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States' Recent Tax-Cut Spree Creates Big Risks for Families and Communities

By Wesley Tharpe

State policymakers nationwide have embarked on a tax-cutting spree over the past three years, using the cover of temporary budget surpluses stemming from robust federal aid in response to COVID-19 and the economic recovery that followed. The tax cuts — most of which are both permanent and tilted toward wealthy households and corporations — will weaken state revenues by large and growing amounts over time, limiting these states' ability to maintain support for schools and other vital public services or make new investments that can strengthen the economy and promote opportunity. From 2021 to 2023:

- Twenty-six states cut their personal income tax rates and/or corporate income tax rates, 13 of them multiple times. Permanent cuts to tax *rates* are especially harmful to state balance sheets since they reduce revenues every year going forward absent further legislative action, in contrast to temporary or one-time tax cuts.
- Combined, the cuts will cost those 26 states an estimated $124 billion by 2028, including $13 billion that they have already lost (2022-2023) and $111 billion over the next five years (2024-2028). That means, together, rate-cutting states will collect an estimated 3.6 percent less in general revenue over the next five years than if they had not enacted the cuts. This 3.6 percent share is equivalent to more than a third of states' general fund spending on higher education and more than half of what goes to state correctional systems.[1]
- Rate cuts in Arizona, North Carolina, and West Virginia are especially large and could shrink their general funds by about *11 percent* over the next five years, losses comparable to the disastrous Brownback tax cuts in Kansas during the 2010s.

These sums don't include lost revenues from a wider swath of tax reductions enacted during this time, such as one-time rebates and senior tax breaks. All told, 48 states and the District of Columbia passed some sort of tax cut from 2021 to 2023, according to the Tax Policy Center.[2]

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[1] National Association of State Budget Officers (NASBO), "2022 State Expenditure Report," November 2022, p. 15, https://www.nasbo.org/reports-data/state-expenditure-report.

[2] Tax Policy Center, "Reviewing Three Years of State Tax Cuts," July 2023, https://www.taxpolicycenter.org/taxvox/three-years-state-tax-cuts.

Rate Cutting Is Historically Large in Size, Scope

While no comprehensive accounting exists of state income tax rate cuts over time, available evidence indicates that the COVID-era wave of 26 states cutting rates (see Figure 1), while not unprecedented, is historically large and will lead to substantial damage for public services.

In the decade after the Great Recession took hold in 2008, for example, 18 states cut their personal and/or corporate income tax rates; these policies led to sharp increases in public college tuition, cuts in school funding, and a weakening of income supports like unemployment insurance, which both harmed people and communities and contributed to a slower economic recovery.[3] Before that, more than half of the states cut income tax rates during a period of strong economic growth from 1994 to 2001, only to see revenues plummet and budget cuts ensue when the dot-com bust ushered in a recession.[4]

The combined costs of all tax changes states adopted for the 2023 budget year (including income tax rate cuts and other policies, such as sales tax holidays), as well as those proposed in governors' 2024 budgets, exceed the tax cuts enacted after the Great Recession and are comparable to those passed from the late 1990s through fiscal year 2001, after adjusting for inflation.[5]

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[3] Michael Leachman and Erica Williams, "States Can Learn From Great Recession, Adopt Forward-Looking, Antiracist Policies," CBPP, February 11, 2021, https://www.cbpp.org/research/state-budget-and-tax/states-can-learn-from-great-recession-adopt-forward-looking.

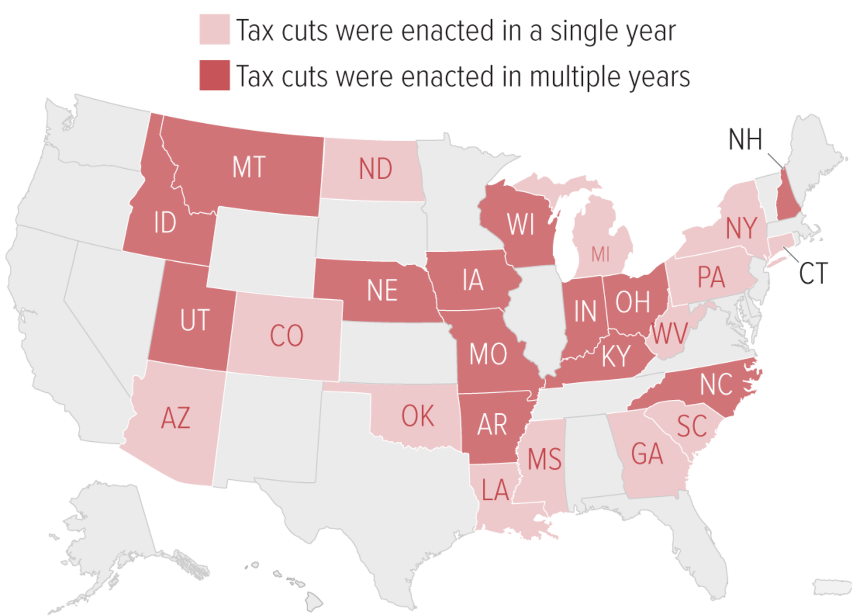
[4] Nicholas Johnson, "The State Tax Cuts of The 1990s, the Current Revenue Crisis, and Implications for State Services," CBPP, November 18, 2002, https://www.cbpp.org/sites/default/files/archive/11-14-02sfp.pdf.

[5] NASBO, "The Fiscal Survey of States: Spring 2023," 2023, p. 57, https://shorturl.at/svRX0.

