

TAX CUTS WORK WHEN PROPERLY IMPLEMENTED

The majority of reports about the Kansas experience were inaccurate. Kansas had many self-inflicted issues with their tax plan, but at the same time, states like North Carolina, Indiana, and Tennessee successfully reduced taxes.

So what can West Virginia learn from Kansas?

Kansas Cut Taxes and Increased Spending



When Kansas passed their tax bill in 2012, legislators increased spending by about \$400 million and continued to increase spending over the next few years instead of reducing waste to balance the budget.

Deficits came from excess spending.

States that Spend Less, Tax Less... and Grow More



In 2018, the states that tax income spent 55% more per resident than the other states. States with no income tax have superior growth in jobs (49% vs. 25%) and GDP (161% vs. 122%)(i)

Kansas private-sector inflation-adjusted GDP grew slightly better than the 50-state average between 2012 and 2016 despite steep declines in oil and farm prices. Kansas trailed the nation on job growth but less so than in prior years. (ii)

States with No Income Tax Attract People from Other States



The states with no income tax gained over 6 million new residents as people moved in from states with income taxes. (iii)

What Can We Learn from Kansas?



- Have a plan to balance the budget ahead of time
- Reduce waste in government to help pay for tax cuts
- Phase in tax reductions over time (like North Carolina)
- Set reasonable expectations; change doesn't happen overnight

(i) U.S. Bureau of Economic Analysis, 1998 through 2018, private sector
(ii) U.S. Bureau of Economic Analysis, private nonfarm full-time and part-time employees, 1998-2012, 2012-16
(iii) U.S. Census, net domestic migration, 2000 to 2019