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# About ALEC

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



# Budgets and Taxes

## Problem

- Budgeting as usual
- Spending growth over the past decade

## Solution: Priority-Based Budgeting

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



# Five Essential Budget Questions

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



# ALEC Principles of Taxation

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

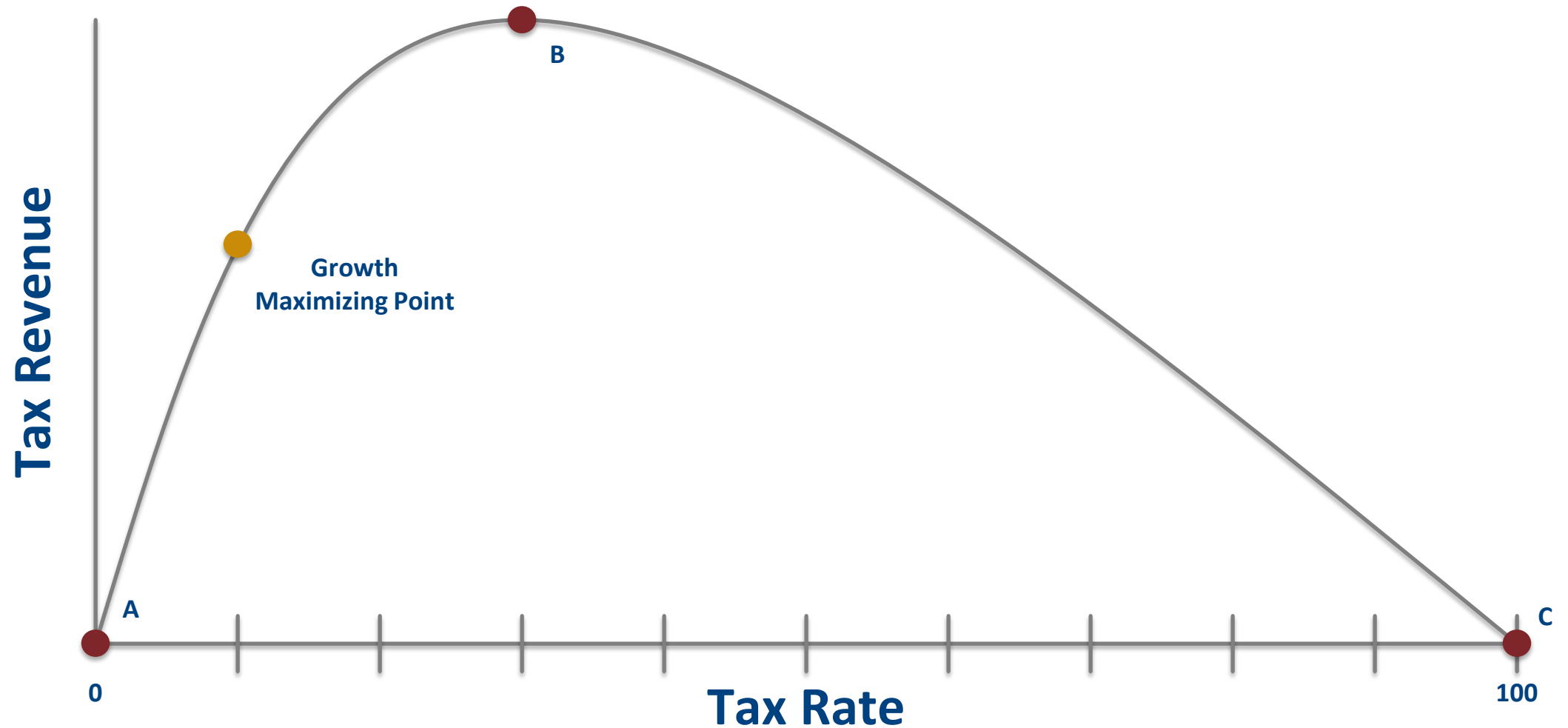


# Pro-Growth Reforms in States

- Policymakers are increasingly realizing competitiveness is key to growth
- Major reforms swept across states in the past decade
- 2021 and 2022 were historic years for tax cuts
- 2023 sessions enjoy historic revenue gains
- States can fall behind by standing still



