



AMERICANS *for* TAX REFORM

February 15, 2016

To: Members of the Tennessee Senate

From: Americans for Tax Reform

Re: Senate Bill 47

Dear Members of the Tennessee Senate,

On behalf of Americans for Tax Reform and our supporters across Tennessee, I write to urge you to keep taxpayers in mind as you take up important issues this legislative session. While there are a number of pro-growth reforms that can make Tennessee more attractive to job creators and investors, **the best thing lawmakers could do this year to improve the state's business tax climate is to approve SB 47, legislation that will begin phasing out the Hall Tax.**

The non-partisan Tax Foundation has released analysis showing how elimination of the Hall Tax would boost Tennessee's economic competitiveness. **Tennessee currently has the 16th best business tax climate in the nation. However, if lawmakers get rid of the state's six percent tax on investment income, Tennessee would have the 11th best business tax climate in the nation.**

The Hall Tax does far more damage than it's worth, raising what amounts to less than one percent of state and local revenue. With average economic growth and modest spending restraint, lawmakers can easily cope with the Hall Tax's elimination. It's even more manageable when considering that SB 47 phases the tax out over a number of years.

Tax relief isn't just good election year politics, it's good policy. Tax Foundation economist William McBride reviewed academic literature going back three decades and found that "all but three of those studies, and every study in the last 15 years, find a negative effect of taxes on growth." John Hood, chairman of the John Locke Foundation, found that keeping state and local tax burdens as low as possible promotes economic growth when he analyzed 681 peer-reviewed academic journal articles going back to 1990. "Most studies find," Hood discovered, "that lower levels of taxes and spending, and less-intrusive regulation correlate with stronger economic performance." For further proof of how much taxes matter, in the ten states with the lowest tax burden, GDP grew 24% faster over the last decade on average than it did with the ten states with the highest tax burden.

Tennessee has lower taxes than most states, but that doesn't mean lawmakers should sit back while other states in the region and across the country continue to propose and enact reforms that make their tax codes more competitive. Texas, for example, already has a better business tax climate than Tennessee, and lawmakers

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there recently approved another \$4 billion in tax relief. To Tennessee's east, North Carolina lawmakers are working to get rid of their income tax. Florida is another state, like Texas, that already has a better business tax climate than Tennessee. Unlike Tennessee, Florida has the advantage of being a true no income tax state. This year Gov. Rick Scott and Florida lawmakers are looking to increase their advantage by passing another round of tax cuts. Simply put, now is not the time for Tennessee lawmakers to rest on their laurels.

Tennessee taxpayers have been hit with over 20 federal tax increases over the last six years, and could use some much-needed tax relief at the state level. **The best thing lawmakers can do right now to make Tennessee a more attractive place to live and do business is to use the 2016 session to make Tennessee a true no-income-tax state once and for all. As such, I urge you to vote YES on SB 47.** Americans for Tax Reform will continue to follow this issue closely throughout session and will be educating your constituents as to how you vote on this important matter. If you have any questions, please contact Patrick Gleason, ATR's director of state affairs, at (202) 785-0266 or pgleason@atr.org.

Onward,



Grover Norquist
President
Americans for Tax Reform