

We need equitable tax policy for strong public schools

We fund public schools with our collective tax dollars so that in every county, all our children — Black, brown, and white — can get an education that gives them an opportunity for a fulfilling and successful life. But North Carolina’s current tax policies are set to severely restrict the public funds we need for education and instead enrich wealthy people and corporations in our state.

State tax dollars are crucial for funding public education

- State income taxes are the biggest source of funding for North Carolina, and public education is the biggest category of spending.
- Over 40 percent of the General Fund in Fiscal Year 2022-23 — or \$15.5 billion — comes from personal income taxes. Another 5 percent comes from corporate income and franchise taxes.¹

Robust funding for public education means better outcomes for our kids and economy

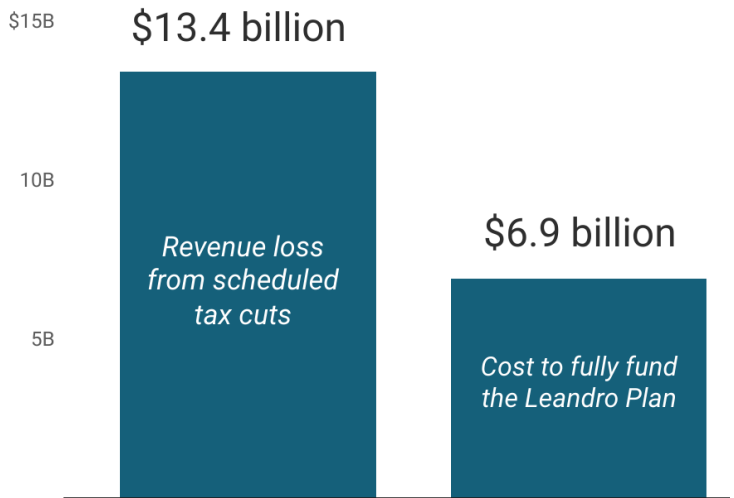
- Across many different studies, research finds that more state funding for public education means students are more likely to succeed, with higher test scores, graduation rates, and college attendance.²
- When states increase education spending through court-ordered plans like the Leandro Plan, children have higher wages and family incomes, and economic mobility improves.³

Tax cuts divert our public dollars toward the wealthy and corporations instead of building prosperity for everyone

- In the first half of the 2010s, five states enacted deep cuts in personal income taxes. In four of those five, jobs and income growth lagged the national average.⁴
- States like Kansas where politicians enacted huge tax cuts they claimed would lead to economic growth, instead had to make deep cuts to public services, including K-12 education.⁵

Scheduled tax cuts will slash NC revenue

Estimated annual revenue loss in Fiscal Year 2030-31 from reducing the state personal income tax rate to 2.49% and the corporate income tax rate to 0%, compared to the estimated annual costs of fully funding the Leandro Plan



Leandro Plan estimates are based on items costed out for the year 2030, along with 16% raises for teachers as recommended in Gov. Cooper’s budget and adjusted for inflation projections.

Source: NCGA Fiscal Research Division, ITEP, WestEd, Gov. Cooper’s Recommended Budget 2023-25

NCGA leaders have passed deep tax cuts that jeopardize funding for public education

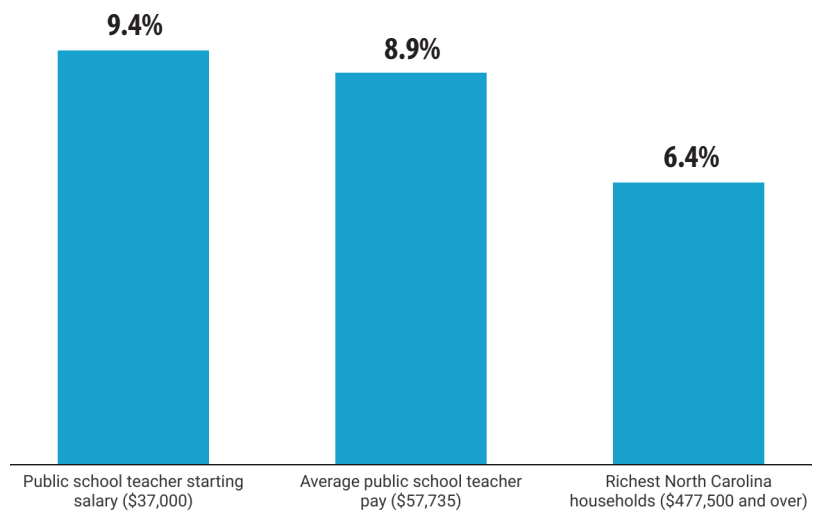
- Over the past decade, politicians in power in North Carolina have enacted tax cuts that are scheduled to continue for years into the future, including eliminating the corporate income tax by 2030. The recently passed budget for 2023-2025 uses a complicated scheme of revenue targets with a goal of reducing the personal income tax to 2.49 percent by 2029.
- When fully enacted, the estimated loss of revenue from these policies is over \$13 billion dollars in Fiscal Year 2030-31. This is close to double the estimated cost of fully funding the Leandro Plan – the court-ordered plan to ensure that every NC school can fulfill every student’s constitutional right to a “sound basic education.”

NC’s rigged tax code asks people with lower incomes — like teachers — to pay more

- The personal income tax cuts in the 2023-2025 state budget provide no tax cut to 1 in 5 North Carolinians, and they deliver the greatest share of the total cut (67 percent) to the richest 20 percent of taxpayers, whose average income is \$282,000.
- Because state politicians have slashed state personal and corporate income taxes, sales taxes make up a growing portion of the taxes paid by North Carolinians. Our state now has an “upside-down” tax code, where people with lower incomes pay the biggest portion of their income in state and local taxes.

Underpaid teachers in NC pay a bigger share of their income in state & local taxes than the richest families

Average share of income paid in state and local taxes by income level in North Carolina, based on 2015 income levels and 2019 tax law



Source: NC Dept of Public Instruction (teacher salaries), ITEP (tax share by income)

Take Action

- Sign the petition to demand that the North Carolina General Assembly stop scheduled tax breaks for profitable corporations and fund public education: [EveryChildNC.org/petition/](https://www.everychildnc.org/petition/)

- 1 Mebane Rash, “Scale of Tax Cuts + Underinvestment in Public Education + Expansion of School Choice = a State of Emergency,” EducationNC, July 21, 2023, <https://www.ednc.org/scale-of-tax-cuts-underinvestment-in-public-education-expansion-of-school-choice-a-state-of-emergency/>.
- 2 C. Kirabo Jackson and Claire Mackevicius, “The Distribution of School Spending Impacts,” Working Paper, Working Paper Series (National Bureau of Economic Research, February 2021), <https://doi.org/10.3386/w28517>.
- 3 Julien Lafortune, “Understanding the Effects of School Funding,” Policy Brief (Public Policy Institute of California, May 2022), <https://www.ppic.org/publication/understanding-the-effects-of-school-funding/>.
- 4 Michael Leachman and Michael Mazerov, “State Personal Income Tax Cuts: Still a Poor Strategy for Economic Growth” (Center on Budget and Policy Priorities, May 14, 2015), <https://www.cbpp.org/research/state-personal-income-tax-cuts-a-poor-strategy-for-economic-growth>.
- 5 Michael Mazerov, “Kansas Provides Compelling Evidence of Failure of ‘Supply-Side’ Tax Cuts | Center on Budget and Policy Priorities” (Center on Budget and Policy Priorities, January 22, 2018), <https://www.cbpp.org/research/kansas-provides-compelling-evidence-of-failure-of-supply-side-tax-cuts>.