FIGURE 1

States Have Passed Wave of Costly Income Tax Cuts

Enacted cuts to personal or corporate income tax rates, 2021-2023



	'21	'22	'23
AZ	✂		
AR	✂	✂	✂
CO		✂	
CT			✂
GA		✂	
ID	✂	✂	
IN		✂	✂
IA	✂	✂	
KY		✂	✂
LA	✂		
MI			✂
MS		✂	
MO	✂	✂	
MT	✂		✂
NE	✂	✂	✂
NH	✂	✂	✂
NY		✂	
NC	✂		✂
ND			✂
OH	✂		✂
OK	✂		
PA		✂	
SC		✂	
UT		✂	✂
WV			✂
WI	✂		✂

Source: CBPP analysis of state legislation

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Tax Cuts Will Grow Increasingly Costly

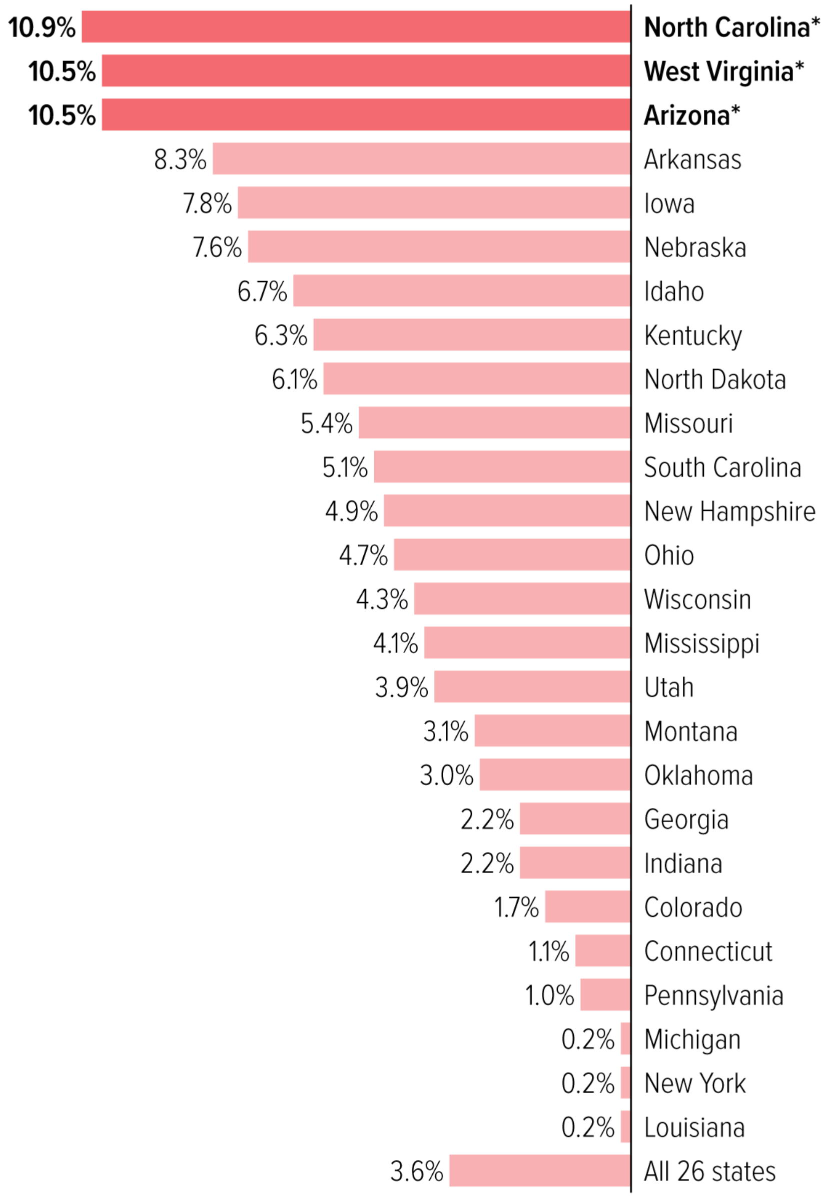
The tax cuts enacted in recent years will carry a hefty cost. (See Figure 2.) While Arizona, North Carolina, and West Virginia stand out for their especially costly tax cuts, lost revenues in the other tax-cut states are by no means insignificant. For example, tax cuts are projected to shrink general fund revenues by at least 6 percent over the next five years in Arkansas, Idaho, Iowa, Kentucky, Nebraska, and North Dakota. And even where the cuts are smaller as a percentage of general revenues, they are significant in dollar terms. For example, over the next five years, income tax cuts could total nearly $9 billion in Ohio, more than $5 billion in Georgia and Wisconsin, more than $4 billion in South Carolina, and more than $3 billion in Indiana, Pennsylvania, and Utah.[6]

[6] In some cases, such as Arkansas and Ohio, the most recent tax cuts stack on top of prior waves of cuts adopted over many years and sometimes decades. See Bruno Showers, "A Decade Of Tax Cuts For Arkansas's Rich And Powerful," Arkansas Advocates for Children and Families, July 7, 2022, https://www.aradvocates.org/a-decade-of-tax-cuts-for-arkansass-rich-and-powerful/; and Guillermo Bervejillo, "The great Ohio tax shift," Policy Matters Ohio, February 10, 2022, https://www.policymattersohio.org/research-policy/quality-ohio/revenue-budget/tax-policy/the-great-ohio-tax-shift-2022.

