2013 Nebraska Session

The Tax Reform Debate
Nonprofits

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FOUR THREATS TO STATES

Great Recession

Structural Deficits

Federal Policies

Tax Repeal Proposals
recession
spending
No job openings
Deep Recession, Slow Recovery

Percent change in state tax revenue since start of recession, adjusted for inflation

Figures represent four-quarter rolling averages.
Sources: Census Bureau and Bureau of Labor Statistics.
Largest State Budget Shortfalls on Record

Total state budget shortfall in each fiscal year, in billions

<table>
<thead>
<tr>
<th>Year</th>
<th>Shortfall (in billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2002</td>
<td>-$40</td>
</tr>
<tr>
<td>2003</td>
<td>-$75</td>
</tr>
<tr>
<td>2004</td>
<td>-$80</td>
</tr>
<tr>
<td>2005</td>
<td>-$45</td>
</tr>
<tr>
<td>2009</td>
<td>-$110</td>
</tr>
<tr>
<td>2010</td>
<td>-$130</td>
</tr>
<tr>
<td>2011</td>
<td>-$107</td>
</tr>
<tr>
<td>2012</td>
<td>-$54*</td>
</tr>
<tr>
<td>2013</td>
<td>-$191</td>
</tr>
</tbody>
</table>

*Reported to date
Most States Have Cut School Funding This Year
(per-pupil, inflation-adjusted)

[Map showing states colored to indicate funding cuts: 
- Red: ≥10% Cut
- Dark Red: <10% Cut
- Blue: Increase
- Light Blue: No Data]
Continued Growth of 8.3% Per Year Would Not Restore Losses from Recession Until Fiscal Year 2019

Average Growth rate 1980-2008

Actual Collections

Continued Growth of 8.3%

FY= Fiscal Year
TAX REPEAL DEBATE: the agenda

1. DEEP TAX CUTS
2. SHIFT TAXES
3. RIGID BUDGET LIMITS
TAX REPEAL PROPOSALS widespread
TAX CUT PROponents

large corporations and national anti-tax groups
TAX CUT IMPACT
a reality check

MYTHS
VERSUS
FACTS
TAX CUT IMPACT
a reality check

• Simpler $\neq$ Better

• Increase taxes on low- and middle-income households – greater income inequality

• Deep cuts to services – education, public safety, transportation, safety net

• Force other taxes to increase

• Greater economic uncertainty – bond market
### ECONOMIC GROWTH IN STATES in real GSP (2001-2010)

<table>
<thead>
<tr>
<th>State</th>
<th>Growth Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oregon</td>
<td>25.6%</td>
</tr>
<tr>
<td>South Dakota</td>
<td>22.1%</td>
</tr>
<tr>
<td>Wyoming</td>
<td>21.7%</td>
</tr>
<tr>
<td>New York</td>
<td>13.6%</td>
</tr>
<tr>
<td>Maryland</td>
<td>12.6%</td>
</tr>
<tr>
<td>Alaska</td>
<td>12.0%</td>
</tr>
<tr>
<td>Vermont</td>
<td>10.5%</td>
</tr>
<tr>
<td>Hawaii</td>
<td>10.5%</td>
</tr>
<tr>
<td>California</td>
<td>8.6%</td>
</tr>
<tr>
<td>State Average</td>
<td>8.1%</td>
</tr>
<tr>
<td>New Hampshire</td>
<td>6.9%</td>
</tr>
<tr>
<td>Washington</td>
<td>6.6%</td>
</tr>
<tr>
<td>New Jersey</td>
<td>5.3%</td>
</tr>
<tr>
<td>Maine</td>
<td>4.7%</td>
</tr>
<tr>
<td>Texas</td>
<td>4.3%</td>
</tr>
<tr>
<td>Florida</td>
<td>3.8%</td>
</tr>
<tr>
<td>Tennessee</td>
<td>3.3%</td>
</tr>
<tr>
<td>Ohio</td>
<td>0.1%</td>
</tr>
<tr>
<td>Nevada</td>
<td>-2.7%</td>
</tr>
</tbody>
</table>

**Comparison:**

- **No Tax States**
- **States With High Tax Rates**

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**Chart Notes:**
- "High Rate" Income Tax States
- States Without a Personal Income Tax
- 50-State Average
JOBLESS RATES (2001-2010)

NO TAX STATES vs. THOSE WITH HIGH TAX RATES
Nobel Prize Laureates for Economics
KANSAS: path to repeal

- 2012 tax cut: largest ever and more cuts proposed
- Created huge budget gap
- Credit rating at risk
TAX CUT IMPACT

nonprofits
PUBLIC OPINION
voter priorities

Listen to what people want.
Do you support or oppose a proposal to decrease the state income tax and to pay for it by eliminating some tax credits?

42% Oppose

35% Support

23% Don't Know/Refused

Source: Global Strategy Group (GSG); 603 voters registered in Oklahoma on May 3-6, 2012; Margin of error is +/- 4.0%.
Do you agree or disagree with the following statement:

Phasing out the state income tax will lead to higher property taxes and sales taxes to provide necessary funding for public services like schools, roads, and public safety.

70% Agree

21% Disagree
PUBLIC OPINION

voter priorities

81% Disagree
I would favor cutting funding for Oklahoma's public schools so that the savings can be passed along to taxpayers in the form of a tax cut.

80% Disagree
I would favor cutting funding for Oklahoma's public safety services, including police, fire and emergency services so that the savings can be passed along to taxpayers in the form of a tax cut.

16% Agree

17% Agree
Which of the following do you think is more important to attract businesses to locate and invest in Oklahoma?

- An educated & well trained workforce: 70%
- Low personal income tax rates: 21%
Effective Strategies

Check List

- Fact-based Information and Analysis
- Educate & Activate Members, Clients, Board, and Funders
- Be a VOICE in your communities
- Talk to Policymakers
BUILDING A BETTER NEBRASKA
working together