
**Statement of Nicholas Johnson,
Vice President for State Fiscal Policy:
North Carolina Senate Tax Plan Would
Gut School Funding, Hurt State's Economy**

The tax plan that North Carolina's Senate leaders unveiled yesterday should not be mistaken for tax reform. It is, in reality, a plan to gut North Carolina's schools, public colleges and universities, infrastructure, and other key state investments that promote long-run prosperity.

The plan's massive tax cuts, which would mainly benefit large corporations and the wealthy, would cost the state \$1.3 billion each year once fully in place, roughly the entire annual budget for North Carolina's community colleges. Blowing such a massive hole in the budget would jeopardize the quality public schools, nationally-recognized public university system, and other assets that have attracted businesses — and jobs — to the state in industries like financial services and scientific research.

Other states that considered similar proposals this year backed off in part because of the reality that huge tax cuts for the wealthy must be paid for with untenable reductions in funding for schools and other state services, tax hikes on others, or both. The North Carolina Senate's plan ignores that reality and opts instead for wishful thinking.

Claims that the Senate plan will cause North Carolina's economy to boom are simply empty promises. Any boost from cutting income taxes will be canceled out by the spending cuts or tax increases the state will be forced to adopt to balance its budget.

Elimination of the corporate income tax is largely a giveaway to multistate corporations that — rather than creating jobs — will likely stick the savings in an out-of-state bank or use it to pay higher dividends to stockholders, most of whom don't live in North Carolina.

The plan's personal income tax cuts won't likely create jobs, either. Most small businesses would get a tax cut so small that it wouldn't even cover one worker's salary. Plus, small businesses rely on state education, roads, and other services that would degrade year after year under this plan.

To ensure a bright economic future, North Carolina should focus on strengthening the K-12 and higher education systems that have set the state apart in the past but faced deep cuts in recent years due to the recession. Blowing a huge hole in the state budget would make that crucial task much harder.

North Carolina has nothing to gain and much to lose from the Senate's misguided plan.

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