FIGURE 2

Recent Income Tax Cuts Will Carry Hefty Ongoing Costs

Estimated cost of income tax cuts as share of general fund revenue, 2024 - 2028



*Comparable losses to the disastrous Brownback tax cuts enacted in 2012-2013 (11%). They were among the largest state tax cuts on record, led to massive cuts in schools and other services, two bond rating downgrades, and exhausted budget reserves, among other harms. A bipartisan supermajority repealed most of the cuts in 2017.

Source: CBPP calculations based on National Association of State Budget Officers, Institute on Taxation and Economic Policy, and state fiscal estimates.

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Furthermore, because these rate changes are permanent[7] barring future legislative action, unlike one-time or temporary changes such as a sales tax holiday, the revenue losses will continue and grow each year unless future policymakers reverse course. Based on our estimates, such future losses will be substantial: by 2028, the annual price tag from the 2021-2023 tax-cutting wave could grow to $29 billion a year nationwide. (See Figure 3.)

Some states won't feel the full impact of the income tax cuts right away because they are implementing them over several years through phase-ins or triggers.[8] While commonly sold as a more fiscally responsible approach to cutting state taxes, such approaches simply obscure the policies' true costs. For example, Pennsylvania policymakers in 2022 chose to cut the corporate income tax rate in half over eight years, with the cut not taking full effect until 2031. As a result, the cost will balloon from $127 million in 2023 to nearly $1.5 billion in 2031.[9] In Kentucky and West Virginia, recently enacted tax plans could eventually eliminate personal income taxes altogether if new revenue triggers are met.

This policy approach also means that policymakers can cut taxes today without simultaneously making the spending cuts, or shifts to more regressive sources of revenue, that will ultimately be needed as the cost of the tax cuts balloon. By separating the harmful and unpopular effects of the policy from their root cause, such automatic or triggered tax cuts ultimately undermine democratic accountability.[10] In some cases, policymakers may *never* have to deal with the fallout. For example, in Michigan, policymakers in 2023 sought unsuccessfully to try and sidestep a pending income tax cut approved *in 2015*, when none of them were in office and the economy was very different.[11]

[7] In one state, Michigan, the revenue losses from reduced income tax rates will be temporary rather than permanent, because the state's attorney general interpreted state law as only triggering a temporary, one-year tax cut for tax-year 2023, as opposed to a permanent rate reduction, as some have argued was the bill's original intention. At the same time, revenue losses from some other state policy changes — in particular a costly expansion of the state's tax exemption for seniors — will be permanent. "Michigan attorney general says income tax cut is temporary," Associated Press, March 28, 2023, https://apnews.com/article/income-tax-cut-temporary-nessel-michigan-6a8e42a09153afbb8e094bc61dad5cec.

[8] All told, ten states (Arkansas, Georgia, Indiana, Iowa, Mississippi, Nebraska, New Hampshire, North Carolina, Pennsylvania, and South Carolina) enacted phased-in income tax cuts from 2021 through 2023, and six (Georgia, Kentucky, Louisiana, Missouri, North Carolina, and West Virginia) adopted a tax-cut trigger.

[9] State's fiscal note, with CBPP projections based on inflation and additional rate reductions for 2028-2030. Pennsylvania House Appropriations Committee, "2022/23 Budget-in-Depth," July 20, 2022, https://www.houseappropriations.com/Topic/BudgetYears/720.

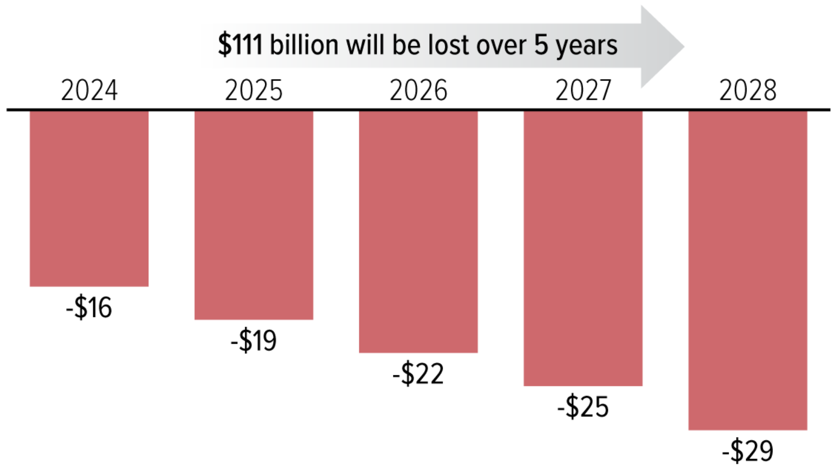
[10] Wesley Tharpe, "Growing Trend to Phase in or Trigger State Tax Cuts Is Irresponsible, Skirts Accountability," CBPP, March 8, 2023, https://www.cbpp.org/blog/growing-trend-to-phase-in-or-trigger-state-tax-cuts-is-irresponsible-skirts-accountability.

[11] A triggered tax cut will now take effect, dropping that state's flat personal income tax rate from 4.25 percent to 4.05 percent this year, at an estimated cost of $650 million in the 2024 budget year. "Michigan taxpayers to receive income tax reduction next year," Associated Press, March 29, 2023, https://apnews.com/article/michigan-income-tax-cut-a684efabf8d68c69f498601b0de672f1.