# The Laffer Curve



# 9 No PIT States vs. 9 Highest PIT States

## No PIT States:

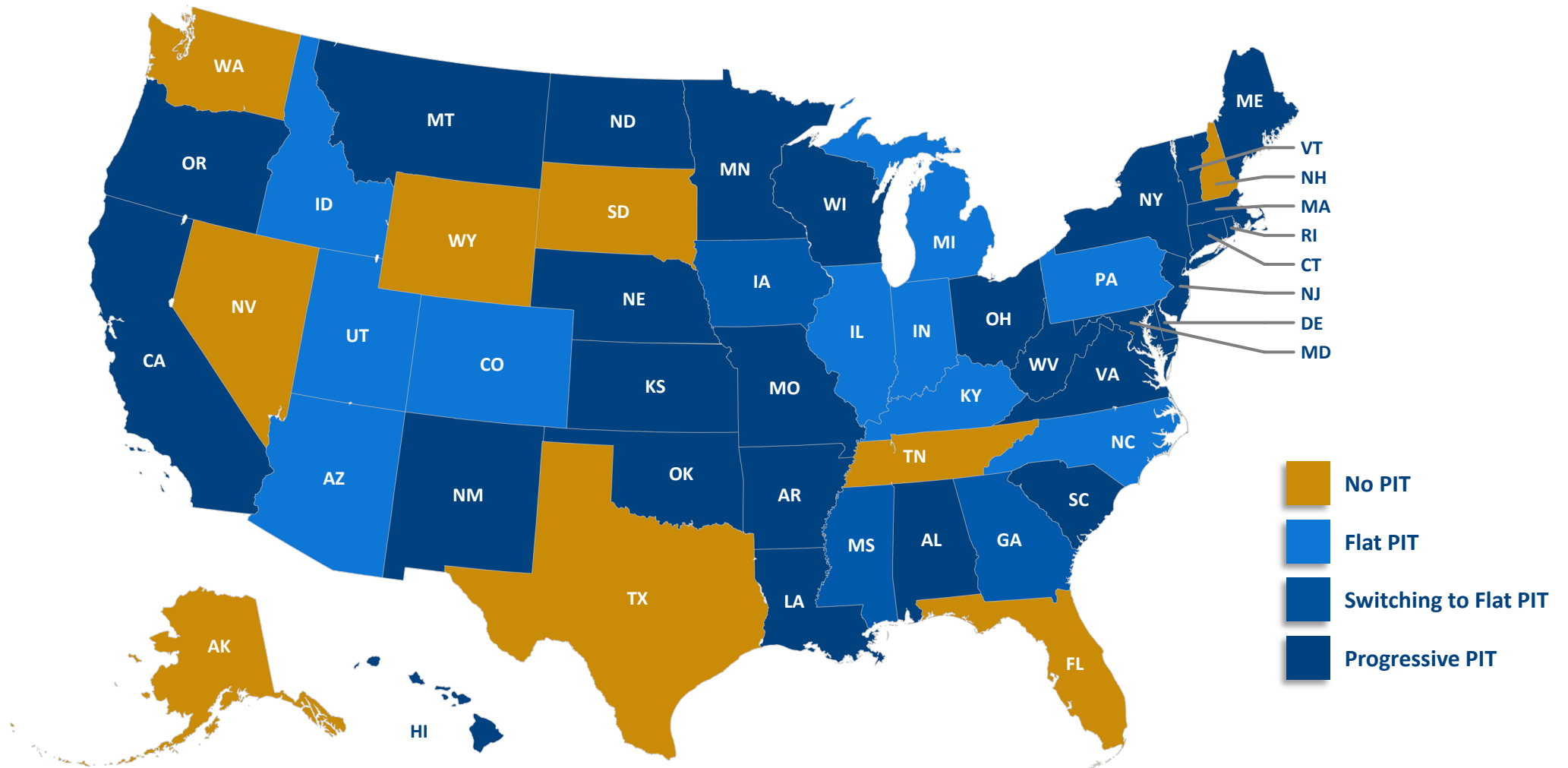
1. Alaska (0.00%)
2. Florida (0.00%)
3. Nevada (0.00%)
4. New Hampshire (0.00%)
5. South Dakota (0.00%)
6. Tennessee (0.00%)
7. Texas (0.00%)
8. Washington (0.00%)
9. Wyoming (0.00%)

## Highest PIT States

42. Delaware (7.85%)
43. Vermont (8.75%)
44. Maryland (8.95%)
45. Minnesota (9.85%)
46. Hawaii (11.00%)
47. New Jersey (11.75%)
48. California (13.30%)
49. Oregon (14.69%)
50. New York (14.78%)



