State Tax Cut Roundup

2020 Legislative Session & COVID-19 Relief

ALEC American Legislative Exchange Council
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State Tax Cut Roundup
2020 Legislative Session

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State Tax Cut Roundup – 2020 Legislative Session & COVID-19 Tax Relief

Executive Summary

In 2020, many states scuttled tax reform plans as the COVID-19 pandemic quickly became the most pressing issue for state governments. To combat the effects of the pandemic, nearly every state enacted some form of economic shutdown that threatened the livelihoods of business owners and workers alike. While sweeping tax reforms initially seemed no longer possible due to the forecasted state revenue crisis caused by economic shutdown, it became clear to many state policymakers that tax relief could aid to struggling businesses and workers.

The federal government initiated this tax relief effort by passing the Coronavirus Aid, Relief and Economic Security (CARES) Act in 2020 with key provisions designed to offer liquidity to businesses. To this end, expanding the net operating loss (NOL) deduction, business interest expense deduction and making paycheck protection program (PPP) loans income tax free were important tax relief policies. States then had the opportunity to conform their own tax codes to these federal changes. While many states conformed to at least one of these provisions, only Iowa conformed to each of these tax relief policies in 2020.[i]

In addition to the federal CARES Act, state governments also enacted their own tax relief policies. Iowa and Georgia enacted tax credits and exemptions for personal protective equipment (PPE) to help businesses reopen safely for employees and patrons. Louisiana reduced their corporate income tax burden for certain firms and allowed businesses to keep a greater portion of sales tax revenue to cover the costs of tax compliance. While workers and families were able to rely on unemployment insurance and direct cash transfers to defray the economic costs of the COVID-19 pandemic, offering tax relief to businesses was a key aspect to ensuring many businesses did not close permanently.

The COVID-19 pandemic has been an unprecedented challenge for state policymakers. The states featured in this report rose to the challenge by ensuring tax relief left resources in the hands of private citizens. Regardless of economic circumstances, the economic evidence strongly suggests states with lower tax burdens and more economic freedom regularly outperform their higher taxing, more restrictive counterparts.[ii] For state policymakers, creating a tax and fiscal policy climate conducive to economic growth became even more important against the backdrop of the 2020 economic crisis.

To be listed in *State Tax Cut Roundup*, a state must meet all the following criteria, which have remained consistent throughout the previous five editions of this report:

- Substantially cut taxes at the state level
- Vote(s) occurred during the 2020 legislative session
- Tax cuts must result in a net decrease in taxes
- Tax cuts must apply broadly and neutrally, or otherwise move the state closer to the *ALEC Principles of Taxation*

Best of the Best

The COVID-19 pandemic made many state governments wary of a potential budget crisis as tax revenues plummeted following the government-driven shutdown of state economies. While the tax revenue collections in 2020 were ultimately better than anticipated, this was not clear to state legislatures during tax policy discussions that took place in 2020. Consequently, few states passed net tax cuts in 2020 and even fewer qualified for this report according to our longstanding methodology. Of these states, Georgia and Iowa stand out as the states that offered the most relief to taxpayers in 2020.