FIGURE 3

Growing Revenue Loss From Recent Tax Cuts Will Hit Nearly $30 Billion Annually By 2028

Estimated annual revenue loss from 2021-2023 income tax rate cuts, billions of dollars



Source: CBPP analysis of cost estimates from state fiscal offices and the Institute on Taxation and Economic Policy

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In many states, proponents have pointed to budget surpluses to justify large tax cuts. But those surpluses reflected in part the historically large federal response to the COVID-19 pandemic, which boosted state budgets both directly (through fiscal aid to states) and indirectly (through economic relief that helped consumers and businesses weather the crisis and fueled a strong economic recovery and better-than-expected revenues). The economic relief has now expired, and the fiscal aid has mostly been spent; the rest must be obligated by the close of 2024.[12] In short, the surpluses that many states enjoyed over the past three years were *temporary*, whereas the cost of reducing states' income tax rates is *permanent*.

In addition, state revenue trends are expected to return to normal in most states. According to state estimates, general fund revenues will remain roughly flat nationwide in the 2024 budget cycle, continuing a trend from the prior year — in sharp contrast to 2021 and 2022, when revenues grew at historically high rates.[13] Recent data confirm that state revenues are indeed weakening, due to

[12] CBPP, "Fiscal Recovery Fund Spending by States, U.S. Territories," updated December 2022, https://www.cbpp.org/research/state-budget-and-tax/resource-lists/fiscal-recovery-funds-in-the-american-rescue-plan. See also Rebecca Thiess, Justin Theal, and Kate Watkins, "Pandemic Aid Lifts Federal Share of State Budgets to New Highs," Pew, August 28, 2023, https://www.pewtrusts.org/en/research-and-analysis/articles/2023/08/28/pandemic-aid-lifts-federal-share-of-state-budgets-to-new-highs.

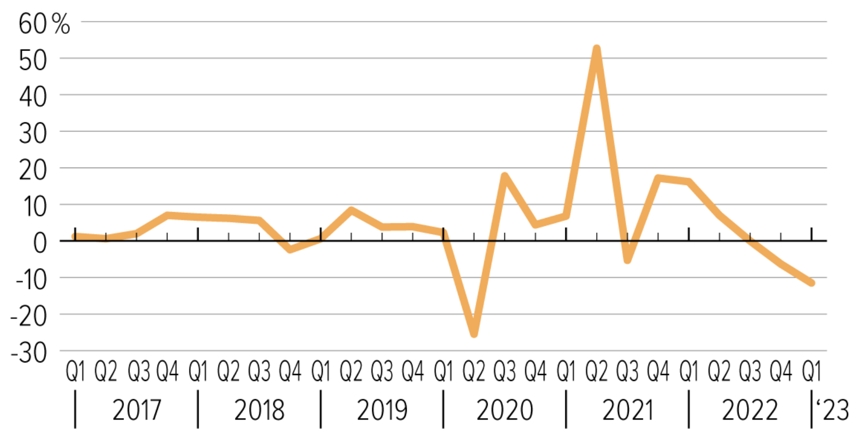
[13] NASBO Spring 2023 Fiscal Survey of States reports that, nationwide, states anticipate general fund revenues to fall in nominal terms by 0.7 percent in fiscal year 2024, compared to an essentially flat 0.3 percent decline in fiscal year 2023 and increases of 16.3 percent in 2022 and 16.6 percent in 2023. See page 45. https://shorturl.at/svRX0.

economic and geopolitical factors along with the early costs of the recent tax cuts.[14] For example, state tax revenues overall were 11.5 percent lower in the first quarter of 2023 than in the first quarter of 2022, accelerating a downward trend that began late in 2022. (See Figure 4.) State *personal income* tax revenue has fallen even more steeply, coming in 22.5 percent lower in the first quarter of 2023 than the first quarter of 2022.[15]

FIGURE 4

State Revenues Declining From Spike

Real year-over-year change in revenue from major state taxes



Source: The Urban Institute

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Cuts Risk Current Services, Constrain Future Potential

Tax cuts on this scale will seriously hamper states' ability to adequately fund services and public assets that state revenues support or to consider new investments to address current or emerging needs.

In the most extreme cases, the resulting revenue losses could lead states to cut spending below current levels for schools, hospitals, libraries, or other supports for children, families, seniors, or vulnerable populations, as occurred in Kansas after particularly costly cuts enacted in the 2010s (see box, "Flat Tax Fails in Kansas"). In other states, policymakers will have fewer dollars to keep up with naturally growing needs and costs due to population growth or inflation, such as when class

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[14] Lucy Dadayan, "Navigating Fiscal Uncertainty: Weak State Revenue Forecasts for Fiscal Year 2024," Tax Policy Center, August 4, 2023, https://www.taxpolicycenter.org/taxvox/navigating-fiscal-uncertainty-weak-state-revenue-forecasts-fiscal-year-2024.

[15] Lucy Dadayan, "State Tax Revenues Declined in the First Quarter of 2023," Urban Institute, August 2023, p. 39, https://www.urban.org/sites/default/files/2023-08/STER_2023Q1.pdf.

sizes or agency caseloads rise or first responders' paychecks stagnate.[16] And in still other states, policymakers simply won't have sufficient funds to address pressing public problems.

