

It's Never the "Best Time for Tax Reform"

November 8, 2012

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NC's Economy is Big

- Population of 9.55 million (10th)
- Workforce of 4,500,000
- GSP of \$407 Billion (10th) >GA, MI, MA since 2003
- NC = 24th largest national economy



Big is hard to affect

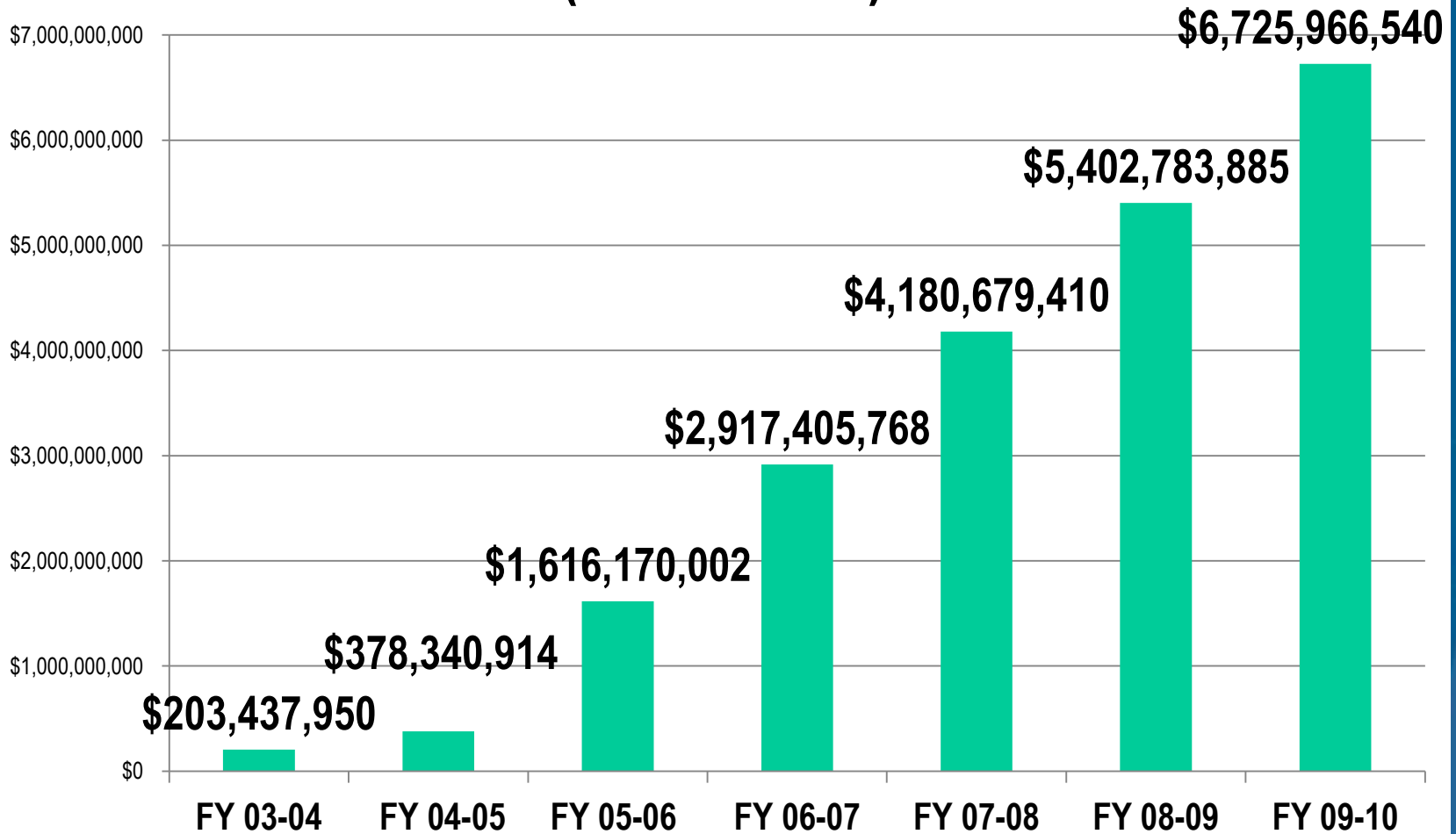


NC Economic Development

Our ability to affect NC economy is limited

- NC has 200,000+ firms
- Direct assistance possible to only a few thousand
- Targeted incentives to a few dozen firms
- Just 1% gain in employment requires creation of 45,000+ new jobs
- Even great success can be insufficient