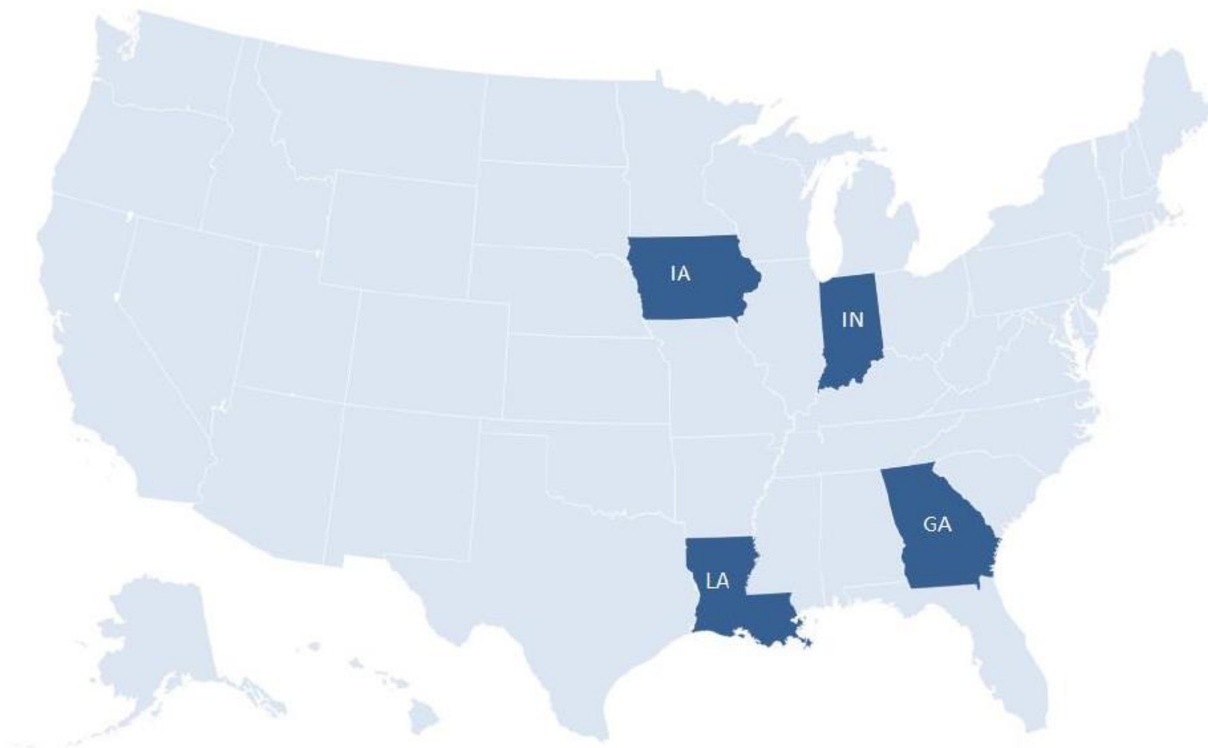
Georgia's aid to taxpayers came from conforming the state tax code to policy changes enacted by the CARES Act in 2020. Unlike most states, Georgia chose to conform to provisions making forgiven paycheck protection program (PPP) loans income tax free and expanding the business interest expense deduction. These two tax cuts alone returned nearly $200 million in liquidity back to businesses. Without these funds, it is likely many of Georgia's small businesses would have closed permanently.

To help reopen the economy safely, Georgia also offered a tax credit to personal protective equipment (PPE) manufacturers. PPE became one of the most important factors in safely reopening state economies. Offering a tax break to manufacturers helped increase PPE supply in Georgia. By saving $7 million in 2020 alone, PPE manufacturers were able to redirect resources that would have ordinarily gone to paying taxes toward increasing PPE supply instead.

Like Georgia, Iowa utilized CARES Act conformity to offer tax relief to citizens struggling through the COVID-19 economic shutdown. In fact, Iowa was the only state to conform to each of the three most critical aspects of CARES Act tax relief – expanded NOL and business interest expense deductions and making forgiven PPP loan income tax free. Iowa's commitment to CARES Act tax relief saved taxpayers an estimated $27 million in 2020 tax liability and likely made the difference between keeping workers employed and closing permanently for many small businesses.

Iowa also offered a tax relief incentive to spur PPE purchasing and enable a safe reopening of the economy. Iowa enacted a law exempting PPE purchases from the state use tax to make purchasing PPE more affordable for businesses trying to reopen.

Figure 1: States that Qualified for the *State Tax Cut Roundup* During the 2020 Legislative Session



States Offer COVID-19 Pandemic Relief Through Tax Reform

The COVID-19 pandemic created a crisis in many state economies. To help businesses and workers struggling through economic shutdowns, state legislators offered tax relief as a form of economic aid. Lawmakers hoped that by easing tax liabilities, businesses would keep workers employed and individuals would continue to purchase goods and services. Keeping the economy moving ended up being a huge benefit to state budgets as economic activity boosted sales and income tax revenues. While state tax collections were down at the end of FY 2020, June 30 for most states, those losses were significantly lower after accounting for shifting income tax collections in FY 2021 due to the extension of tax filing deadlines.[iii] In addition, by the end of calendar year 2020, state and local tax revenue was up.[iv]

The first round of state tax relief came following an announcement by the U.S. Treasury Department that the 2020 federal tax filing and payment deadline would be extended 90 days from April 15 to July 15. Many states changed their respective deadlines to match the new federal deadline of July 15, while a few states decided to only offer a small deadline extension.[v] Unfortunately, because of the phased-in reopening schedules practiced by many states, states with earlier tax deadlines were collecting taxes from income earners unable to work due to economic shutdown laws, notably Virginia.[vi] Figure 1 below shows which states offered the most tax compliance relief by matching or exceeding the delayed federal tax deadline of July 15.

