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Mike Pence's approach to taxes earns an 'A'

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Indiana and Illinois are rivals in more than just Big Ten basketball. The two states compete over residents, businesses and investment capital. The policies pushed by the two governors matter, and directly influence this competition. Almost two years into the Mike Pence administration, Indiana seems to be winning the friendly fight.

The Cato Institute's 12th biennial edition of its "Fiscal Policy Report Card on America's Governors" assigns grades of "A" to "F" to the nation's governors based on their efforts to restrain government and cut spending. This year's edition rates Pence with an "A" and Illinois Governor Pat Quinn with an "F."

Since taking office Pence has cut taxes and spending and further consolidated the state government. In 2013, Pence achieved personal income cuts that are saving Hoosier families hundreds of dollars annually; the tax rate fell by 5 percent, from 3.4 to 3.23 percent. He accelerated cuts to the state's corporate income tax, thus allowing businesses to invest more in their companies and employees, a win-win for job and salary growth. Pence also repealed the state's inheritance tax that burdens the families of small-business owners and Indiana farmers in their time of loss. Pence continued this tax-reform tradition in 2014, signing a phase out of property taxes on business equipment and signaling more tax reform will be on his agenda in 2015.

Across the border, Gov. Pat Quinn's reelection campaign focuses on a $3 billion annual tax hike on Illinois families. Quinn came to office in 2009 promising a "period of reform and recovery." To jump start the reforms, he asked Illinois families to send more money to Springfield by hiking the income tax rate by 67 percent, from 3 to 5 percent, and also raising the corporate income tax rate. Quinn argued that "temporary" higher taxes would allow the state to restore fiscal order. Now, instead of letting the rates fall again closer to the rates paid by Indiana neighbors–Quinn wants to renege on his promises and keep the rates elevated.

Quinn's liberal approach to spending also contrasts with Pence's restraint. Indiana's governor restrained general fund spending growth to 1.9 percent in 2014, which contrasts with the 3.7 percent increase in Illinois.

Ultimately state fiscal decisions do affect the economy. Indiana's economy grew at twice the rate of Illinois' in 2013, and faster than the national average. Since 2013 Indiana has grown its private-sector work force by 3.2 percent, compared to only 1.2 percent in Illinois. Indiana also decreased its food stamp enrollment by almost 50,000, while it has fallen by just 1,250 in Illinois since the beginning of 2013.

With Illinois' high taxes and stagnant economy, it's no surprise a poll earlier this year found that half of Illinois residents want to leave the state, with 19 percent saying they are planning to do so within the year. Surely, many things affect migration, like weather, commutes, job opportunities, and families, but respondents acknowledged that factors like taxes were impacting their decisions.

Lower taxes and less government spending allows the economy to flourish. That means more jobs, more opportunities, and more freedom for individuals to pursue their passions. Governor Pence is embracing this, but Governor Quinn continues to burden his residents with higher costs of government. If Quinn continues his tax and spend policies many Illinoisans might be voting with their feet and leaving the state for good.

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