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ECONOMY

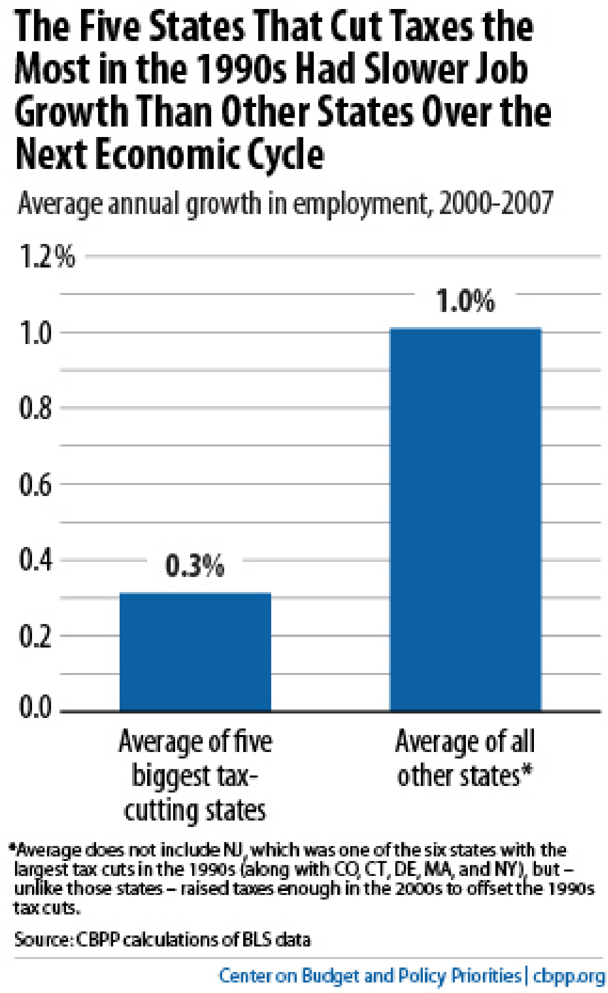
State-Level Tax Cuts Don’t Boost Job Growth, Study Says

'ravis Waldron on Mar 25, 2013 at 12:05 pm

ew of Republican governors have proposed massive tax cuts that they say will help generate job and economic growth in their states, with some pushing for the abolition of income taxes altogether. That is a misguided approach, though, according to an analysis of past tax cuts from the Center on Budget and Policy Priorities.

The five states that implemented deep tax cuts during the 1990s experienced slower job growth over the next economic cycle than states that did not, and none of those states experienced income growth that exceeded inflation, CBPP found:

> Similarly, the **five states that enacted the deepest tax cuts during the boom years of the middle and late 1990s saw job growth over the next full economic cycle (2000-2007) of less than 0.3 percent per year, on average, compared to 1.0 percent for the other states** (see graph). They also had slower income growth than the rest of the nation on average.



CBPP's report also noted that of eight major reports that studied the effects of state-level tax cuts on economic growth, six found that the cuts did not spur growth. Another found inconsistent results and only one supported the idea.

Still, Republicans in Kansas, Ohio, Indiana, Wisconsin, North Carolina, Louisiana, and Nebraska are pushing massive tax cuts that largely benefit corporations and the wealthy under the banner of boosting economic growth. Those tax cuts will leave lower and middle class families with higher tax rates and fewer services on which they depend. What they won't deliver, however, is a stronger state-level economy.