Table 1: State 2020 Tax Deadline Extensions

State	Was the Tax Deadline Extended?	New Deadline	State	Was the Tax Deadline Extended?	New Deadline
Iowa	Yes	31-Jul	New Jersey	Yes	15-Jul
Hawaii	Yes	20-Jul	New Mexico	Yes	15-Jul
Alabama	Yes	15-Jul	New York	Yes	15-Jul
Alaska	Yes	15-Jul	North Carolina	Yes	15-Jul
Arizona	Yes	15-Jul	North Dakota	Yes	15-Jul
Arkansas	Yes	15-Jul	Ohio	Yes	15-Jul
California	Yes	15-Jul	Oklahoma	Yes	15-Jul
Colorado	Yes	15-Jul	Oregon	Yes	15-Jul
Connecticut	Yes	15-Jul	Pennsylvania	Yes	15-Jul
Delaware	Yes	15-Jul	Rhode Island	Yes	15-Jul
Georgia	Yes	15-Jul	South Carolina	Yes	15-Jul
Illinois	Yes	15-Jul	Tennessee	Yes	15-Jul
Indiana	Yes	15-Jul	Texas	Yes	15-Jul
Kansas	Yes	15-Jul	Utah	Yes	15-Jul
Kentucky	Yes	15-Jul	Vermont	Yes	15-Jul
Louisiana	Yes	15-Jul	West Virginia	Yes	15-Jul
Maine	Yes	15-Jul	Wisconsin	Yes	15-Jul
Maryland	Yes	15-Jul	Idaho	Yes	15-Jun
Massachusetts	Yes	15-Jul	New Hampshire	Yes	15-Jun
Michigan	Yes	15-Jul	Washington	Yes	15-Jun
Minnesota	Yes	15-Jul	Florida	Yes	1-Jun
Mississippi	Yes	15-Jul	Virginia	Yes	1-Jun
Missouri	Yes	15-Jul	Nevada	No	No Personal or Corporate Income Tax
Montana	Yes	15-Jul	South Dakota	No	No Personal or Corporate Income Tax
Nebraska	Yes	15-Jul	Wyoming	No	No Personal or Corporate Income Tax

Source: American Institute of Certified Public Accountants (AICPA)
*In Virginia, taxpayers still owed interest on any payments made after the original filing deadline of May 1.[vii]

After the U.S. Treasury granted tax relief by extending the federal tax deadline, Congress passed the CARES Act of 2020, offering further federal tax relief to taxpayers struggling with the economic effects of state shutdown orders. Chief among the tax provisions designed to ease 2020 tax year liabilities was allowing net operating loss (NOL) carryback deductions for five years prior to the 2018, 2019 and 2020 tax years as well as continue to carry forward NOLs indefinitely.[viii] The CARES Act also removed the 80% limit on allowable NOL deductions previously enacted by the Tax Cuts and Jobs Act of 2017 (TCJA). Finally, the CARES Act lifted the allowable business interest deduction from 30% of gross earnings to 50% and made all potential income from Paycheck Protection Program (PPP) loans tax free.[ix] While these tax reforms are temporary, each was designed to provide liquidity to businesses struggling to make payroll and pay debt service.

These federal tax changes trickled down to state policy as state governments considered their conformity to the federal Internal Revenue Code (IRC). States conform to federal tax changes on either a "rolling" or "static" basis to ease policymaking and make tax compliance easier. States with rolling conformity automatically conform to any federal tax changes, but they have the option to decouple from specific provisions to fit state policy goals. States with static conformity must pass legislation to conform to federal IRC changes and have the option to conform or not on each change.[x] Where states with rolling conformity align automatically with each IRC change unless legislation is passed, states with static conformity must take action to conform to any IRC change.