# 2023 Personal Income Tax Progressivity



# 9 Lowest CIT States vs. 9 Highest CIT States

## No CIT States:

1. South Dakota (0.00%)
2. Wyoming (0.00%)
3. Nevada (0.64%)
4. North Carolina (2.50%)
5. Texas (2.64%)
6. Ohio (3.68%)
7. Oklahoma (4.00%)
8. North Dakota (4.31%)
9. Colorado (4.55%)

## Highest CIT States

42. Alaska (9.40%)
43. Illinois (9.50%)
44. Iowa (9.68%)
45. Minnesota (9.80%)
46. New Jersey (11.50%)
47. Delaware (11.76%)
48. Oregon (15.79%)
49. Pennsylvania (16.83%)
50. New York (18.28%)



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



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

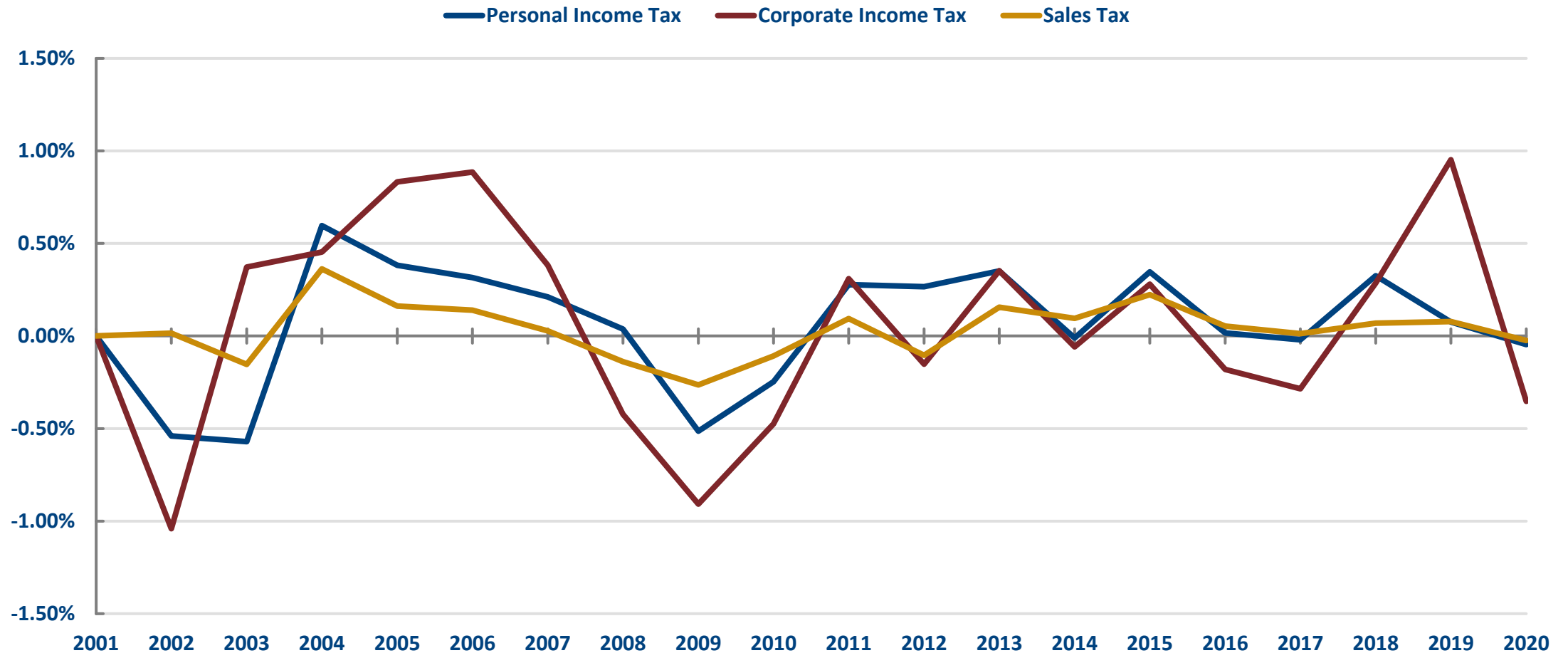
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# Threats to Economic Competitiveness

- Overreliance on volatile forms of taxation
- Overreliance on federal funds
- Lack of spending restraint
- Out-of-control debt growth

