



May 19, 2022

To: Members of the North Carolina Senate
From: Americans for Tax Reform
Re: Short Session

Dear Senator,

On behalf of Americans for Tax Reform (ATR) and our supporters across North Carolina, I thank you for your public service and leadership in advancing pro-growth tax policies. It's often discussed how North Carolina is a national model for smart tax reform, but what the Old North State doesn't get enough credit for is how much it has also been a model for conservative budgeting and spending restraint.

As politicians in Washington and other states have shown, it's much easier to cut taxes than it is to also keep spending in check. Yet you and your colleagues have commendably managed to do both. As you begin the short session, I encourage you to continue the spending restraint that has seen state outlays grow at a responsible pace for much of the past decade, in line with the rate of population growth plus inflation.

North Carolinians owe you thanks for the new income tax cut that took effect at the beginning of this year. While I hesitate to push too hard given how the budget you enacted at the end of last year provided significant tax relief, I would offer for your consideration the suggestion that accelerating the next scheduled personal income tax rate reduction so that it takes effect sooner than 2026 would make for a great use of the current surplus. North Carolina is, after all, vying with nine no-income-tax states for jobs, investment, and new residents; as well as competing with the states making progress toward becoming the 10th no-income-tax state, such as Arizona, where lawmakers recently cut the state income tax to a flat 2.5%.

Another area where there is an opportunity to build upon previous successes is with the state's professional privilege tax, which I encourage you to repeal. North Carolina is an outlier in even having this tax on the books, which is only levied by five other states (soon to be four thanks to a bill enacted in Alabama this year that will repeal their professional privilege tax). One of the other few states to levy this tax, Tennessee, is close to getting rid of its professional privilege tax, which is viewed as the last vestige of an income tax in that state. In 2019 Tennessee lawmakers enacted a budget that repealed the privilege tax for 15 of the 22 professions that it applied to. There is expected to be a push in 2023 to finish the job, unless a lawsuit potentially being filed this summer results in the tax being struck down as unconstitutional. I encourage you and your colleagues to repeal North Carolina's professional privilege tax, which is selectively applied to certain industries and jobs. Repealing this tax, aside from saving North Carolinians money, will send a message that North Carolina is a state whose leaders view the ability to earn a living as a right, not a privilege.

In keeping with your responsible stewardship of public resources, there are some other reforms you may wish to consider during the short session or in 2023. The recent elections, for example, demonstrate why it would be a good idea to pass state legislation requiring all bond and tax measures to be placed on the general election ballot, when turnout will be higher and a greater share of the electorate will be able to decide. In this week's primary election, for example, 45,399 Guilford

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County voters approved a \$1.7 billion bond for which all taxpayers in the county, whose population is greater than 532,000, will be on the hook.

On Tuesday, Guilford County voters also rejected a sales tax hike. Setting aside arguments against imposing a regressive tax hike amid the highest inflation in four decades, even if it had passed, that tax hike would not have covered half the annual interest costs associated with the \$1.7 billion of new debt that was authorized by what amounts to 8% of the county's population. That's why, in addition to requiring all tax and bond measures to be placed on the November general election ballot moving forward, I encourage you to pass legislation requiring that all bond measures list the annual interest costs associated with the proposed bond. You and your colleagues have been responsible stewards of taxpayer dollars and it's important for the overall state tax climate that local officials follow your lead.

In addition to continuing to keep the rise in state spending below or at least in line with the rate of population growth and inflation, I also urge you to look for additional deregulatory reforms that will reduce the cost of doing business in North Carolina and apply downward pressure on consumer prices. As one of the fastest growing states in the country, thanks in large part to the very hospitable tax and regulatory climates you have spent a decade significantly improving, it's particularly important to look for reforms that will increase access to health care and reduce costs for patients by reducing regulatory barriers.

I can't thank you enough for how much you've improved North Carolina's tax and regulatory climates in recent years, which was the result of great deal of hard work and political courage on the part of you and your colleagues. Not only have your efforts greatly aided North Carolinians, but the benefits also extend beyond state lines, as your reforms have served as a model that other states have emulated or are seeking to mimic. Best of luck in the upcoming short session and beyond. If I or ATR can be of assistance, feel free to contact me or Patrick Gleason, ATR's vice president of state affairs, at 202-785-0266 or pgleason@atr.org.

Sincerely,



Grover Norquist
President
Americans for Tax Reform