Figure 2 details which static conformity states adopted and which rolling conformity states declined to decouple from the chief tax relief provisions included in the CARES Act.

Figure 2: State Conformity with CARES Act Tax Relief

Rolling Conformity	Post-CARES Act Static Conformity	Pre-CARES Act Static Conformity	Selective Conformity	No Individual or Corporate Income Tax
Alabama	Georgia	Arizona	Arkansas	Nevada
Alaska	Hawaii	California	Mississippi	South Dakota
Colorado	Maine	Florida	New Jersey	Texas
Connecticut	Massachusetts	Idaho	Pennsylvania	Washington
Delaware	North Carolina	Indiana		Wyoming
Illinois	Ohio	Kentucky		
Iowa	Virginia	Massachusetts		
Kansas	West Virginia	Minnesota		
Louisiana	Wisconsin	New Hampshire		
Maryland		Oregon		
Michigan		South Carolina		
Missouri		Vermont		
Montana				
Nebraska				
New Mexico				
New York				
North Dakota				
Oklahoma				
Pennsylvania				
Rhode Island				
Tennessee				
Utah				

Source: American Institute for Certified Public Accountants, Tax Foundation

Tax Cuts by State

Many states enacted tax relief through conformity to the CARES Act, but merely enacting relief is not enough for a state to qualify in State Tax Cut Roundup. In addition to passing a significant tax cut aligned with the ALEC Principles of Taxation, states must have cut taxes on net over the legislative year. Many states that conformed to CARES Act tax relief provisions raised taxes elsewhere and concluded their 2020 sessions with a net tax increase. The states highlighted below passed legislation to enact net tax cuts in their states during 2020, thereby qualifying for this publication.

Georgia

2020 Rich States, Poor States Economic Outlook Rank: 21

Georgia has the distinction of being one of the very few static conformity states that chose to conform to the CARES Act provision extending business interest expense deductions, although the state declined to conform to the expanded NOL deduction.[xi] Combined with other CARES Act tax changes, Georgia's conformity bill cut taxes for individual and business taxpayers by nearly $200 million annually.[xii] For employers forced to shut down and employees pushed out of work by the COVID-19 pandemic, this tax cut undoubtedly helped businesses stay open and kept workers employed.

To provide further tax relief for businesses spearheading the COVID-19 response, Georgia also enacted an employee tax credit for personal protective equipment (PPE) manufacturers. For each of their employees tasked with manufacturing PPE, employers were able to claim $1,250 against their corporate income tax liability.[xiii] While this tax cut that would not ordinarily be included in State Tax Cut Roundup due to its impact on a narrow subset of taxpayers, it saved PPE manufacturers an estimated $7 million annually and likely helped Georgia's economy rebound from the COVID-19 economic shutdown.[xiv]

Indiana

2020 Rich States, Poor States Economic Outlook Rank: 4

At the beginning of 2020, Indiana's unemployment trust fund balance neared $1 billion.[xv] While this is a nominally large balance, federal unemployment trust fund solvency guidance estimates Indiana's trust fund balance should be closer to $1.6 billion.[xvi] In response, Indiana lawmakers passed House Bill (HB) 1111 in March 2020, freezing unemployment insurance tax rates at the 2020 rate schedule until 2025.[xvii]

Originally, HB 1111 was designed to prevent unemployment insurance tax rates from falling to a lower rate schedule due to a high fund balance as lawmakers wanted to build up Indiana's unemployment trust fund balance to match federal guidelines.[xviii] But, as the COVID-19 pandemic approached, lawmakers realized unemployment insurance tax rates would increase to a higher schedule as unemployed workers began to draw down the unemployment trust fund balance. If Indiana allowed the unemployment insurance tax rates to increase in the middle of a pandemic, businesses might find themselves short on liquidity needed to keep their doors open and workers employed.[xix] While HB 1111 was originally estimated to be a tax increase, but when enacted the law delivered a $48 million tax cut for Indiana employers.[xx]