Consider the following examples:

- **Arkansas** enacted four rounds of personal and corporate income tax cuts in 2021, 2022, and 2023. For the annual cost of just one of those cuts, enacted in the spring of 2023, policymakers could have created an eight-week paid parental leave program for all parents in the state.[17]
- **Kentucky** enacted a substantial income tax cut in two steps in 2022 and 2023 that will cost \$1.3 billion annually — more than the state spends on its entire system of public colleges and universities.[18]
- **Nebraska** enacted three rounds of income tax cuts over the past three years, which will cost an estimated \$1 billion annually by 2028. This revenue loss equals roughly what Nebraska spends on its entire Medicaid program, which serves nearly 400,000 low-income children and adults, seniors, and people with disabilities.[19]
- **West Virginia** enacted a sweeping personal income tax cut in 2023 that will likely cost more than \$800 million annually starting in 2025 and potentially more over time if new triggers are hit, further exacerbating existing shortfalls in higher education and other state services.[20] The cuts will also limit the state's future potential by sapping revenues that could have otherwise been invested in people's unmet needs; for example lifting the incomes of all poor West Virginia families with children above the poverty line would cost about half as much as the recent tax cut, according to one estimate.[21]

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[16] Such an outcome has been the norm in North Carolina for years, since the state launched a series of personal and corporate income tax cuts starting in 2013. For example, the number of open teaching positions there more than tripled from 2018 to 2023 (from 1,555 to 5,091), due largely to inadequate state funding. See Patrick McHugh, "NC schools are struggling to survive while rich people and corporations keep getting tax cuts," North Carolina Budget and Tax Center, February 23, 2023, https://ncbudget.org/nc-schools-are-struggling-to-survive-while-rich-people-and-corporations-keep-getting-tax-cuts/.

[17] Bruno Showers, "Cuts To Top Tax Rate Endanger Services And Chiefly Benefit The Wealthy," Arkansas Advocates for Children, March 31, 2023, https://www.aradvocates.org/cuts-to-top-tax-rate-endanger-services-and-chiefly-benefit-the-wealthy/.

[18] Jason Bailey and Pam Thomas, "State Budget Changes in 2023 Session Increase Future Risk," Kentucky Center for Economic Policy, March 31, 2023, https://kypolicy.org/2023-kentucky-state-budget-changes/.

[19] OpenSky Policy Institute, "Medicaid renewals starting up for first time since pandemic," April 13, 2023, https://www.openskypolicy.org/medicaid-renewals-starting-up-for-first-time-since-pandemic.

[20] Kelly Allen, "Erosion of State Funding for Higher Education Explains Most of WVU's Budget Crisis," West Virginia Center on Budget and Policy, June 7, 2023, https://wvpolicy.org/erosion-of-state-funding-for-higher-education-explains-most-of-wvus-budget-crisis/.

[21] Sean O'Leary, "How Much Would It Cost to End Child Poverty in West Virginia?" West Virginia Center on Budget and Policy, April 17, 2019, https://wvpolicy.org/how-much-would-it-cost-to-end-child-poverty-in-west-virginia/.

Cuts Are Regressive and Inequitable

Recent state income tax cuts have also been overwhelmingly titled toward taxpayers who are already doing very well, and have disproportionately benefited white households. For example:

- In **Arizona**, households of color account for more than 1 in 3 taxpayers in the state but would receive only an estimated 21 percent of the benefits from the tax plan enacted in 2021.[22]
- In **Arkansas**, the highest-income 20 percent of residents will receive an estimated 80 percent of the benefits from a personal income tax cut enacted in 2023. Meanwhile, an estimated 80 percent of the benefits from corporate income tax cuts enacted that year will *leave the state entirely*, going to out-of-state corporate shareholders.[23]
- In **Montana**, nearly 96 percent of a 2021 tax cut will go to white Montanans. Indigenous residents not living on federally recognized reservations received only 0.9 percent of the cut, despite filing 1.9 percent of state tax returns. Montanans of any "other single race," a broad category that includes all people of color due to state data limitations, file 5.6 percent of returns but received just 3.6 percent of the total tax cut.[24]
- In **West Virginia,** the top 20 percent of taxpayers will receive 65 percent of the benefits of a 2023 tax cut. The bottom 20 percent of filers (those making under $19,000 a year) will receive $21 per year on average, while the top 1 percent (those making $467,000 or more), will get around $10,000 apiece.[25]

These lopsided impacts reflect the fact that the income tax is generally the only major state tax that is progressive — in other words, higher-income households pay a larger share of their incomes in tax. Thus, cutting state income taxes almost always tilts state revenue systems further in favor of higher-income taxpayers, a group that is also disproportionately white due to historical racism.[26] During the 2021-2023 span, Arizona, Georgia, Idaho, Iowa, and Mississippi went a step further, shifting the underlying *structure* of their revenue systems further in favor of high-income people by replacing their graduated income tax structure with a flat tax.[27]

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[22] "Flat Tax Exacerbates Inequalities for Households of Color," Arizona Center for Economic Progress, May 26, 2021, https://azeconcenter.org/flat-tax-exacerbates-inequalities-for-households-of-color/.

[23] Showers, 2023.

[24] Rose Bender, "State Tax Reform Worsens Racial Equity," Montana Budget and Policy Center, October 2021, https://montanabudget.org/report/statetax_reform_worsensequity.

[25] Kelly Allen, "Senate Compromise Tax Plan Looks Much Like Their Initial Plan," West Virginia Center on Budget and Policy, February 25, 2023, https://wvpolicy.org/senate-compromise-tax-plan-looks-much-like-their-initial-plan/.