NC Economic Development Spending (Cumulative)



Chief Executive

No. 2 Best State for Business—by CEO's,
Chief Executive magazine, May 2011

THE BUSINESS JOURNALS

A GREEN PAPER

No. 2 Most Cost-Efficient for Manufacturing—
AIER study, *The Business Journals*, July 2011

No. 8 Venture Capital Investments—
The Business Journals, August 2011



ERNST & YOUNG

No. 2 Lowest State & Local Tax Burden on Business—
Council on State Taxation and Ernst & Young, July 2011



No. 3 America's Top States for Business—
CNBC survey, June 2011



SITE Selection

No. 1 Best Business Climate 9 of the last
10 years—*Site Selection* magazine
November 2010

No. 4 Most Competitive State—
Site Selection magazine, May 2011

No. 6 Most New Projects and Expansions
in 2010—*Site Selection* magazine, March 2011

THRIVE in NORTH CAROLINA

Forbes

magazine

No. 1 City for Increase of Young Families: Raleigh—
Forbes magazine, June 2011

No. 2 Region for Overall Population Increase:
Research Triangle—*Forbes* magazine, June 2011

No. 2 Region for Increase of Educated Migrants:
Research Triangle—*Forbes* magazine, June 2011

No. 3 Highest Job Growth Over Past Two Decades:
Research Triangle—*Forbes* magazine, June 2011

No. 3 Best State for Business—
Forbes magazine, November 2010



Site Selection ranks North Carolina “Best Business Climate” 11 of last 12 years

Site Selection’s 2012 Top State Business Climate Rankings

Overall Ranking	Executive Survey Rank	Competitiveness Rank	2011 New Plant Rank	2012 New Plant Rank (Jan.-Aug.)	Mature Firm Tax Index Rank	New Firm Tax Index Rank	Final Total Points	
1	North Carolina	5	4	13	7	13	458	
2	Ohio	9	3	1	8	5	3	444.5
3	Texas	1	2	2	6	12	42	441
4	Georgia	6	9	6	16	3	6	437.5
5	Virginia	3	1	5	22	11	39	414.5
6	Alabama	8	10	14	5	13	19	409
7	Louisiana	12	4	10	4	10	2	407.5
8	Tennessee	3	7	9	20	29	29	398
9	South Carolina	5	11	16	3	32	34	389
10	Florida	6	20	12	10	19	36	380.5