Iowa

2020 Rich States, Poor States Economic Outlook Rank: 27

As a static conformity state, Iowa lawmakers had to determine which of the CARES Act tax provisions their state would and would not conform to after Congress acted in March 2020.[xxi] Fortunately for businesses, Iowa conformed to each of the CARES Act's provisions that offered the most liquidity to businesses struggling through the pandemic. While most states conformed to one or two of the CARES Act provisions highlighted above, Iowa conformed to the expanded NOL and business interest expense deductions and made forgiven PPP loan income tax free.[xxii] Conforming to these three CARES Act tax relief provisions is estimated to save Iowa taxpayers over $26 million in tax year 2020 alone.[xxiii]

Like Georgia, Iowa also used tax relief as a method to help businesses and workers speed up economic reopening. Iowa enacted a use tax exemption for PPE that is estimated to save purchasers of PPE nearly $2 million in 2020.[xxiv]

Louisiana

2020 Rich States, Poor States Economic Outlook Rank: 30

While the Pelican State did not conform to the expanded NOL deduction included in the CARES Act, Louisiana legislators offered tax relief to businesses struggling with the COVID-19 economic shutdown in other ways.[xxv] Specifically targeting small businesses, Louisiana enacted a temporary suspension of the Corporate Franchise Tax on the first $300,000 of taxable capital for firms with less than $1 million in total taxable capital.[xxvi] Suspending capital taxes for small businesses helps business owners tread water and keep workers employed while also lowering the tax incidence on the capital business owners invest into their company. Temporarily suspending the first tax bracket of the corporate franchise tax is estimated to save Louisiana businesses over $9 million in 2020.[xxvii]

Since retail was one of the sectors hardest hit by the COVID-19 economic shutdown, Louisiana also targeted tax relief to retailers who are required to collect and remit sales taxes. Louisiana currently offers a small percentage of sales tax collections to retailers required to remit sales taxes as compensation for the compliance costs of sales tax remittance. To give more liquidity back to retailers, Louisiana increased the amount retailers could keep from sales tax collections from 0.935% to 1.05%.[xxviii] While the percentage point increase is small, this change alone allows retailers to recoup an estimated $2.1 million in sales tax collections that would have otherwise gone to the Louisiana general fund.[xxix] Together, the partial suspension of corporate franchise taxes for small businesses and increase in the amount of sales tax collections retailers are allowed to retain saved Louisiana taxpayers over $11 million in 2020.

Honorable Mentions: Other Notable Examples of 2020 State Tax Reform

While the following states did not legislate tax reform during the 2020 legislative session, each state enacted tax cuts through referendum or phase-in to create a net reduction in estimated FY 2020 tax burden. While these states did not qualify for *State Tax Cut Roundup: 2020*, their effective tax cuts deserve recognition.

Leading up to the 2020 election, progressive groups in Colorado began a ballot initiative to turn Colorado's flat personal income tax into a graduated tax structure with higher rates in the top tax brackets. In response, citizens and free market groups pursued their own ballot initiative, asking voters to lower Colorado's personal income tax rate from 4.63% to 4.55% instead.[xxx] Proposition 116 was the fruit of these efforts to keep Colorado's tax code competitive. The initiative to enact progressive income taxation in Colorado failed to get enough signatures to qualify for the ballot, let alone pass.[xxxi] On the other hand, Proposition 116 passed with 57.8% of the vote, indicating broad bipartisan support from Colorado voters.[xxxii] On January 1, 2021, the new 4.55% income tax rate in Colorado became law. Once the tax cut is enacted for a full fiscal year, Coloradans can expect to save over $158 million on income taxes annually.[xxxiii]

Connecticut frequently ranks as one of the least competitive state economies in the nation according to *the Rich States, Poor States: ALEC-Laffer State Economic Competitiveness Index*.[xxxiv] But in 2020, the Nutmeg State phased in a few tax changes that help reduce tax burdens for taxpayers. At the beginning of 2020, Connecticut was one of a few states that estimated their corporation business tax base using a capital stock tax method. A capital stock tax defines the business tax base as the value of a businesses' net worth. Calculating a tax by this method is notorious for negative impacts on business investment and long-term economic growth. This is because taxing capital stock taxes all capital a business has built, thus punishing businesses for growing capital and making them worse off after taxes.[xxxv] Beginning in FY 2020, Connecticut will phase out the capital stock tax method over a five-year period.[xxxvi] Fully phasing out the capital stock tax method is estimated to save Connecticut businesses nearly $10 million annually.[xxxvii]

