



AMERICANS for TAX REFORM

January 11, 2023

To: Members of the North Dakota House Committee on Finance and Taxation
Re: Testimony of Grover Norquist, President, Americans for Tax Reform in Support of House Bill 1158

Chairman Headland and Members of the Committee,

My name is Grover Norquist, I am President of Americans for Tax Reform (ATR). I founded ATR in 1985 at the request of President Reagan. Today, we continue to advocate for reducing the tax burden, and sponsor the Taxpayer Protection Pledge, a written commitment made by elected officials to their voters to oppose tax increases.

Thank you for having me here today to testify in support of House Bill 1158, and discuss the trends and benefits of reducing, flattening, and eliminating income taxes. And thank you Chairman Headland for your continued leadership on income tax reform, and to all the members of the House who have voted to eliminate the state income tax previously.

HB 1158 is a strong tax reform bill that will create a single rate flat tax of 1.5%, while eliminating any income tax obligation for lower income earners (under \$44,725 per year).

This would give North Dakota the lowest flat tax of any state in the nation, making the state tax climate one of the most welcoming in the country. Though the state would remain behind the no-income-tax states, including neighboring South Dakota – for now.

A flat rate is a huge and important step forward. It makes it more difficult for future tax increases to be enacted. Future politicians could no longer divide taxpayers into different groups and take their earnings one at a time. Having a lower, flat rate would also put North Dakota in a strong position to eliminate the state income tax entirely.

States that have low, or no, income taxes are winning the competition for people, jobs, and economic growth. Meanwhile high-tax states like California and New York are watching people stampede through the exits.

The 10 states that gained the most residents from domestic in-migration had an average total state and local tax burden of 7.7% of income, compared to 10% of income for the 10 states that lost the most residents. Americans are voting with their feet.

Red states are learning this lesson, and leading by reducing their tax burdens. In 2021, 14 states cut their income taxes, in 2022 we saw eight more state income tax cuts. There are currently eight states with no income tax, New Hampshire will soon be the ninth. 10 more states have begun phasing their income taxes to zero.

Many of the legislative leaders who achieved these results are enthusiastic about helping you do the same. They are willing to share their guidance, so please do not hesitate to reach out to them:

In Arizona, House Speaker Ben Toma (BTOMA@azleg.gov) and Senate Finance Committee Chairman J.D. Mesnard (JMESNARD@azleg.gov) have been key in passing and expediting Arizona's new, lowest-in-the-nation 2.5% flat tax rate, which is in effect as of January 1, 2023.

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For Iowa, Senate Majority Leader Jack Whitver (jack.whitver@legis.iowa.gov) and Senate Ways & Means Chairman Dan Dawson (dan.dawson@legis.iowa.gov) led the effort to massively cut one of the highest income tax rates in the nation to one of the lowest over the next few years.

For Kentucky, House Speaker David Osborne (David.Osborne@lrc.ky.gov) and Senate President Robert Stivers (Robert.Stivers@lrc.ky.gov) overrode a Governor's veto to put the state on a path to eliminate the income tax entirely over the next decade.

For Mississippi, House Speaker Phil Gunn (pgunn@house.ms.gov), House Speaker Pro Tempore Jason White (jwhite@house.ms.gov), and House Ways & Means Chair Trey Lamar (jlamar@house.ms.gov), worked with Governor Reeves to move the state to a flat rate and enact the largest income tax cut in state history.

For North Carolina, Senate President Phil Berger (contact Clay Vick: clay.vick@ncleg.gov) and North Carolina Speaker Tim Moore (contact deputy chief of staff, Dan Gurley: dan.gurley@ncleg.gov) have been vital in that state's leadership of flattening and cutting income taxes over time using revenue benchmarks to achieve long term success while putting taxpayers first.

North Dakota should be a leader among these states. The state GDP declined slightly between 2017 and 2022. Income tax reform would help the state grow and broaden its economy, attract and retain workers, and make it an easier place to raise a family and start a small business. Remember, many small business owners file taxes as individuals.

