

## IS NC REALLY UNDERTAXED?

### *Release of Progress Board Report Spreads Myths*

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Summary: A report released last week by the North Carolina Progress Board contained hundreds of long-term goals for the state. But the text was overshadowed by the comments of board member and UNC-W Chancellor James Leutze, who said the report showed North Carolina would never make it to the top tier of states without tax increases. Leutze's remarks were ill-timed and ill-informed but reflect the conventional wisdom about taxes and social progress. It's wrong.

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**T**he North Carolina Progress Board, created by former Gov. Jim Hunt, spent several years and hundreds of thousands of dollars to generate a huge report that was supposed to set hundreds of goals for state leaders across a range of issues: economic development, education, health care, and transportation to name a few. But at a Dec. 11 press conference to release the 273-page tome, it was the candid remarks of Progress Board Member James Leutze that got the most press attention.

Leutze, who is chancellor at the University of North Carolina at Wilmington, said that unlike some of his peers, he isn't running for office and can therefore tell the truth. "You're going to get what you pay for," Leutze said, according to *The Winston-Salem Journal*. "[The report] suggests to us that we need more resources in this state.... Increased taxes will have to be a part of our future." North Carolina ranks in the bottom half of states when it comes to the tax burden, he said. It also falls below average in some quality-of-life measures, and the two are intertwined, he added.

Leutze was wrong on a number of counts. First, he said North Carolina was 34th in the nation in tax burden; the real ranking was 28th in 2001, and will approach 22nd next year after recent tax hikes are factored in. Second, on most major indicators of economic and social well-being — income, poverty, educational attainment, test scores, homeownership, and highway quality — the 15 highest-taxed states do not enjoy a better outcome than does the nation as a whole. Only in the area of health insurance coverage do the high-tax states outperform the nation (see graphs on next page).

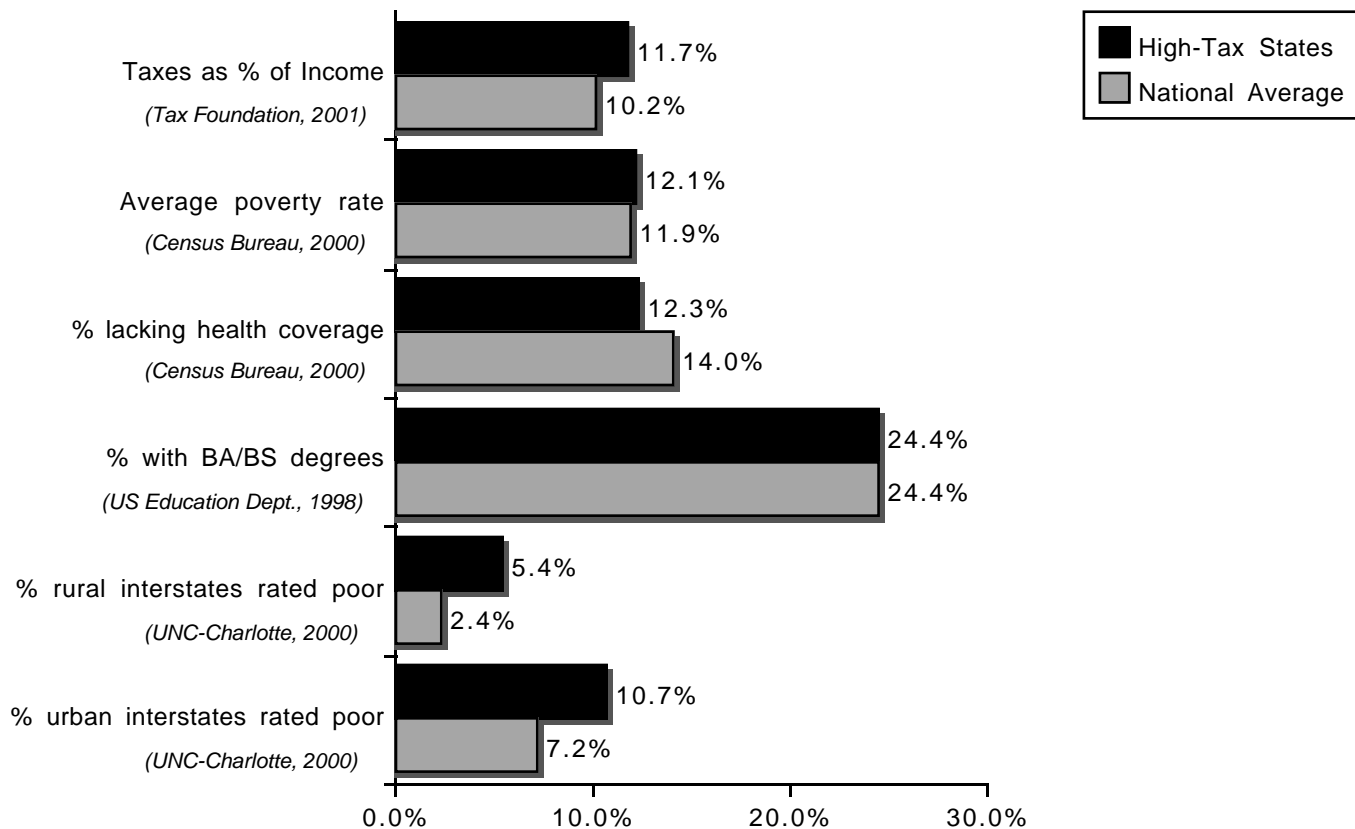
North Carolina already imposes the highest tax burden in the Southeast, and spends more than average on such functions as Medicaid and higher education. We should spend existing dollars more effectively, not look for ways of taking even more of the hard-earned income of North Carolinians.

— John Hood, President

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## High-Tax States vs. the Nation: Not More Progressive. . .



## . . .And High-Tax States Underperform on Test Scores

