

## **Cato Institute Praises US Governors' Tax Cut Policies**

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The Cato Institute, a libertarian think tank in the United States, has recently issued its twelfth biennial fiscal report card on the policies of US Governors, which examines state budget actions since 2012.

Under its report card, Governors who have cut taxes and spending the most receive the highest grades, while those who have increased taxes and spending the most receive the lowest grades.

Four Governors were awarded an "A" on this report card for reining in tax-and-spend policies: Pat McCrory of North Carolina, Sam Brownback of Kansas, Paul LePage of Maine, and Mike Pence of Indiana.

Eight Governors were awarded an "F": Mark Dayton of Minnesota, John Kitzhaber of Oregon, Jack Markell of Delaware, Jay Inslee of Washington, Pat Quinn of Illinois, Deval Patrick of Massachusetts, John Hickenlooper of Colorado, and Jerry Brown of California.

The score card ranks the Governors' policies out of 100, with higher scores for policies that reduced the size of Government by cutting taxes and lowering expenditure. Scoring highest were the Governors of North Carolina and Kansas.

Pat McCrory of North Carolina signed into law a major tax reform package in 2013, which replaced three individual income tax rates (6 percent, 7 percent and 7.75 percent) with a single rate of 5.8 percent, which will fall to 5.75 percent in 2015. The package also cut the corporate income tax rate, repealed the estate tax, and broadened the sales tax base.

The Institute said the reforms have substantially improved North Carolina's tax competitiveness. The tax cuts were approved in 2014, and McCrory has also kept a tight rein on spending, the Institute said.

Meanwhile, Kansas Governor Sam Brownback spearheaded major tax reforms. In 2012 he signed into law a package that reduced the number of individual income tax brackets from three to two and cut the top rate from 6.45 percent to 4.9 percent. The reform also increased the standard deduction, reduced taxes on small businesses, and repealed numerous narrow tax breaks.

Further changes in 2013 included income tax rate cuts, the broadening of the income tax base, and increasing the sales tax rate.

Splitting Governors' policies down party lines, the report recalled that previous report cards showed that Republican Governors are typically more fiscally conservative, on average, than Democrat Governors.

In the 2008 report card, Republican and Democrat Governors had average scores of 55 and 46, respectively, while in the 2010 report, they had average scores of 55 and 47. In the 2012 report card, the gap had grown to 57 and 43. In the latest report, the average scores were 57 and 42, respectively, with Republican party Governors featuring in the top six spots.