "State and Local Taxation and Economic Growth: Lessons for Federal Tax Reform," Joint Economic Committee of the U.S. Congress, December 1995; Zsolt Becsi, "Do State and Local Taxes Affect Relative State Growth?," Federal Reserve Bank of Atlanta* Economic Review, *March–April 1996; and Stephen Moore and Dean Stansel, "Tax Cuts and Balanced Budgets: Lessons from the States," Cato Institute Fact Sheet, September 17, 1996.*

2 *See Zsolt Becsi, "Do State and Local Taxes Affect Relative State Growth?," Economic Review 2, Federal Reserve Bank of Atlanta, 1996.*

3 *See Michael Flynn, "$74 Billion Dollar Windfall: Surplus Revenues in the States," American Legislative Exchange Council, State Factor, December 1998.*

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Appendix A: Tables and Figures

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TABLE 1
1990S ECONOMIC GROWTH IN 10 HIGHEST TAX STATES AND 10 LOWEST TAX STATES

State	1990 per capita state tax revenue (2000 $)	Rank	Population growth 1990-2000	Rank	Real personal income growth 1990-2000	Rank	Employment growth 1990-2000	Rank
U.S. Total	$1,551		13.2%		29.2%		20.3%	
High-Tax States								
Alaska	$3,685	1	14.0%	17	12.4%	49	16.9%	36
Hawaii	$2,766	2	9.3%	31	2.9%	50	4.4%	49
Delaware	$2,225	3	17.6%	13	27.8%	24	20.8%	28
Connecticut	$2,111	4	3.6%	47	19.8%	41	4.3%	50
New York	$2,095	5	5.5%	42	19.1%	42	5.1%	48
Massachusetts	$2,052	6	5.5%	41	30.2%	21	11.3%	44
Minnesota	$2,049	7	12.4%	21	36.1%	12	25.8%	15
Washington	$1,997	8	21.1%	10	42.7%	8	26.5%	13
California	$1,912	9	13.8%	18	26.6%	28	15.9%	39
Wyoming	$1,778	10	8.9%	32	25.8%	29	20.6%	29
High-Tax States Total			10.8%		25.6%		13.3%	
Low-Tax States								
New Hampshire	$706	50	8.4%	37	35.5%	13	22.5%	25
South Dakota	$946	49	11.4%	22	31.6%	16	30.8%	9
Texas	$1,138	48	16.7%	14	48.3%	6	32.9%	6
Tennessee	$1,144	47	8.5%	36	36.5%	11	24.4%	19
Colorado	$1,224	46	30.6%	3	63.5%	2	45.5%	4
Mississippi	$1,225	45	10.5%	24	33.2%	15	23.2%	24
Alabama	$1,243	44	10.1%	25	24.0%	34	18.1%	33
Nebraska	$1,262	43	12.9%	20	25.6%	30	24.5%	18
Arkansas	$1,266	42	13.7%	19	30.9%	19	25.5%	16
Missouri	$1,270	41	9.3%	30	27.2%	26	17.2%	35
Low-Tax States Total			14.1%		40.5%		28.0%	

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Table 2

Economic Growth and Personal Income Tax Rate Changes, 1990-2001

	Personal Income Tax			1990-2001 Growth In		
	1990	2001	Change	Population	Employment	Real Personal Income
Tax Hikers						
Connecticut	0	4.5	4.5	4.2%	-4.5%	20.5%
Kansas	5.95	6.45	0.5	8.8%	8.5%	25.7%
Nebraska	6.41	6.68	0.27	8.5%	12.9%	26.3%
New Jersey	3.5	6.37	2.87	9.5%	3.7%	24.3%
North Carolina	7	8.25	1.25	23.4%	13.5%	43.3%
North Dakota	3.92	5.54	1.62	-0.7%	7.8%	18.1%
Ohio	6.9	7.5	0.6	4.9%	9.9%	17.7%
Pennsylvania	2.1	2.8	0.7	3.4%	5.7%	17.7%
Rhode Island	6.4288	9.9	3.4712	5.5%	-0.8%	15.5%
Vermont	7.84	9.504	1.664	8.9%	11.6%	24.3%
Tax Hiker Average	5.0	6.7	1.7	7.6%	6.8%	23.3%
Tax Cutters						
Arizona	7	5.04	-1.96	44.8%	35.6%	57.6%
Colorado	5	4.63	-0.37	34.1%	31.9%	65.1%
Delaware	7.7	5.95	-1.75	19.5%	18.8%	30.4%
Hawaii	10	8.3	-1.7	10.5%	8.2%	3.6%
Idaho	8.2	7.8	-0.4	31.2%	39.9%	47.3%
Iowa	9.98	8.98	-1	5.3%	10.7%	21.8%
Maryland	5	4.75	-0.25	12.4%	9.4%	25.5%
Massachusetts	5.95	5.3	-0.65	6.0%	4.3%	30.8%
Michigan	4.6	4.1	-0.5	7.5%	15.4%	23.0%
Minnesota	8	7.85	-0.15	13.6%	19.5%	37.1%
New Mexico	8.5	8.2	-0.3	20.7%	20.6%	37.5%
New York	7.875	6.85	-1.025	5.7%	0.3%	19.9%
Oklahoma	7	6.65	-0.35	10.0%	12.2%	24.0%
Utah	7.2	7	-0.2	31.7%	36.6%	56.3%
Wisconsin	6.93	6.75	-0.18	10.4%	15.7%	29.5%
Tax Cutter Average	7.3	6.5	-0.7	17.6%	18.6%	34.0%
US Total				14.5%	13.8%	30.3%

