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Economic Performance of Low-Tax vs. High-Tax States

The table below shows the ten states with the lowest tax burden as a percent of personal income and the ten states with the highest tax burden as a percent of personal income. Over the last ten years, the states with the lowest tax burden had, on average, greater growth in Gross State Product, greater growth in personal income, greater population growth, positive (rather than negative) net domestic in-migration as a percent of population, and greater growth in non-farm payroll employment.

State and Local Tax Burden vs. 10-Year Economic Performance

(2009 state & local tax burden vs. economic performance between 1999 and 2009, unless otherwise noted)

	Tax Burden % PI*	Gross State Product Growth**	Personal Income Growth***	Population Growth	Net Domestic In-Migration as a % of Population	Non-Farm Payroll Employment Growth****
Alaska	6.40%	106.8%	69.0%	11.8%	-2.0%	15.8%
Nevada	6.60%	106.2%	81.3%	36.6%	14.1%	21.4%
Wyoming	7.00%	137.6%	91.6%	10.7%	4.3%	24.8%
Florida	7.40%	78.4%	65.5%	17.6%	6.5%	8.7%
New Hampshire	7.60%	53.5%	52.6%	8.4%	2.5%	4.4%
South Dakota	7.90%	77.9%	63.9%	8.3%	0.8%	9.7%
Tennessee	8.30%	56.7%	55.1%	11.7%	4.2%	-0.7%
Louisiana	8.40%	88.2%	62.1%	0.7%	-6.1%	1.6%
Texas	8.40%	94.5%	67.6%	20.5%	3.4%	13.7%
Arizona	8.50%	80.9%	80.1%	31.3%	10.7%	13.0%
10 States with Lowest Tax Burden	7.65%	88.07%	68.87%	15.76%	3.83%	11.23%
U.S. Average*****	9.70%	66.34%	65.54%	10.08%	0.80%	10.42%
10 States with Highest Tax Burden	10.76%	58.02%	51.58%	4.93%	-3.06%	1.41%
Rhode Island	10.20%	60.4%	50.9%	1.2%	-3.8%	-0.6%
Wisconsin	10.20%	49.6%	44.6%	6.0%	-0.1%	-0.9%
Vermont	10.30%	59.7%	52.5%	2.8%	-0.1%	1.2%
Ohio	10.40%	35.2%	34.4%	1.8%	-3.1%	-7.7%
California	10.50%	70.1%	56.6%	10.3%	-3.9%	2.5%
Hawaii	10.60%	70.0%	66.6%	7.0%	-2.2%	12.0%
Maryland	10.80%	68.8%	66.0%	8.5%	-1.5%	6.4%
Connecticut	11.10%	48.7%	47.7%	3.9%	-2.6%	-1.8%
New York	11.70%	66.6%	48.0%	3.5%	-8.3%	1.9%
New Jersey	11.80%	51.2%	48.7%	4.2%	-4.8%	1.0%

Note: *Tax Foundation calculations based on data from the U.S. BEA, the Census Bureau, the Council on State Taxation, the Travel Industry Association, Department of Energy, and others. The deductibility of federal taxes from state tax liability are included where applicable. New Hampshire and Tennessee tax dividend and interest income only; **through 2008; ***through 3Q 2009; ****through November 2009; *****equal-weighted averages.

The data shows that the economic performance of states with the lowest tax burden is greater than the states with the highest tax burden as a percent of personal income. Lowering the state's tax burden will improve Iowa's economic growth.

Source: Donna Arduin, Dr. Arthur B. Laffer, Steve Moore, & Dr. Wayne Winegarden, "Competitive States 2010, Texas vs. California, Economic Growth Prospects for the 21st Century," Texas Public Policy Foundation, October 2010, p. 12.

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For example:

Personal Income growth was 69% for low tax burden states vs. 52% for high tax burden states.

Population growth was 16% for low tax burden states vs. 5% for high tax burden states.

Non-farm Payroll Employment growth was 11% for low tax burden states vs. 1.4% for high tax burden states.

Gross State Product growth was 88% for low tax burden states vs. 58% for high tax burden states.