[26] Michael Leachman *et al.,* "Advancing Racial Equity With State Tax Policy," CBPP, November 15, 2018, https://www.cbpp.org/research/state-budget-and-tax/advancing-racial-equity-with-state-tax-policy.

[27] Eli Byerly-Duke and Carl Davis, "The Pitfalls of Flat Income Taxes," ITEP, January 17, 2023, https://itep.org/the-pitfalls-of-flat-income-taxes/.

Flat Tax Fails in Kansas

In one of the most notable tax cut debates of 2023, a massive flat tax plan in Kansas fell short after Governor Laura Kelly vetoed the measure, citing its "reckless" costs and outsized benefit to wealthy taxpayers, and the majority-Republican legislature upheld the veto by a single vote.[a]

The centerpiece of the plan would have replaced the personal income tax's graduated rate structure, which has a top rate of 5.7 percent, with a single 5.15 percent flat rate. While all taxpayers would have received *some* tax cut, the gains would have mostly flowed to the top, with nearly two-thirds of the overall benefit going to the top 20 percent of households — those earning close to $300,000 a year, on average.[b] And the cost would have been enormous: nearly $1.4 billion over just the first three years.

The plan's defeat is especially notable given Kansas' recent history with tax cutting. In 2012, then-Governor Sam Brownback launched Kansas on what he called a "real live experiment" in extreme tax cutting.[c] Billed as a way to boost the state economy, the tax cuts led instead to plunging revenues and cuts in K-12 schools and higher education, as well as other public services. Two bond rating agencies downgraded Kansas due to its budget problems, and to balance its budget the state delayed road projects, employed various one-time budget gimmicks, and nearly drained funds it had set aside to prepare for the next recession, among other things.[d] In 2017 lawmakers agreed on a bipartisan basis to repeal most of the tax cuts.

Kansas' experience provides important lessons for other states. States that have passed unaffordable tax cuts should revisit them, ideally sooner rather than later to limit the damage. And states should reject new proposals that would take them down the path of extreme tax cutting.

a John Hanna, "Gov. Kelly vetoes bill to cut Kansas taxes by nearly $1.4 billion over 3 years," PBS Newshour, April 25, 2023, https://www.pbs.org/newshour/politics/gov-kelly-vetoes-bill-to-cut-kansas-taxes-by-nearly-1-4-billion-over-3-years.
b Brakeyshia Samms, "Kansas Avoids Flat Tax Proposal: Narrow Victory a Cautionary Tale for Other States," ITEP, April 27, 2023, https://itep.org/kansas-flat-tax-proposal-cautionary-tale-for-other-states/.
c Max Ehrenfreund, "Kansas Republicans raise taxes, ending their GOP governor's 'real live experiment' in conservative policy," *Washington Post,* June 7, 2017, https://www.washingtonpost.com/news/wonk/wp/2017/06/07/kansas-republicans-raise-taxes-rebuking-their-gop-governors-real-live-experiment-in-conservative-policy/.
d Michael Mazerov, "Kansas Provides Compelling Evidence of Failure of 'Supply-Side, Tax Cuts," CBPP, January 22, 2018, https://www.cbpp.org/research/state-budget-and-tax/kansas-provides-compelling-evidence-of-failure-of-supply-side-tax.

Other States Following Brighter Path

Some states in recent years have chosen a different path that protects and *raises* revenues to better support current public services and launch new investments in areas such as affordable housing, universal free meals for schoolchildren,[28] and paid family leave. For example:

- The **District of Columbia** in 2021 raised income tax rates on individuals with taxable incomes above $250,000, generating about $100 million in annual revenues to support affordable housing, wage subsidies for day-care workers, and tax credits for low-income families.[29]
- **Massachusetts** voters in 2022 approved a constitutional amendment to enact a 4 percent surcharge on income over $1 million, on top of that state's existing 5 percent flat rate on all taxable income.[30] The measure is expected to eventually raise at least $2 billion annually, with all new revenues dedicated to public education and transportation.[31]
- **Minnesota** enacted a wide-ranging set of social and economic policies in 2023 to improve the lives of children, workers, and families, including universal free meals for public school students and a new paid leave program.[32] To pay for these investments, policymakers adopted revenue-raising measures targeted to wealthy households and corporations,[33] including a partial crackdown on corporate tax avoidance that policymakers there can further build on.[34]
- **Washington State** in 2021 established a 7 percent excise tax on capital gains (income from the sale of stocks and other investments) received by the wealthiest 0.2 percent of taxpayers, and the state's Supreme Court upheld it in 2023.[35] The tax is expected to generate over $500 million a year and potentially more, early evidence suggests.[36] The state has dedicated the

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[28] Daniel C. Vock, "Kids Eat Free! States Push to Make School Meals Available to All," Route Fifty, March 15, 2023, https://www.route-fifty.com/health-human-services/2023/03/kids-eat-free-states-push-make-school-meals-available-all/384030/.

[29] Julie Zauzmer Weil and Michael Brice-Saddler, "D.C. Council votes to raise taxes on the rich," *Washington Post,* July 20, 2021, https://www.washingtonpost.com/local/dc-politics/dc-council-tax-increase-budget/2021/07/20/36f483d4-e8e7-11eb-97a0-a09d10181e36_story.html.

[30] Marco Guzman, "Massachusetts Voters Score Win for Tax Fairness with 'Fair Share Amendment'," ITEP, November 9, 2022, https://itep.org/massachusetts-voters-score-win-for-tax-fairness-with-fair-share-amendment/.