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TABLE 3
ECONOMIC GROWTH AND CORPORATE INCOME TAX RATE CHANGES, 1990-2001

	Corporate Income Tax			1990-2001 Growth In		
	1990	2001	Change	Population	Employment	Real Personal Income
Tax Hikers						
Alabama	5	6.5	1.5	10.5%	15.6%	25.6%
Arkansas	6	6.5	0.5	14.5%	11.1%	33.3%
Kentucky	8	8.25	0.25	10.3%	11.9%	31.5%
Missouri	5	6.25	1.25	10.0%	15.8%	28.0%
Nebraska	7.24	7.81	0.57	8.5%	12.9%	26.3%
New Hampshire	8	8.5	0.5	13.5%	12.2%	36.9%
Pennsylvania	8.5	9.99	1.49	3.4%	5.7%	17.7%
Texas	0	4.5	4.5	25.5%	23.3%	50.7%
Vermont	8.25	9.75	1.5	8.9%	11.6%	24.3%
Tax Hiker Average	6.22	7.56	1.34	11.7%	13.3%	30.5%
Tax Cutters						
Arizona	9.3	6.968	-2.332	44.8%	35.6%	57.6%
California	9.3	8.84	-0.46	15.7%	14.8%	26.9%
Colorado	5.5	4.63	-0.87	34.1%	31.9%	65.1%
Connecticut	11.5	7.5	-4	4.2%	-4.5%	20.5%
Idaho	8	7.6	-0.4	31.2%	39.9%	47.3%
Kansas	6.75	4	-2.75	8.8%	8.5%	25.7%
Michigan	2.35	1.9	-0.45	7.5%	15.4%	23.0%
New York	9	7.5	-1.5	5.7%	0.3%	19.9%
North Carolina	7	6.9	-0.1	23.4%	13.5%	43.3%
Ohio	8.9	8.5	-0.4	4.9%	9.9%	17.7%
West Virginia	9.375	9	-0.375	0.5%	13.7%	15.6%
Tax Cutter Average	7.91	6.67	-1.24	16.4%	16.3%	33.0%
US Total				14.5%	13.8%	30.3%

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TABLE 4
REVENUES GROWTH IN TAX-CUTTING STATES ($ MILLIONS)

State	FY 95–98 Personal Income Tax Cuts	FY 95–98 Personal Income Tax Revenue Growth: Amount	Percentage
Arizona	-$408	$396	28%
California	-$431	$8,433	48%
Connecticut	-$533	$1,160	52%
Georgia	-$140	$1,226	34%
Iowa	-$154	$724	48%
Massachusetts	-$395	$1,823	32%
Michigan	-$462	-$1,003	-18%
Minnesota	-$465	$1,076	31%
Nebraska	-$84	$248	35%
New Jersey	-$752	$865	19%
New York	-$4,046	$2,469	15%
North Carolina	-$226	$1,454	34%
Ohio	-$721	$535	10%
Oregon	-$343	$696	27%
Pennsylvania	-$81	$1,299	27%

TABLE 5
EMPLOYMENT BY STATE 1990-1997 (IN THOUSANDS)

	1990	1991	1992	1993	1994	1995	1996	1997	1990-95	1995-97
California	14,319	14,004	13,973	13,918	14,122	14,203	14,391	14,943	-0.8%	5.2%
Connecticut	1,739	1,716	1,681	1,673	1,641	1,617	1,620	1,635	-7.0%	1.1%
New York	8,375	8,096	7,911	7,973	8,010	7,970	8,076	8,276	-4.8%	3.8%
North Carolina	3,324	3,308	3,335	3,381	3,440	3,473	3,618	3,703	4.5%	6.6%
Pennsylvania	5,476	5,419	5,440	5,470	5,469	5,495	5,587	5,667	0.3%	3.1%
US Total	118,491	117,452	118,251	120,022	122,942	124,832	126,655	129,303	5.4%	3.6%
									1990-94	1994-97
New Jersey	3,861	3,770	3,690	3,691	3,743	3,804	3,878	3,977	-3.1%	6.3%
US Total	118,491	117,452	118,251	120,022	122,942	124,832	126,655	129,303	3.8%	5.2%
									1990-92	1992-97
Arizona	1,701	1,669	1,673	1,715	1,885	2,079	2,088	2,081	-1.6%	24.3%
Massachusetts	3,033	2,876	2,876	2,945	2,982	2,994	3,035	3,131	-5.2%	8.9%
Michigan	4,248	4,165	4,274	4,418	4,539	4,556	4,659	4,752	0.6%	11.2%
US Total	118,491	117,452	118,251	120,022	122,942	124,832	126,655	129,303	-0.2%	9.3%
Source: BLS										

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