



## Dueling tax-cut plans set up showdown in Mississippi Legislature

By Steve Wilson

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It's the election-year shootout at the Tax-Cut Corral, or Mississippi's version of "High Noon," tax-cut style.

Whatever you call it, the Mississippi House has its own entry in what's shaking up as a three-way battle of the tax plans, and this may bring the biggest salvo yet. A plan by Mississippi House Speaker Philip Gunn, R-Clinton, to eliminate the state's income tax over a 15-year span passed in the House. It now heads to the Senate.

"At the beginning of the session there was a lot of talk about a tax cut and a lot of ideas have been put forward," Gunn said at the news conference announcing his plan. "But we as Republicans in the House decided if we are going to do a tax cut and that is going to be a matter of discussion, we want it to be real. We want it to be significant and we want it to count. We want to give meaningful tax relief to the working families of Mississippi."

Like two ships passing in the night, Lt. Gov. Tate Reeves' \$400 million tax-cut plan — which would eliminate the state's corporate franchise tax over a 10-year period and cut other taxes — passed the Senate and is headed to the House.

Mississippi Gov. Phil Bryant's plan, announced at his annual State of the State speech before the Legislature, would reduce the income tax burden on taxpayers making less than \$53,000 per year.

Under Gunn's plan, authored by state Rep. Brad Mayo, R-Oxford, the tax phaseout would begin in fiscal 2017 and take place over a 15-year period. This yearly reduction would be subject to 3 percent growth in the state's revenue. If the state's revenue doesn't grow 3 percent or more, that year's reduction is eliminated and the tax's eventual phaseout is postponed a year.

The House plan would represent a more than \$1.6 billion tax cut, using numbers from fiscal 2014, or about 32 percent of the state's \$6.1 billion general fund budget. The state Department of Revenue estimates this year's income tax revenue would top more than \$1.7 billion.

Under Gunn's plan, the 3 percent bracket would be eliminated by 2019, the 4 percent bracket by 2022 and the 5 percent bracket by 2030. For Mississippi families making \$30,000 per year, it would add up to a \$1,350 tax cut; people making \$50,000 would receive \$2,350 cut; and those making \$75,000 would get a \$3,350 cut.

"This is a prudent plan where we looked at the best practices in other states where things have worked and where they have not worked," Mayo said. "There are those who believe government money is like the Robert Earl Keen song that the road goes on forever and the party never ends. We like Mississippians to have their own money and spend it on their own parties. We've made tough budget decisions for the last three years, and now we will reap the fruits of those labors."

Nicole Kaeding, a budget analyst for the libertarian Cato Institute who specializes in state and federal spending policy, says there's danger in the long phaseout times — a decade for Reeves' plan and 15 years for Gunn's.

"The risk of a long, drawn-out tax cut process is that the tax cuts might never come," Kaeding told Mississippi Watchdog via email. "Future legislatures, future governors and future special interest groups could work to stymie the process, eliminating the promised cuts."

"It is normal for states to take several years to lower tax rates, but a 10- or 15-year schedule is quite long. A long tax cut schedule increases the risk that promised tax cuts will not occur."

The other two proposed plans aren't as expansive.

Reeves' \$400 million tax-cut plan would eliminate the state's corporate franchise tax, which taxes business capital and property at \$2.50 per \$1,000 of capital used, invested or employed in the state. The package would also eliminate the 3 percent tax bracket on individual income and create a tax deduction for about 160,000 self-employed Mississippians.

According to information from the nonpartisan Tax Foundation, nine states, including neighboring Tennessee, Florida and Texas, have no state income tax. Eight have a flat tax.