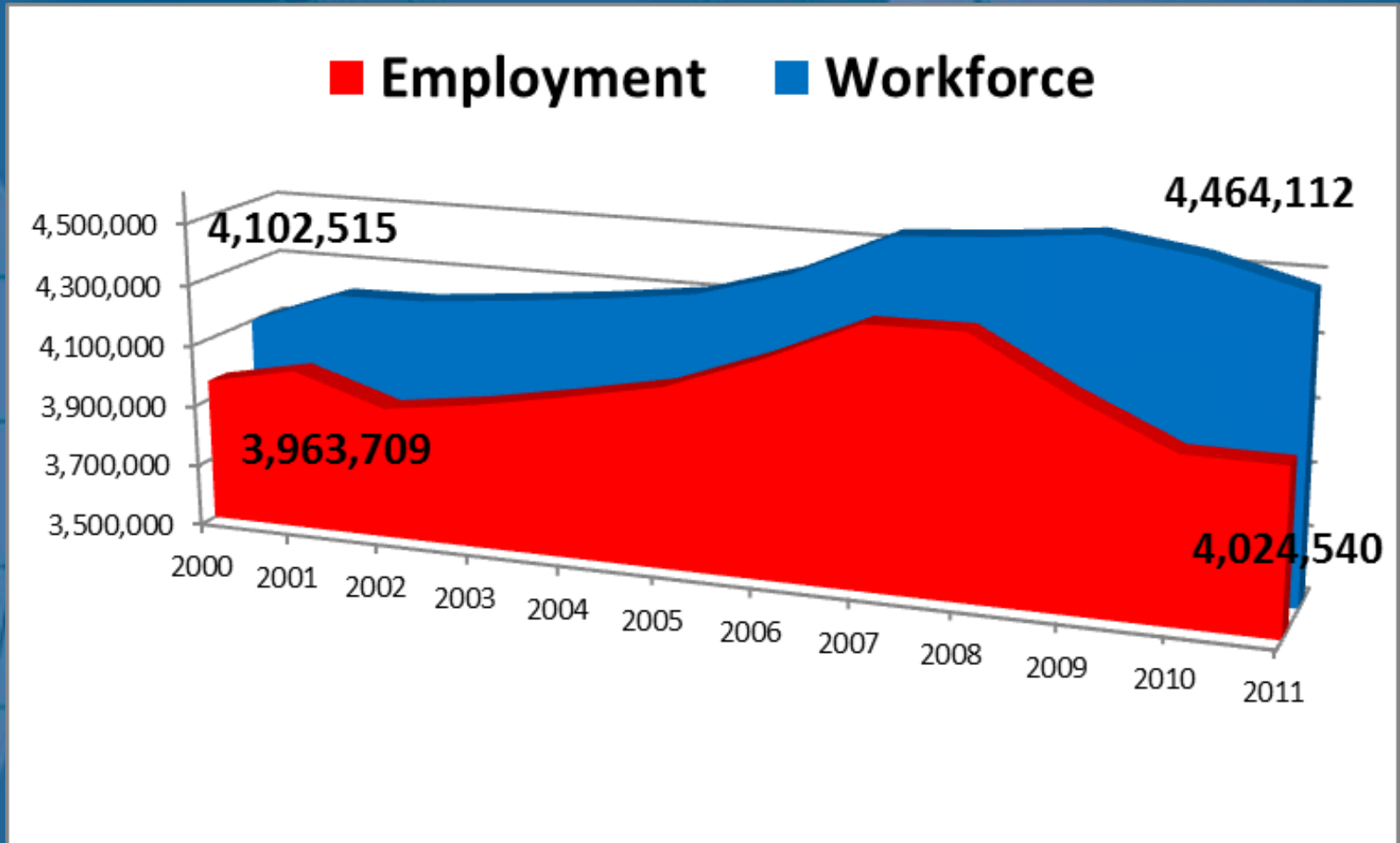
This is Success?

