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THE STATES AND LOCALITIES

Why States' Tax-Cut Fever Has Subsided:

After watching tax-slashing states struggle financially, some governors and legislators have stopped calling for cuts. But that doesn't mean they won't start again.

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June 27, 2016

Two of the states that have been most ardent about cutting taxes in recent years now find themselves with serious and apparently chronic budget problems. That may be one reason other states have been more reluctant to cut taxes today than they have been in previous years.

When he took over as governor of Louisiana back in 2008, Republican Bobby Jindal inherited a $1 billion surplus. He cut taxes aggressively when oil prices were high and federal stimulus money was flowing, and refused to raise them again when the stimulus money dried up and oil prices tanked.

When his successor, Democrat John Bel Edwards, took office in January, the state was facing a $3 billion shortfall over the next 18 months. Edwards helped convince legislators to pass sales and cigarette tax increases earlier this year, but they'll have to meet again in a special session this month to deal with an estimated shortfall of $750 million for the fiscal year starting in July.

In Kansas, Republican Gov. Sam Brownback promised back in 2012 to conduct a "real live experiment" on whether cutting taxes to the bone would fuel economic growth. He's been haunted by those words ever since. Even after extensive spending cuts and some tax increases were enacted last year, the state has since fallen short of its revenue projections every month but one. The jobs boom Brownback promised has simply failed to materialize. Last year, Kansas was among the bottom 10 states in the nation in employment growth.

These experiences have made lawmakers in other states more circumspect about proposing big tax cuts, says Kim Rueben, an expert on state and local finance at the centrist Urban Institute. "A lot of the places that [tried it] aren't doing particularly well right now," she says. "There's been some exposure to the idea that cutting taxes isn't necessarily a silver bullet."

There are other reasons lawmakers have been slower to pursue tax cuts. For one, a lot of states have already passed big tax-cut packages over the past two or three years. If you accept historical precedent, the country could very well be due for a recession. So states might want to let things settle before seeking more cuts.

But a hint of caution doesn’t mean that states are restoring their tax codes back to what they were five or 10 years ago. Some senior legislators hoped Brownback might go along with a proposal to roll back part of his tax package that allows more than 300,000 businesses to avoid paying any state income taxes. Brownback’s spokesperson quickly shot that idea down, saying “a plan to raise taxes on small businesses or anyone else” would not be part of the governor’s plan to deal with the latest shortfalls. It turned out to be a moot point, since the proposal died on the House floor.

Slicing and even eliminating income taxes remains very much a goal among many Republican lawmakers. If this leads to shortfalls and spending cuts, that may not be entirely a bad thing, suggests Chris Edwards, an economist at the libertarian-leaning Cato Institute. “Some small-government-minded governors may want to cut revenues substantially, to force legislators to cut spending substantially,” he says.

For many conservative Republicans, the current pause in tax reduction may thus be just that -- a brief hiatus before conditions allow more cuts to come. “We are definitely starting to see a break in the tax-cut fever, but it’s a remarkably stubborn virus,” says Nick Johnson, vice president for state fiscal policy at the progressive Center on Budget and Policy Priorities. “We still expect 2017 to be a banner year for big tax-cut proposals.”