[31] Jason Wright, "Your Fair Share Dollars at Work: Critical Investments and Hard Choices," MassBudget, August 15, 2023, https://massbudget.org/2023/08/15/your-fair-share-dollars-at-work-critical-investments-and-hard-choices/.

[32] Peter Callaghan and Walker Orenstein, "'Transformational' and also 'bonkers:' Minnesota Legislature ends its session of historic spending, policy changes," MinnPost, May 23, 2023, https://www.minnpost.com/state-government/2023/05/transformational-and-also-bonkers-minnesota-legislature-ends-its-session-of-historic-spending-policy-changes/.

[33] Michael Leachman X thread, May 24, 2023, https://twitter.com/leachma2/status/1661364661424386048.

[34] Matt Gardner, "Minnesota's Tax Battle of 2023 Signals a Turning of the Tide Against Corporate Tax Avoidance," ITEP, July 7, 2023, https://itep.org/minnesotas-corporate-tax-reform-2023-gilti/.

[35] Washington State Budget and Policy Center, "Huge victory for tax justice," March 24, 2023, https://budgetandpolicy.org/schmudget/huge-victory-for-tax-justice/.

[36] So far, according to state officials, 3,190 people have paid a total of $849 million — nearly twice what was originally expected over that span. See Danny Westneat, "WA's wealthiest are richer than even the tax collectors guessed," *Seattle*

revenue to improving and building K-12 schools and expanding childcare and early learning supports for young children.

Several other states, including Colorado, Maine, New Jersey, New York, and Vermont, have also raised new revenues in the past three years, either for general needs or to support specific new investments such as universal school meals in Colorado[37] and child care in Vermont.[38]

Conclusion

In the states that cut income tax rates in the past few years, especially those that cut them most sharply, policymakers should reverse the cuts wherever possible — as a bipartisan coalition of Kansas lawmakers did in 2017 — or at least significantly trim them back before the revenue losses grow even more severe and the need for harmful budget cuts or more regressive tax offsets grows. Policymakers in other states should avoid joining the latest round of fiscal recklessness and choose a different course: protecting and raising adequate revenues to fulfill their current responsibilities and take on new challenges to achieve a brighter future for all residents.[39]

Times, May 27, 2023, https://www.seattletimes.com/seattle-news/politics/was-wealthiest-are-richer-than-even-the-tax-collectors-guessed/.

[37] Erica Breunlin, "Voters approve Prop. FF, clearing way for new school meals program funded by cutting tax breaks for the wealthy," *Colorado Sun,* November 8, 2022, https://coloradosun.com/2022/11/08/colorado-proposition-ff-results-school-meals/.

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Appendix 1: Methodology

The estimates in this report are based on the following components, with specific data included in the subsequent tables.

Annual revenue loss from tax cuts. CBPP pulled figures on potential revenue loss from the most recent reliable projections available for each of the 26 states where policymakers cut rates. These figures came either from official state sources (namely, fiscal notes or legislative budget documents and other materials) or, for a few states, independent estimates of annual revenue loss from the Institute on Taxation and Economic Policy.[40]

Wherever these baseline estimates covered the full timespan covered in this report (2022-2028), those estimates were used. In cases where the available projections stopped short of 2028, which was true of most states, we extended the final year of projected revenue loss out to subsequent years using internal CBPP inflation estimates based on Bureau of Labor Statistics and Congressional Budget Office figures.

We coordinated with members of the State Priorities Partnership network to ensure we had the most recent available projections and, in several cases, to jointly work through various state-specific idiosyncrasies. For states that enacted multiple rounds of cuts, we accounted for potential interactions and adjusted the figures wherever possible in order to avoid double-counting; in cases when some degree of subjectivity arose, we erred on the side of the more conservative estimate.

State general fund projections. In order to estimate how sharply recent state tax cuts could erode state budgets and spending down the road, we compared the above estimates of revenue loss to good-faith projections for how state general funds could reasonably have been expected to grow if not for the tax cuts.

To do this, we first accessed information on state general fund revenues for fiscal year 2022 from the National Association of State Budget Officers.[41] We then adjusted those figures forward annually through 2028 using the same inflation measure cited above, as well as each state's average rate of per capita personal income growth over the past decade.[42] Lastly, we compared each state's estimated annual revenue loss from the tax cuts to these estimates of projected general fund collections in order to calculate the cost of the cuts as a share of states' general funds.

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[40] Institute on Taxation and Economic Policy, "ITEP Microsimulation Tax Model Overview," https://itep.org/itep-tax-model/.

[41] NASBO, "2022 State Expenditure Report."

[42] CBPP analysis of 2013-2022 state personal income data from the Bureau of Economic Analysis, https://www.bea.gov/itable/regional-gdp-and-personal-income.

