



## FINANCE

## Eliminating Income Taxes Would Be an Expensive Giveaway

Getting rid of personal income taxes entirely, which several states are considering, would gut services and shift taxes onto those least able to afford them.

OPINION | March 14, 2024 • Aidan Davis and Wesley Tharpe



Mississippi Gov. Tate Reeves, shown visiting the White House in 2020, favors eliminating his state's personal income tax. MANDEL NGAN/TNS

With the 2024 state legislative season in full swing, anti-tax special interests and their allies in state capitals are up to their usual tricks, but with an alarming twist. Governors and legislative leaders in a dozen states have made calls to fully

eliminate their taxes on personal or corporate income, after many states already deeply slashed them over the past few years.

The public deserves to know **the true impact** of these plans, which would inevitably result in an outsized windfall to states' richest taxpayers, more power in the hands of wealthy households and corporations, extreme cuts to basic public services, and more deeply inequitable state tax codes. Policymakers should immediately hit the brakes.

A common thread among these proposals has been little to no discussion of how lawmakers would account for the revenue loss. But a negative, real-life impact on their residents is inevitable. Income taxes account for about half of states' general fund revenues nationwide. These are the resources that educate our children, pay our teachers and ensure that we have clean water to drink and safe roads on which to drive.

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If enacted, such proposals would devastate states' ability to pay for those priorities and many others. Public services would be cut, other taxes and levies that fall more heavily on low- and middle-income families (including sales taxes, excise taxes, fees and fines) would be increased, or — most likely — both those things would happen.

Already this year, **Mississippi GOP Gov. Tate Reeves** included a phaseout of the state's personal income tax in his annual spending plan, even though the state already slashed income taxes by more than a half-billion dollars just two years ago, despite struggling to maintain funding for even basic services such as clean drinking water and paved roads.

**Iowa GOP Gov. Kim Reynolds** has endorsed a path to personal income tax elimination, seemingly ignoring the fact that income taxes account for more than four of every 10 dollars the state raises for schools, health care and other statewide services. Despite that basic math problem, key legislative leaders are still forging  
ad.

And, in Oklahoma, **GOP Gov. Kevin Stitt** continues to prioritize getting rid of the personal income tax even though the state is facing billions in overdue infrastructure repairs sorely needed to fix crumbling schools and at-risk bridges. Similar calls for personal income tax elimination have been made in Arkansas, Colorado, Louisiana, North Dakota, Ohio and Utah.

Meanwhile, lawmakers in Louisiana and Missouri have called for eliminating income taxes on corporate profits. These come on the heels of an **already widespread trend** of deep state income tax cuts over the past three years, the harmful effects of which are already starting to set in.

True fiscal conservatives and voices of the business community often join in opposing income tax repeal plans, recognizing that it is a step too far. And anti-tax forces sometimes struggle to get massive income tax cuts, let alone income tax elimination proposals, over the finish line because, despite the rhetoric, residents know these tax cuts will take a real toll on their communities. In **Kansas**, for example, this year a top-heavy, expensive flat tax proposal already has been defeated.

One way tax cut proponents have sought to sidestep fiscal realities is by obscuring the true cost and harm of their proposals. That is why gradual paths to flat income taxes or income tax elimination, sometimes dressed up with convoluted budget gimmicks such as revenue triggers, have become more popular.

For instance, Kentucky and West Virginia are now on gradual paths to elimination of the personal income tax, while North Carolina is scheduled to phase out its corporate income tax by 2030. Gradual paths to elimination allow lawmakers to avoid weighing the long-term impacts of their decisions and **to skirt democratic accountability**, since often they will have left office by the time the inevitable tradeoffs are felt.

Because income taxes collect the most from those most able to pay, eliminating income is also a surefire way to make state tax codes **more inequitable**. Robust,

progressive taxes on income directly counteract harmful income inequality and help to **mitigate racial inequality** as well. No wonder wealthy interests have made income tax elimination such a treasured goal.

The idea that states can eliminate income taxes without eventually enduring devastating cuts to schools and vital services is a fantasy. And the inevitable shift from income taxes to more regressive sales taxes and fees would hit regular workers and families the hardest, while showering the wealthy with additional riches.

Income tax elimination is framed as tax cuts for everyone, but in truth it's just a shift that benefits wealthy households and big, oftentimes out-of-state corporations at the expense of the rest of us. Lawmakers should focus on policies that help everyone, not just the rich and powerful.

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