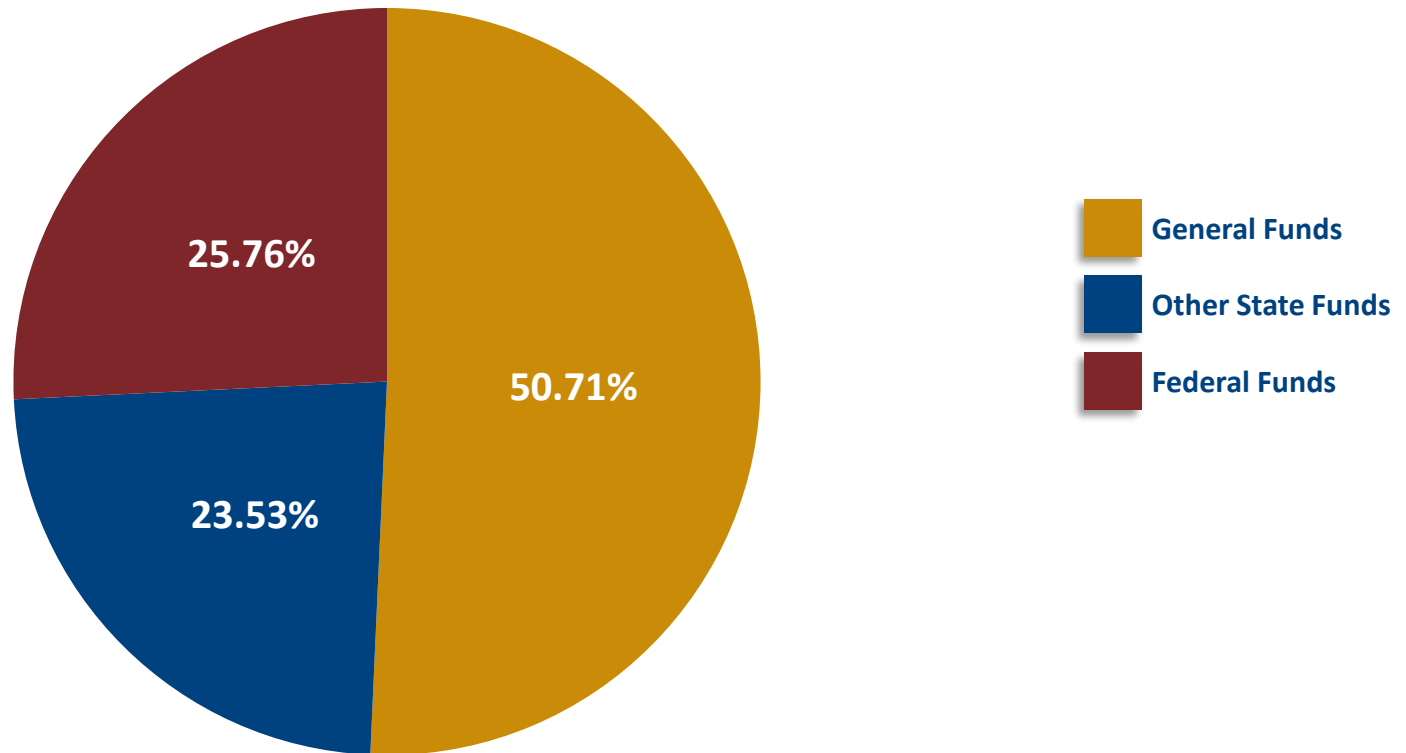


# State Tax Revenue Volatility



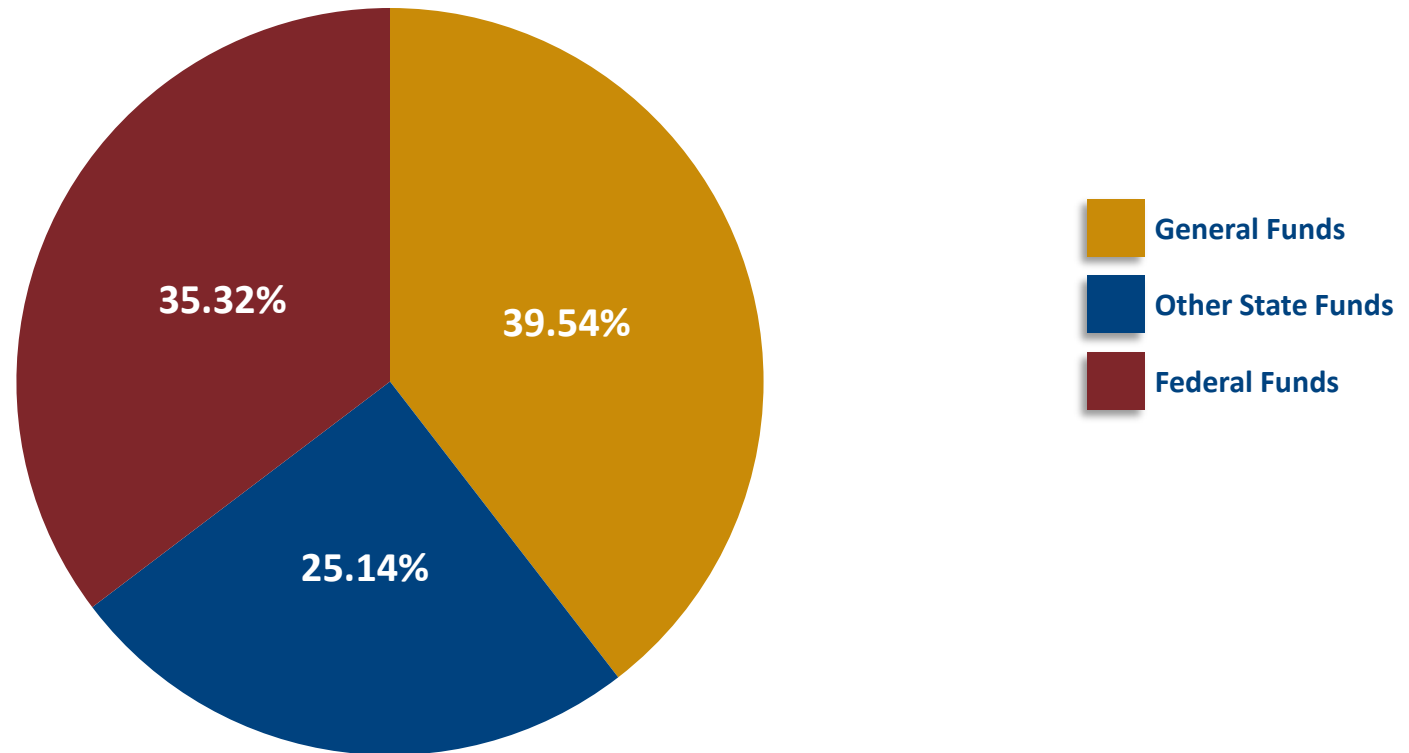
# State Budgets in 1992

Average State Budget:  
**\$21.34 Billion**



# State Budgets in 2020

Average State Budget:  
**\$21.34 Billion**



Map of the United States showing the change in the number of House seats for each state from the 2010 to 2020 census. The map uses three colors: gold for 'Gained', gray for 'No Change', and dark blue for 'Lost'.

Legend:

- Gained (Gold)
- No Change (Gray)
- Lost (Dark Blue)

States and their seat changes:

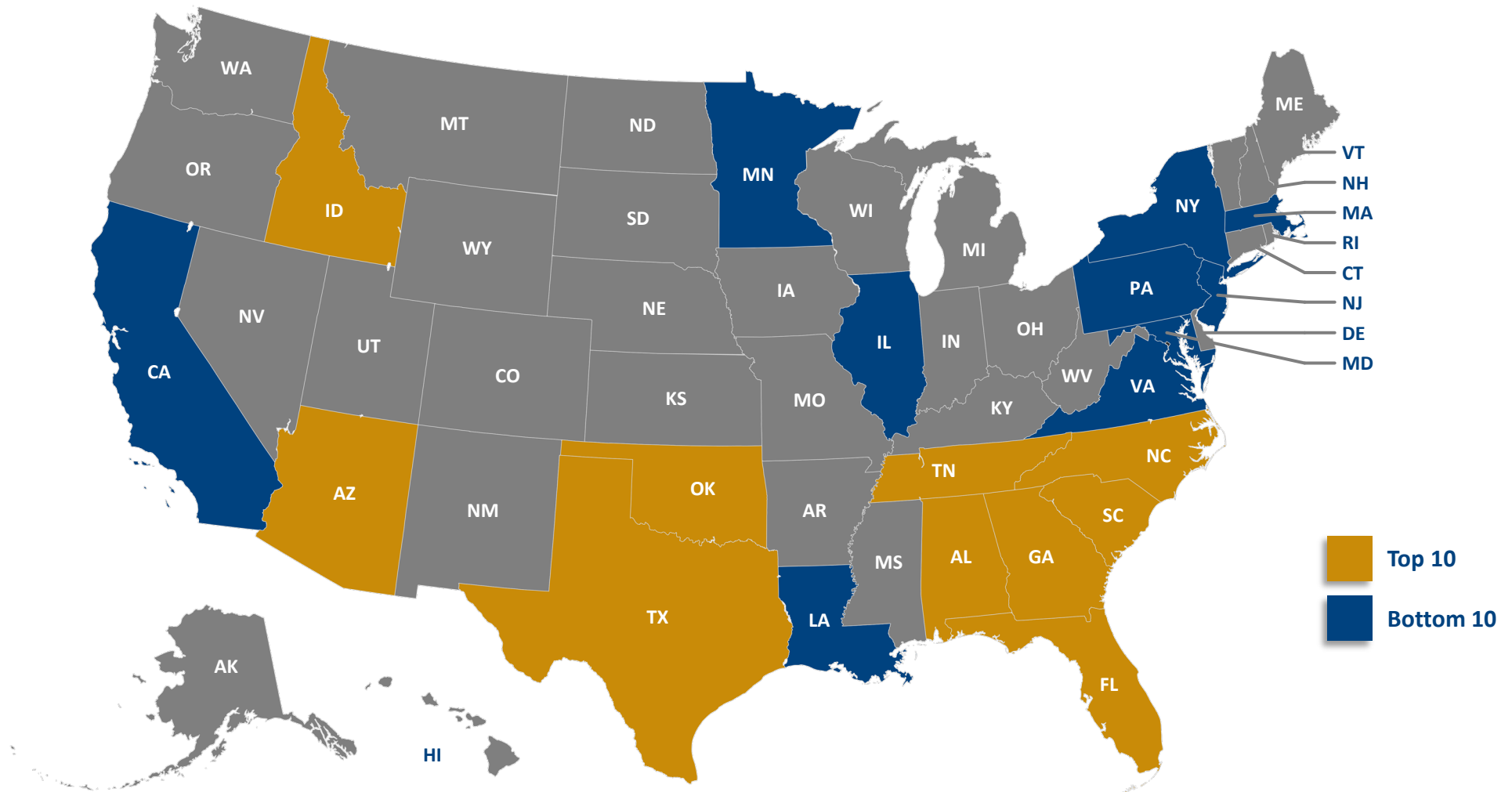
- Gained (+1):** MT, OR, CO, TX, NC, FL
- Gained (+2):** TX
- Lost (-1):** CA, MI, IL, OH, WV, PA, NY
- No Change:** WA, ID, NV, UT, AZ, NM, OK, KS, NE, SD, ND, MN, IA, MO, AR, LA, MS, AL, GA, SC, VA, DE, NJ, CT, RI, MA, NH, VT, ME, AK, HI

# Some Unlucky States Can Expect Even More Out-Migration

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



# Taxpayers Vote With Their Feet (2022)



# States With the Highest In-Migration

1. Florida (318,855)
2. Texas (230,961)
3. North Carolina (99,796)
4. South Carolina (84,030)
5. Tennessee (81,646)
6. Georgia (81,406)
7. Arizona (70,984)
8. Idaho (28,639)
9. Alabama (28,609)
10. Oklahoma (26,791)



# States With the Highest Out-Migration

1. California (-343,230)
2. New York (-299,557)
3. Illinois (-141,656)
4. New Jersey (-64,231)
5. Massachusetts (-57,292)
6. Louisiana (-46,672)
7. Maryland (-45,101)
8. Pennsylvania (-39,957)
9. Virginia (-23,952)
10. Minnesota (-19,400)