Connecticut is also one of only a handful of states that still levies an estate tax.[xxxviii] But Connecticut lawmakers have shown repeated interest in repealing the estate tax because of its negative impact on Connecticut's economic competitiveness. For 2020, Connecticut phased in an increase to its estate tax exemption with the new exemption totaling $5.1 million for individual estates.[xxxix] Once fully phased in, Connecticut's estate tax exemption will equal the federal level of $11.2 million for individual estates.[xl] Matching Connecticut's estate tax exemption to federal policy is expected to save Connecticut decedents over $28 million in FY 2020 alone.[xli]

New York is another state that frequently ranks among the least competitive states in the *Rich States, Poor States*.[xlii] In fact, the Empire State has ranked as the least competitive state in the country for the past seven years.[xliii] Perhaps as a recognition of the negative impact extractive personal income taxes can have on their state's economic competitiveness, the New York Assembly phased in cuts to their personal income tax rate originally passed in 2016.[xliv] The phased-in 2020 tax cuts reduced rates from 6.85% to 6.09% and 6.41% for income earners in the $43,000 to $161,550 tax bracket and the $161,550 to $323,200 tax bracket, respectively.[xlv] This tax reduction is expected to save New York income earners $1.8 billion in FY 2020.[xlvi] While this is a great victory for income earners, New York's insistence on a very high top marginal income tax rate remains the greatest barrier to increased economic competitiveness for the Empire State.

Tax Cuts by Type

Table 2: 2020 State Tax Cuts by Type

Tax Cut Type	Percentage of Total Tax Cuts
Business Tax Cut	67%
Sales Tax Cut	33%
Property Tax Cut	0%
Other Tax Cut	0%

Of the four states that qualified for this year's edition of *State Tax Cut Roundup*, every state cut business taxes. Iowa and Louisiana also cut sales taxes, as displayed in Figure 3. For states looking to improve their economic competitiveness, cutting taxes on capital is most beneficial. A large volume of academic literature (23 out of 26 peer-reviewed studies since 1986) demonstrates that all taxes harm economic growth. Of the studies that differentiate between various forms of taxation, taxes on capital—like personal income and business taxes—are the most harmful to long-term economic growth.[xlvii] In fact, Organization for Economic Cooperation and Development (OECD) scholars found a 1% decrease in income tax burden led to an expected 0.25% to 1% increase in GDP per capita between 1971 and 2004.[xlviii]

Figure 4 below details the frequency of appearances in *State Tax Cut Roundup* by state since 2013. Recording how many times a state cut taxes since 2013 gives information on which states keep tax reform on their legislative agendas over many years versus which state tax reforms are only temporary policy efforts. *State Tax Cut Roundup* finds Florida is the state most devoted to commonsense tax reform, with seven appearances since 2013. Arizona and North Carolina are not far behind with five and six *State Tax Cut Roundup* appearances, respectively. This edition represents the first time Louisiana has appeared in *State Tax Cut Roundup*. Iowa and Georgia both qualify for their second appearance and Indiana now appears for its fourth feature in *State Tax Cut Roundup*.

Table 3: States Qualifying for *State Tax Cut Roundup* During the 2013-2020 Legislative Sessions

State	Cumulative Years Qualifying 2013-2020	Rank	State	Cumulative Years Qualifying 2013-2020	Rank
Florida	7	1	West Virginia	2	18
North Carolina	6	2	Alaska	1	27
Arizona	5	3	California	1	27
Indiana	5	3	Montana	1	27
Ohio	4	5	New Jersey	1	27
Rhode Island	4	5	New Mexico	1	27
Wisconsin	4	5	Oklahoma	1	27
Arkansas	3	8	South Carolina	1	27
Georgia	3	8	Utah	1	27
Iowa	3	8	Vermont	1	27
Maine	3	8	Virginia	1	27
Maryland	3	8	Washington	1	27
Mississippi	3	8	Alabama	0	38
Nebraska	3	8	Colorado	0	38
New Hampshire	3	8	Connecticut	0	38
New York	3	8	Delaware	0	38
Tennessee	3	8	Hawaii	0	38
Idaho	2	18	Illinois	0	38
Kansas	2	18	Kentucky	0	38
Louisiana	2	18	Massachusetts	0	38
Michigan	2	18	Nevada	0	38
Minnesota	2	18	Oregon	0	38
Missouri	2	18	Pennsylvania	0	38
North Dakota	2	18	South Dakota	0	38
Texas	2	18	Wyoming	0	38

