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*Democrats and Republicans are accusing each other of irresponsibility.*

## Red-Blue State Gap On Income Taxes Gets Even Wider

BY RICHARD RUBIN AND JEANNE WHALEN

U.S. politics are getting more polarized and, increasingly, so are state income-tax systems.

Republican-led states are racing each other to flatten, cut and eliminate individual income taxes, with 23 states lowering their top income-tax rates since 2021. Mississippi and Oklahoma, among others, put themselves on paths to eliminate personal income taxes. South Carolina is setting a course this year to drop its top income-tax rate to 1.99%, and Missouri residents may vote this November on a plan to phase out income taxes and allow lawmakers to expand sales taxes.

Democratic-controlled states are moving the opposite way, pushing to increase taxes on top earners to combat inequality and plug budget holes expected from Republicans' cuts to federal health and nutrition-assistance programs. Washington state's legislature last week sent Gov. Bob Ferguson a bill that would create a 9.9% income tax on earnings over \$1 million. New York City Mayor Zohran Mamdani is pushing state lawmakers to raise income taxes on high-income households. Increases on top earners are a priority for some Democrats and progressive groups as they head to elections this fall in Rhode Is- *Please turn to page A4*

and Colorado.

The middle ground is quickly disappearing. In 2006, 15 states had top income-tax rates on wage income below 5% and just one exceeded 10%, according to the Tax Foundation, a group that favors lower rates and fewer breaks. Now, more than half of the states have gone below 5% and five others plus the District of Columbia are in double digits.

As Democrats and Republicans run in different directions, they are accusing each other of irresponsibility. Democrats warn that tax cuts will slash state revenue and services to the bone, pointing to Kansas' failed tax-cut experiment in 2012-13, which caused a sharp slide in revenue and a downgrade of the state's credit rating. Republicans caution that higher taxes will risk an exodus by wealthy residents who create jobs.

Jared Walczak, who analyzes state policy for the Tax Foundation, said he expects the divergence to continue as states pick one path or the other.

"I expect a hollowing out of the middle," he said. "There will be very little that is attractive about being broadly average."

Republicans have been particularly active, pushing income taxes downward and exploring property-tax cuts, too.

Antitax activist Grover Norquist and other Republicans contend that a lower state income-tax rate provides an advantage in attracting new residents and investment.

Norquist stokes competition among Republican states, traveling the country with a color-coded map showing which states have moved rates down and which haven't.

Pointing to North Carolina as a model, he urges state leaders to collapse several tax brackets into one, tie future rate reductions to hitting state revenue targets and restrain spending. He argues that states can thrive without individual income taxes because their economies will grow, allowing them to finance their operations through sales taxes, corporate taxes and other levies.

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“Look to your left, look to your right,” Norquist said, referring to the growing concentration of states that have trimmed income taxes. “It gets easier because you have more examples to give people.”

In Georgia, where Republicans are vying to replace term-limited Gov. Brian Kemp this November, Lieutenant Governor and gubernatorial candidate Burt Jones has pledged to phase out state income taxes by 2032, saying it is necessary in part to compete with neighboring no-income- tax states such as Florida and Tennessee.

Jon Patterson, Missouri’s Republican House speaker, cited other states’ moves as a reason to eliminate income taxes, saying he wanted to “avoid the risk of being left behind.”

The Republican plan, if voters pass it in a ballot measure, would allow Missouri legislators to expand sales taxes on goods and to apply them to services, such as television streaming, haircuts and auto repairs, which Missouri currently doesn’t tax.

Eliminating individual income tax and increasing sales tax would transfer tax burdens away from wealthier households, and up to 80% of Missouri residents would end up paying more, according to the Missouri Budget Project think tank. It would also create a \$5 billion hole in the state budget, the group estimated, adding that could mean cuts to education, healthcare and other services.

The proposal “isn’t good for the vast majority of Missourians,” said state Rep. Steve Butz, a Democrat from St. Louis who opposes the effort.

Meanwhile, blue states are moving the opposite way, attempting to plug budget gaps and shore up social services, especially in light of recent federal cuts.