Despite accolades NC is falling further behind US

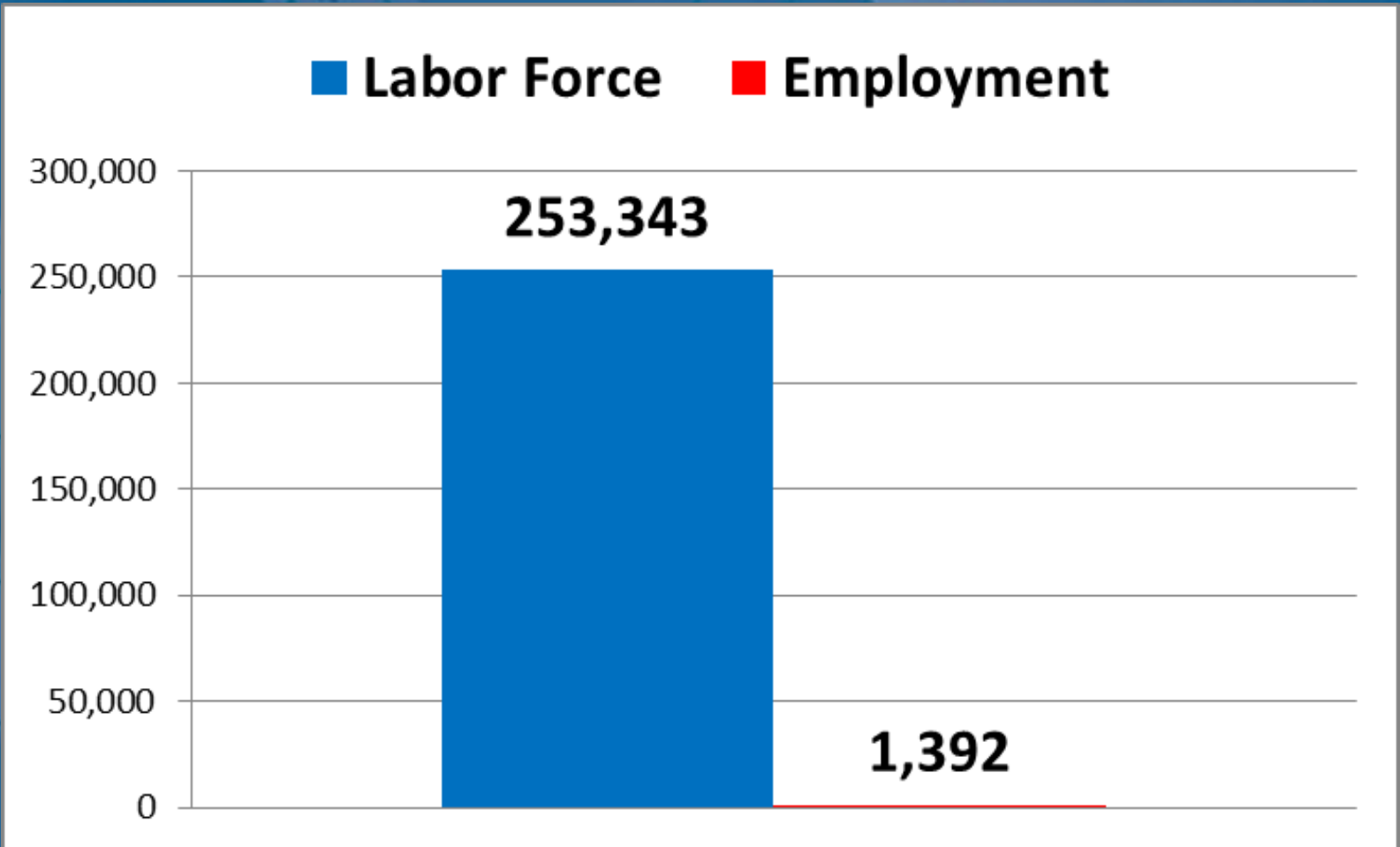
- Job creation lags workforce growth
- 47th in per capita income growth