Implications of State Taxes for Economic Growth

Every year, state policymakers make critical decisions regarding how they will fund their states' obligations to the public. Despite the unprecedented events of 2020, state lawmakers still needed to pass a budget and determine how they would tax the public to pay for state programs and initiatives. How states funded education, transportation, healthcare and their respective COVID-19 response strategies were multi-billion dollar questions for state lawmakers. Attached to these policy decisions were implications for state economic growth in the long term, but also considerations of how 2020 tax liabilities could threaten small businesses with permanent closure and workers with unemployment. Figuring out how to fund usual state responsibilities and the COVID-19 pandemic response required legislators to consider which revenue sources have the lowest impact on state economic growth even more so than in typical fiscal years.

By picking a revenue source with little impact on long-term economic growth, state policymakers ensure the tax base is stable and revenue is predictable for each fiscal year. If the revenue source has an outsized impact on state economic growth, the state tax base erodes due to economic decisions made by taxpayers to save money on taxes. If a state is too reliant on more damaging forms of taxation, the state may become trapped in a negative feedback loop of constantly raising tax rates to fund state spending. In 2020, determining the balance between raising revenue and impacting state economic growth could mean the difference between a state economy ready for reopening and a state economy plagued by high unemployment and business closure.

The nine states with the highest top income tax rates see growth of personal income, employment and population well below the performance of states without a personal income tax. The nine states without an income tax saw 92% higher population growth, 17% higher employment growth and 10% higher personal income growth than the states with the highest income tax rates.[xlix] This outstanding economic performance reveals how taxing income and investment discourages economic growth.

Conclusion

While only four states qualified for this year's *State Tax Cut Roundup* report, state governments had important responsibilities when it came to business aid and offering net tax cuts in 2020 helped business owners and employees alike.

Appendix: ALEC Principles of Taxation

The proper function of taxation is to raise money for core functions of government, not to direct the behavior of citizens – or close budget gaps created by overspending. This is true regardless of whether government is big or small and this is true for lawmakers at all levels of government. Taxation will always impose some level of burden on an economy's performance, but that harm can be minimized if policymakers resist the temptation to use the tax code for social engineering, class warfare and other extraneous purposes. A principled tax system is an ideal way to advance a state's economic interests and promote prosperity for its residents. The fundamental principles presented here provide guidance for a neutral and effective tax system; one that raises needed revenue for core functions of government, while minimizing the burden on citizens.

Simplicity:

The tax code should be easy for the average citizen to understand and it should minimize the cost of complying with tax laws. Tax complexity adds cost to the taxpayer but does not increase public revenue. For governments, the tax system should be easy to administer and should help promote efficient, low-cost administration.

Transparency:

Tax systems should be accountable to citizens. Taxes and tax policy should be visible and not hidden from taxpayers. Changes in tax policy should be highly publicized and open to public debate.

Economic Neutrality:

The purpose of the tax system is to raise needed revenue for core functions of government, not control the lives of citizens or micromanage the economy. The tax system should exert minimal impact on the spending and decisions of individuals and businesses. An effective tax system should be broad-based, utilize a low overall tax rate with few loopholes and avoid multiple layers of taxation through tax pyramiding.

Equity and Fairness:

The government should not use the tax system to pick winners and losers in society, or unfairly shift the tax burden onto one class of citizens. The tax system should not be used to punish success or to "soak the rich," engage in discriminatory or multiple taxation, nor should it be used to bestow special favors on any particular group of taxpayers.

Complimentary:

The tax code should help maintain a healthy relationship between the state and local governments. The state should always be mindful of how its tax decisions affect local governments so they are not working against each other – with the taxpayer caught in the middle.

Reliability:

A high-quality tax system should be stable, providing certainty in taxation and in revenue flows. It should provide certainty of financial planning for individuals and businesses.

Pro-Growth:

A low tax burden can be a tool for a state's private sector economic development by retaining and attracting productive business activity. A high-quality revenue system will be responsive to competition from other states. Effective competitiveness is best achieved through economically neutral tax policies.

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