Capitol Leaders

Zeroing Out the State Income Tax: A Pro-Growth Path to Opportunity

Our Vision for State Tax Policy

State and local taxation should raise revenue for the government's core responsibilities while doing the least collateral damage to the economy. The goal of tax reform is not simply to reduce revenue, but to design systems that are simple, neutral, stable, and growth-oriented, ensuring adequate funding for legitimate government functions while minimizing economic disruption.

We believe individuals make the best decisions with their own earnings. Excessive or overly prescriptive tax systems reduce purchasing power, distort behavior, and limit individuals' ability to innovate, cooperate, and chart their own course in life. Tax policy should empower people, not coerce them through carve-outs, penalties, or targeted incentives.

Why Zero Out the State Income Tax?

1. More Take-Home Pay for Workers and Families

Lowering and eliminating the personal income tax directly increases disposable income. That means:

- More money for groceries, utilities, childcare, and housing
- Stronger household resilience
- Greater upward mobility

Because income taxes directly tax labor, they reduce the reward for work. Eliminating them strengthens incentives to earn, save, and invest.

2. Economic Growth & Job Creation

According to a 2024 study from the Tax Foundation, personal income taxes account for roughly 38% of state tax collections, making them a major lever in state economic policy. Taxes can include wages and salaries, dividends and interest (in some states), and small business income through pass-through entities (S-corps, LLCs, sole proprietorships, partnerships). Higher marginal rates are correlated with:

- Lower rates of new business formation
- Slower workforce expansion
- Reduced long-term growth

When work and investment are heavily taxed, less work and investment occur. Reducing and eliminating income taxes removes those distortions.

3. Interstate Competition & Migration

Forty-one states levy individual income taxes. Nine states levy no individual income tax. IRS migration data shows net migration is strongly influenced by tax burdens. Since 2020, out-migration from high-income-tax states has accelerated, particularly as remote work increases geographic flexibility. Zeroing out the income tax helps states:

- Retain talent
- Attract inbound migration
- Expand their economic base
- Strengthen long-term fiscal stability

People often vote with their feet, and tax policy matters.

What are Revenue Triggers?

Revenue triggers tie tax reductions to measurable fiscal performance. Rather than cutting rates regardless of budget conditions, triggers:

- Require general fund revenues (adjusted for inflation and excluding volatile sources such as severance taxes) to exceed statutory thresholds
- Automatically reduce rates only when the state can afford it
- Protect balanced budget requirements
- Ensure reform is data-driven and sustainable

They ensure tax relief advances only when economic growth supports it, maintaining structural balance while moving toward long-term reform.

Messaging Guidance

1. Lead With Empowerment: “Let people keep more of what they earn.”
Focus on dignity, autonomy, and opportunity, not just abstract fiscal theory.

2. Emphasize Competitiveness: “States compete for jobs and families.”
Frame reform as pro-worker, pro-family, pro-entrepreneur, and pro-growth.

3. Stress Fiscal Responsibility: “Tax relief only happens when budgets are balanced.”
Highlight possible revenue triggers and balanced budget protections to mitigate fiscal irresponsibility arguments.

4. Connect to Migration Trends: “People are mobile, tax policy matters.”
Use data showing the growth in no-income-tax states and outward migration from high-tax states.