NC Job Creation 2000-2010



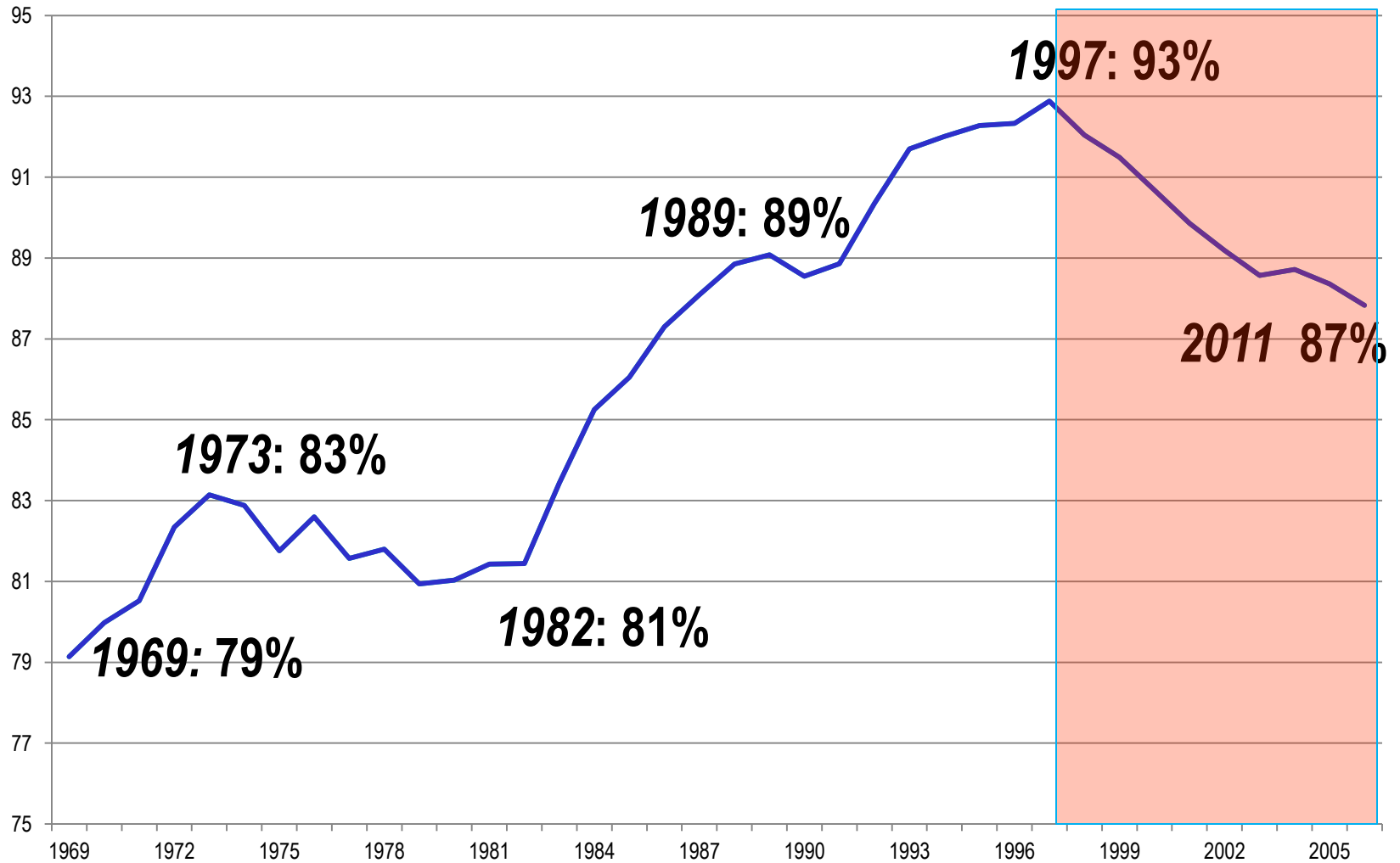
NC Job Creation 2000-2010



NC vs. US Wages



NC Per Capita Income as % of US



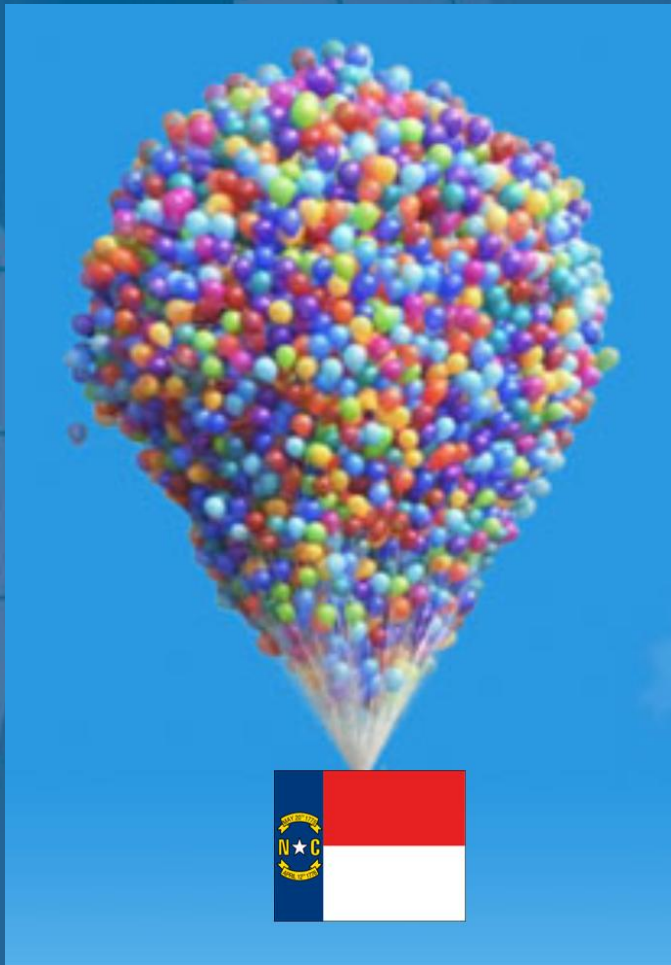
25 Years' Progress Lost

- Since 1997 NC per capita income has declined from 93% of US to less than 87% in 2011
- **Regressed to 1985 level**
- Annual income loss of \$25 BILLION in 2011

WELCOME TO

1985

Tax Policy Affects All Businesses



- 150,000+ small businesses
- Employ 3.4+ million people
- Annual payroll of \$125 Billion

**2-3% of small businesses become
“High Growth” firms**

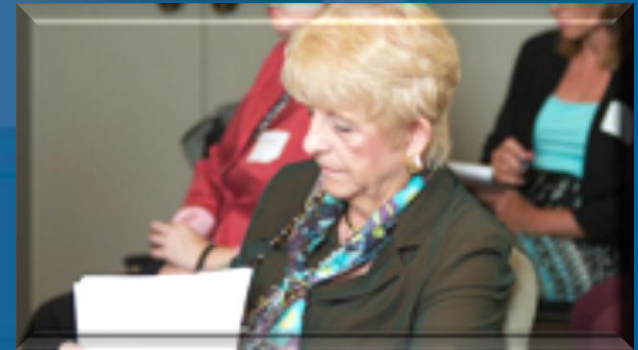


**These “Job Creators” produce most
all net new jobs**





July 2012 Tax Reform Summit





July 2012 Tax Reform Summit

Job Creators perspectives:

- Taxes only one of several considerations
- Ineffectiveness of selective tax incentives
