

NO-INCOME TAX STATES LEAD PRIVATE JOBS GROWTH

(May 2023) Policy Foundation research concludes states without an income tax create new private-sector jobs at rates greater than the national average.

This observation is demonstrated by calculating growth rates in periods of economic expansion. The U.S. Bureau of Labor Statistics (BLS) compiles jobs data. The National Bureau of Economic Research (NBER) determines expansion dates.

A 2003 Foundation research memo found "states with no income tax created private sector jobs at the greater rate than the U.S. average" in the 10-year expansion between March 1991 and March 2001. The Policy Foundation was founded in 1995. Private employment "in the nine states without an income tax grew 35.4% as a group" versus the U.S. average of 24.4%.⁽¹⁾

The NBER found the next expansion occurred between November 2001 and December 2007.⁽²⁾ Private employment in the nine states without an income tax expanded 11.6% as a group versus the U.S. average of 5.7%.

A May 2022 Foundation memo found three no-income tax states, including Texas and Florida had some of the highest total job creation rates in the expansion that lasted from June 2009 to February 2020. Private employment in the nine states without an income tax grew 27.5% as a group versus the U.S. average of 19.4%.

In sum, no-income tax states created private-sector jobs at higher rates than the national average through multiple business cycles.

Private Jobs Growth and the Current Expansion

The NBER found the current expansion started in April 2020. Through March of this year, private employment in the nine states without an income tax expanded 25% as a group versus the U.S. average of 22.5%.

Upon closer examination, four no-income tax states emerge as job creation leaders within their regions. These states are Nevada (43.8%) in the West, New Hampshire (25.6%) in New England, and Texas (23.5%) in the Plains. In the 12-state Southeast region, Florida (28%) is the leader as the following chart shows.

Florida	28.0%
South Carolina	24.921%
North Carolina	24.898%
Kentucky	24.5%
Georgia	23.7%

Tennessee	22.2%
Mississippi	20.5%
Alabama	19.5%
Arkansas	18.7%
West Virginia	17.9%
Virginia	17.548%
Louisiana	17.515%

-- Greg Kaza

Sources

- (1) The nine no-income tax states are Alaska, Florida, New Hampshire, Nevada, South Dakota, Tennessee, Texas, Washington, and Wyoming.
- (2) www.nber.org