Advocates on the left also argue that higher taxes don’t need to come at the expense of growth. States can bolster their economies by using taxes to build strong school systems, parks, transportation and hospitals that aren’t at risk of closing, said Wesley Tharpe, senior adviser for state tax policy at the Center on Budget and Policy Priorities, a Washington- based p r o g r e s s i v e group.

Washington state lacks an income tax, but the Democratic- controlled legislature last week passed a bill creating a 9.9% levy on income over \$1 million. The measure, awaiting Gov. Ferguson’s signature, would use that extra revenue to bolster the state’s general fund and to finance child care, free school meals and tax credits for low-income people. Ferguson has pledged to sign the bill, saying it would affect less than 0.5% of residents and make “life more affordable for Washington families.”

The biggest motivation for the tax was the fallout from last year’s federal tax-and-spending law. That legislation will cost Washington roughly \$2 billion to \$3 billion over the next three years, said Joe Fitzgibbon, the Democratic majority leader in Washington’s House of Representatives.

“We value having millionaires and billionaires here. We value the jobs that the tech sector and biotech and aerospace and agriculture” bring, he said. “But we also think that those very highest-income earners can do more to --support the things that we need for our state to be a good place to live.”

Drew Stokesbary, the House minority leader, said the tax could spark capital flight and discourage the entrepreneurship that made Washington successful. He attributed the state’s fiscal challenges to excessive spending growth and said he worries that a millionaires tax could expand.

“If you install a brand new faucet above the bathtub,” he said, “it is awfully easy to open up the valve a little bit more every year.”

In Colorado, a coalition of progressive groups is collecting signatures for a possible ballot measure that would scrap the state’s flat income tax and establish a graduated system, raising taxes for people making more than \$500,000 a year and lowering them for people under that level.

And in Rhode Island, Democratic Gov. Dan McKee is pushing to add an extra 3% surcharge on income over \$1 million, boosting the rate to 8.99%. McKee, who is running for re-election this year, argues that the revenue would help protect safety-net programs after federal funding cuts.

Mike Chippendale, the state's Republican House minority leader, said Rhode Island has already lost too much population to low- or no-tax states in the South and would drive away more with the new tax.

"We want people to be prosperous," he said. "We know that when people are prosperous, particularly those who have earned a particular amount of wealth, they reinvest that."

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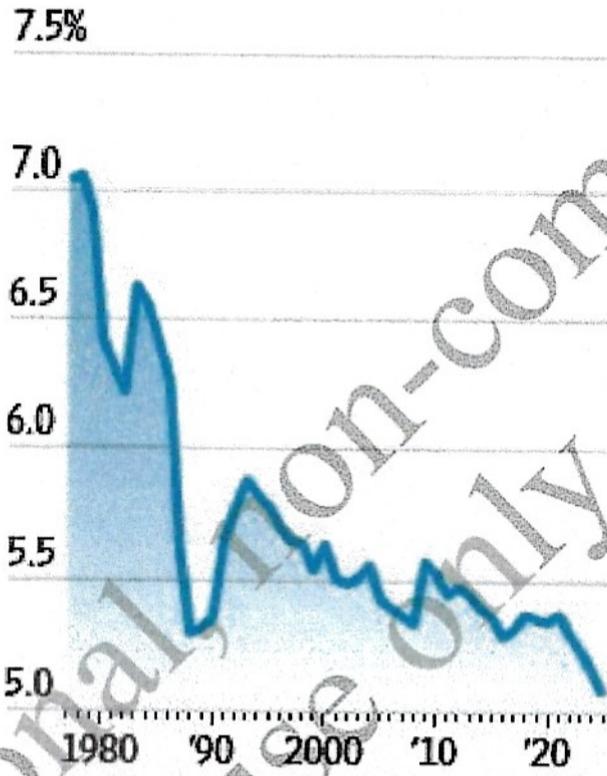
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**Average top rate on individual income across states**



Note: Includes Washington, D.C.  
Source: Tax Foundation

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