- Simplicity and consistency most important
- Better “customer service” a priority



“Growing a
business is hard.
You cannot make
it easy, only less
hard.
But that is well
worth doing”



July 2012 Tax Reform Summit

Neighbor States' experiences:

- Clarity on tax reform goals
- Avoid predetermined strategies
- Open discussions of options and outcomes
- Anticipate and address concerns proactively
- Put tax reform in context of other actions

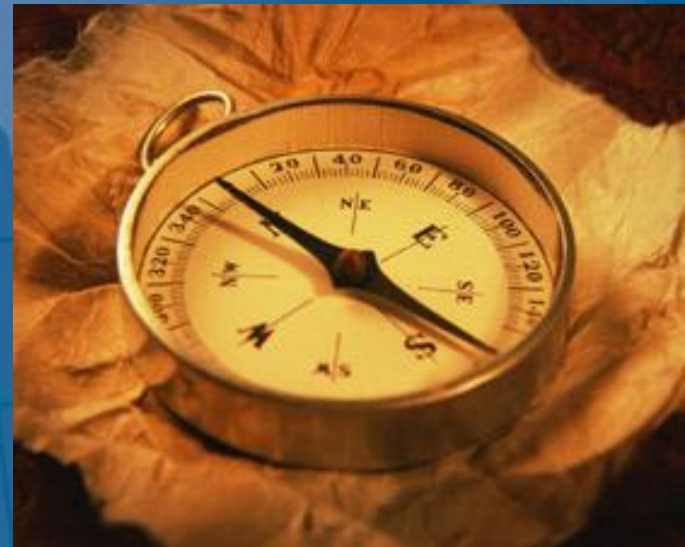
Economic Imperative

Tax reform is an essential component of a comprehensive strategy to revitalize the economy of North Carolina

Known options need to be thoroughly examined for “best fit” to North Carolina

Guiding Principles

- Growth Enhancing
- Neutrality
- Stability
- Transparency
- Simplicity



Brian Balfour, Civitas

When is the “Best Time for Tax Reform”