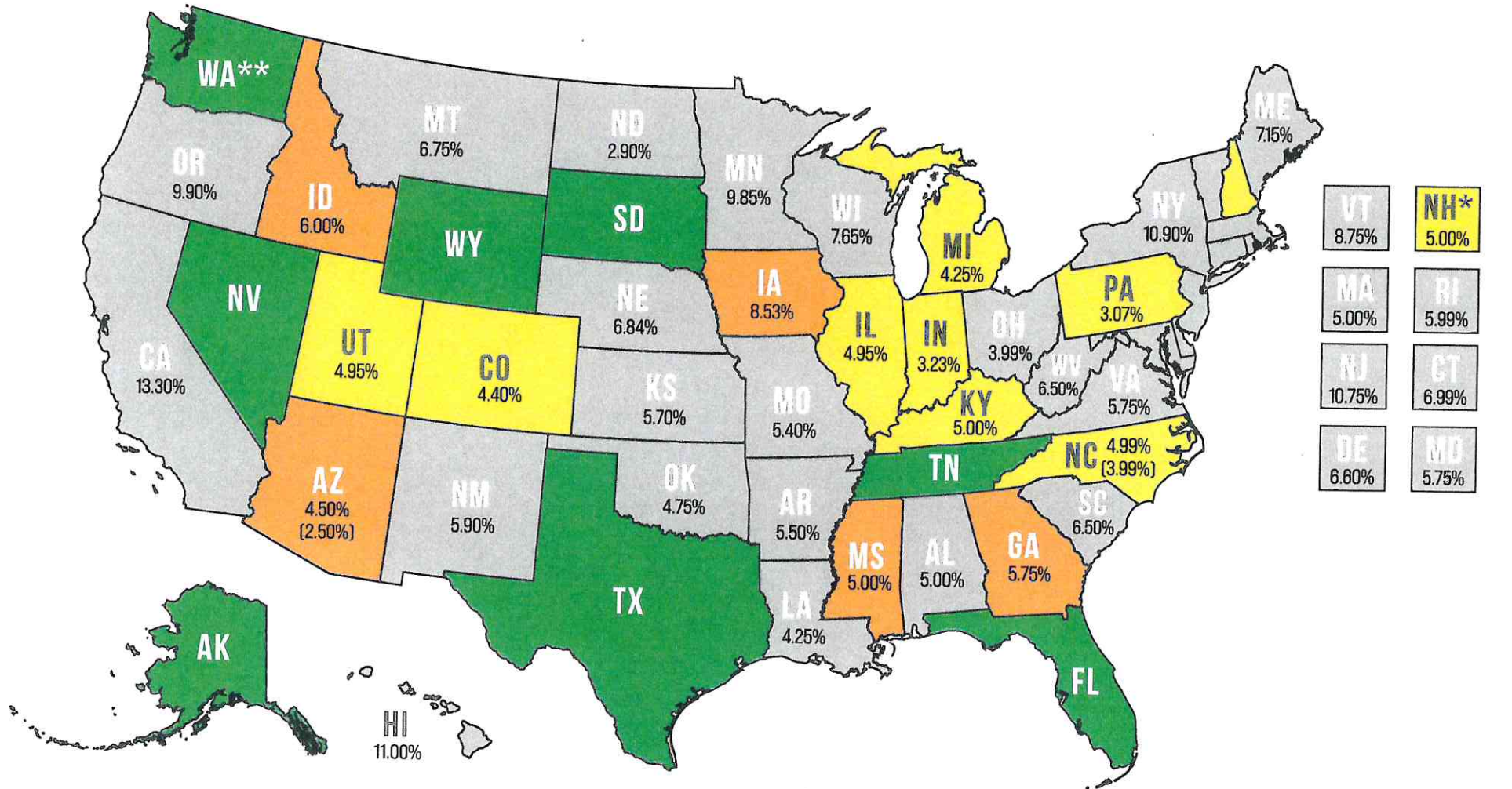
You are in a tremendous position to get it done. The state already has a relatively modest income tax, it has record revenues coming in (meaning too much taxpayer money is being taken), and it has the Legacy Fund – a growing reserve that should be used to put money back in the pockets of North Dakotans – before someone spends it on growing the government.

Tax relief is also an opportunity for the Republican-led legislature to set a contrast with Democrats in Washington D.C. who are taking money out of North Dakotans' pockets through new tax hikes, high-cost energy policies, and high inflation.

Governor Burgum and many state legislators support flattening and reducing the income tax. The time is now for North Dakota to lead on income tax reform. If we can be of any assistance, please contact me or State Projects Director Doug Kellogg at dkellogg@atr.org, (202) 785-0266.

Thank you.

ZERO & FLAT INCOME TAX STATES



■ STATES WITH ZERO INCOME TAX
 ■ STATES WITH A FLAT INCOME TAX
 ■ STATES THAT PASSED LEGISLATION TO MOVE TO A FLAT INCOME TAX
 ■ STATES WITH GRADUATED INCOME TAXES

* NEW HAMPSHIRE HAS A TAX ON INVESTMENT INCOME, BUT A NEW LAW WAS ENACTED THAT WILL SOON PHASE OUT THE TAX BY THE END OF 2026.

** A CAPITAL GAINS TAX WAS ENACTED BY THE WA LEGISLATURE IN 2021 BUT ITS IMPOSITION HAS BEEN ENJOINED PENDING THE OUTCOME OF A LAWSUIT CHALLENGING THE TAX AS UNCONSTITUTIONAL.

NOTE: PERCENTAGES REFLECT THE TOP MARGINAL STATE INDIVIDUAL INCOME TAX RATES AS OF JANUARY 1, 2022.