# 9 No Income Tax States vs. 9 Highest Income Tax States

## Net Migration Estimates

### No Income Tax States:

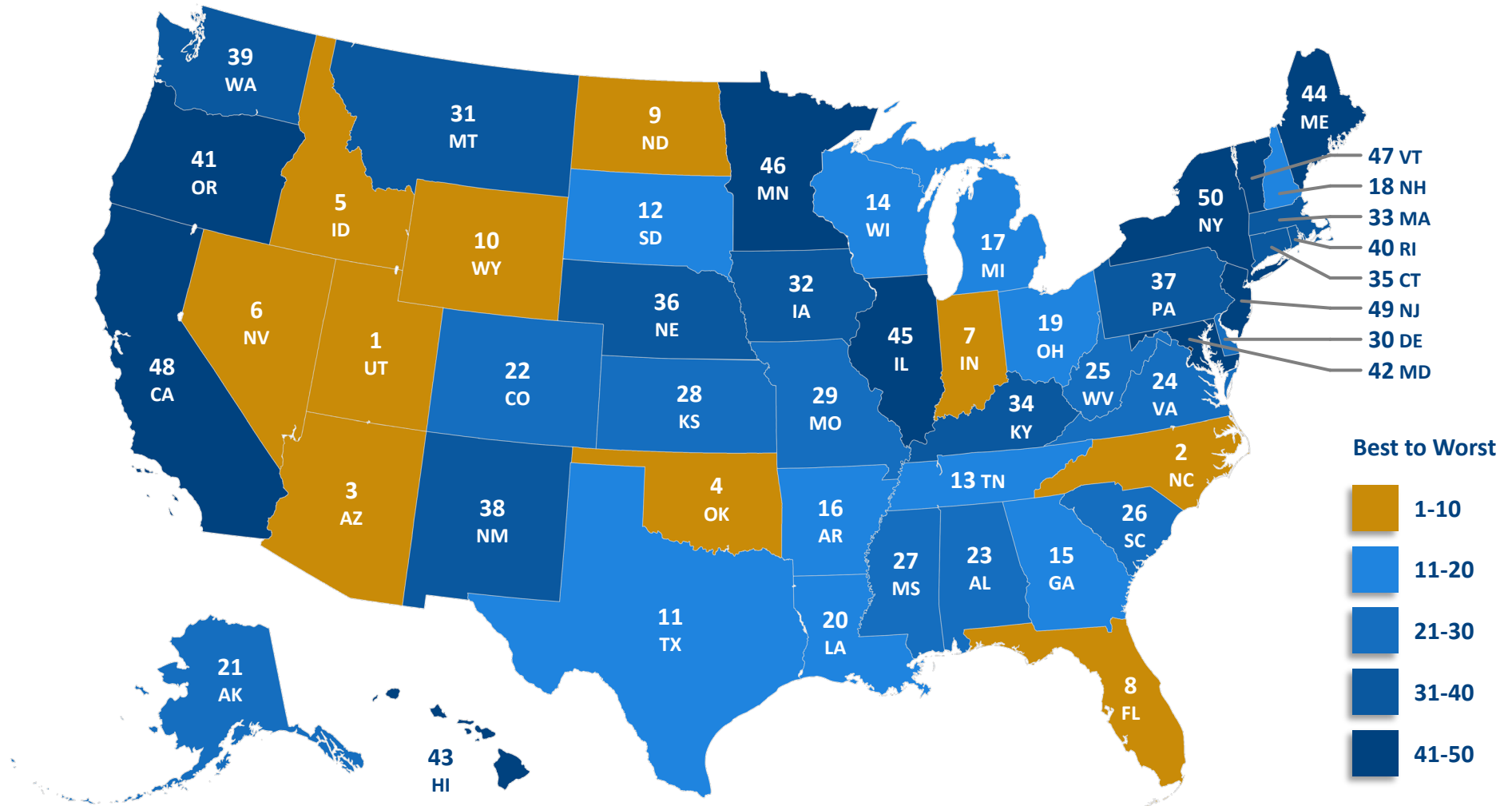
1. Alaska (-6,126)
2. Florida (318,855)
3. Nevada (20,781)
4. New Hampshire (6,303)
5. South Dakota (8,424)
6. Tennessee (81,646)
7. Texas (230,961)
8. Washington (-3,580)
9. Wyoming (2,152)

### Highest Out-Migration:

1. New York (-299,557)
2. Oregon (-17,331)
3. California (-343,230)
4. New Jersey (-64,231)
5. Hawaii (-15,212)
6. Minnesota (-19,400)
7. Maryland (-45,101)
8. Vermont (1,141)
9. Delaware (11,826)



# Economic Outlook 2022



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

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



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

41. Oregon

42. Maryland

43. Hawaii

44. Maine

45. Illinois

46. Minnesota

47. Vermont

48. California

49. New Jersey

50. New York

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