Appendix 1: State by State Data

State	Tax cut, years enacted	Personal, Corporate, or both	Revenue loss so far, in millions (2022-2023)	Revenue loss, next five years, in millions (2024-2028)	Estimated cost of cuts, as share of general fund revenue, over next five years (2024-2028)	Revenue loss, full seven years, in millions (2022-2028)
Arizona	2021	Personal	($2,194)	($12,040)	10.5%	($14,234)
Arkansas	2021, 2022, 2023 (twice)	Both	($757)	($4,109)	8.3%	($4,866)
Colorado	2022 (ballot)	Both	$0	($2,154)	1.7%	($2,154)
Connecticut	2023	Personal	$0	($1,592)	1.1%	($1,592)
Georgia	2022	Personal	$0	($5,189)	2.2%	($5,189)
Idaho	2021, 2022	Both	($580)	($2,886)	6.7%	($3,465)
Indiana	2022, 2023	Personal	($87)	($3,102)	2.2%	($3,190)
Iowa	2021, 2022	Both	($57)	($4,983)	7.8%	($5,040)
Kentucky	2022, 2023	Personal	($292)	($6,213)	6.3%	($6,504)
Louisiana	2021 (ballot)	Both	$1	($131)	0.2%	($130)
Michigan	2023 (triggered)	Personal	($428)	($219)	0.2%	($647)
Mississippi	2022	Personal	$0	($1,984)	4.1%	($1,984)
Missouri	2021, 2022	Personal	($468)	($4,569)	5.4%	($5,037)
Montana	2021, 2023	Personal	($34)	($806)	3.1%	($840)
Nebraska	2021, 2022, 2023	Both	($77)	($3,115)	7.6%	($3,192)
New Hampshire	2021, 2022, 2023	Both	($31)	($644)	4.9%	($675)
New York	2022	Personal	($162)	($1,019)	0.2%	($1,181)
North Carolina	2021, 2023	Both	($2,351)	($24,315)	10.9%	($26,666)
North Dakota	2023	Personal	$0	($918)	6.1%	($918)
Ohio	2021, 2023	Personal	($1,700)	($8,890)	4.7%	($10,590)

Appendix 1: State by State Data

State	Tax cut, years enacted	Personal, Corporate, or both	Revenue loss so far, in millions (2022-2023)	Revenue loss, next five years, in millions (2024-2028)	Estimated cost of cuts, as share of general fund revenue, over next five years (2024-2028)	Revenue loss, full seven years, in millions (2022-2028)
Oklahoma	2021	Both	($484)	($1,873)	3.0%	($2,357)
Pennsylvania	2022	Corporate	($127)	($3,013)	1.0%	($3,139)
South Carolina	2022	Personal	($827)	($4,632)	5.1%	($5,459)
Utah	2022, 2023	Both	($229)	($3,120)	3.9%	($3,349)
West Virginia	2023	Personal	($115)	($4,070)	10.5%	($4,185)
Wisconsin	2021, 2023	Personal	($2,014)	($5,818)	4.3%	($7,831)
Total (26 income tax-cut states)			**($13,011)**	**($111,405)**	**3.6%**	**($124,416)**

Source: CBPP analysis of state legislation, National Association of State Budget Officers data, and cost projections from state fiscal offices and the Institute on Taxation and Economic Policy

Appendix 2: Estimated Revenue Losses by Year Due to 2021-2023 Rate Cuts, by State, in Millions

State	2022	2023	2024	2025	2026	2027	2028
Arizona	$0	($2,194)	($2,252)	($2,332)	($2,435)	($2,483)	($2,538)
Arkansas	($135)	($622)	($803)	($816)	($813)	($829)	($847)
Colorado	$0	$0	($413)	($422)	($431)	($440)	($449)
Connecticut	$0	$0	($87)	($320)	($365)	($402)	($418)
Georgia	$0	$0	($447)	($706)	($1,052)	($1,310)	($1,674)
Idaho	($171)	($409)	($553)	($565)	($577)	($589)	($602)
Indiana	$0	($87)	($298)	($493)	($638)	($790)	($883)
Iowa	$0	($57)	($215)	($462)	($1,084)	($1,579)	($1,643)
Kentucky	$0	($292)	($937)	($1,278)	($1,305)	($1,331)	($1,361)
Louisiana	($1)	$2	($22)	($27)	($27)	($27)	($27)
Michigan	$0	($428)	($219)	$0	$0	$0	$0
Mississippi	$0	$0	($199)	($300)	($401)	($536)	($548)
Missouri	$0	($468)	($669)	($802)	($936)	($1,070)	($1,093)
Montana	($5)	($28)	($146)	($153)	($164)	($170)	($173)
Nebraska	($2)	($75)	($229)	($418)	($611)	($846)	($1,012)
New Hampshire	($6)	($25)	($53)	($95)	($162)	($165)	($169)
New York	$0	($162)	($615)	($360)	($44)	$0	$0
North Carolina	($650)	($1,701)	($2,105)	($3,108)	($4,322)	($6,025)	($8,755)
North Dakota	$0	$0	($179)	($179)	($183)	($187)	($191)
Ohio	($916)	($785)	($1,679)	($1,747)	($1,784)	($1,820)	($1,860)
Oklahoma	($137)	($347)	($359)	($367)	($375)	($382)	($391)
Pennsylvania	$0	($127)	($305)	($408)	($585)	($774)	($940)
South Carolina	($16)	($812)	($699)	($811)	($931)	($1,061)	($1,130)
Utah	($11)	($218)	($668)	($594)	($607)	($619)	($632)
West Virginia	$0	($115)	($696)	($818)	($835)	($852)	($870)
Wisconsin	($1,019)	($994)	($1,028)	($1,052)	($1,074)	($1,095)	($1,213)

Appendix 2: Estimated Revenue Losses by Year Due to 2021-2023 Rate Cuts, by State, in Millions

State	2022	2023	2024	2025	2026	2027	2028
Totals	($3,069)	($9,942)	($15,961)	($18,724)	($21,829)	($25,473)	($29,418)

Source: CBPP analysis of state legislation, National Association of State Budget Officers data, and cost projections from state fiscal offices and the Institute on Taxation and Economic Policy