POLITICAL PARTY AFFILIATION AND THE VIEW TOWARD INCOME TAXES AT THE STATE LEVEL

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ABSTRACT

This study examined the top marginal corporate and individual income tax rates in the red (Republican) and blue (Democratic) states to determine whether income tax rates are significantly higher in one group or the other. The study found that, although both corporate and individual income tax rates are somewhat higher in the states that voted for the Democratic Party candidate in the 2012 presidential election, the differences were only significant at the 10 percent level.

Key words: tax rates, Democrat, Republican, state taxes, individual income tax, corporate income tax

JEL Codes: H22, H24, H25, H71, K34, R1, R51

INTRODUCTION

It is commonly asserted (mostly by Republicans) that the Democratic Party is the party of high taxes. However, a closer analysis reveals that taxes have been raised under both Democratic and Republican regimes. One can say the same about tax cuts.

Several studies have been done that compare various political parties. Blais, Blake and Dion[1] attempted to determine whether parties on the left spend more than parties on the right when they are in power. They found that they do spend moderately more. A review of prior studies found conflicting results.

One methodology scholars might use to determine whether one party is significantly more in favor of high taxes would be to compare Congressional votes to raise taxes along party lines. Several of those studies have already been done.[2] There is no need to replicate them here. The present article uses a different methodology. It examines state marginal income tax rate data to determine which party, if either, at the state level, can be labeled as the party of high taxes, or, conversely, whether one party can claim to be the party of low taxes, at least at the state level.

METHODOLOGY

The methodology used in this paper was to compare the 2012 presidential election results by state to the top corporate and individual income tax rates in those states. A two-tailed t-test was then done to determine whether the differences were significant.

STATE CORPORATE INCOME TAXES

It is often heard that the Republican Party favors business and that the Democratic Party favors the little guy, the worker. At least that is the case if you are listening to a Democrat. If that statement is true, then one would expect corporate tax rates to be

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[1] André Blais, Donald Blake and Stéphane Dion, *Do Parties Make a Difference? Parties and the Size of Government in Liberal Democracies,* AMERICAN JOURNAL OF POLITICAL SCIENCE 37(1): 40-62 (1993).

[2] For example, the American Conservative Union ranks both national and state politicians on the basis of the degree of their conservatism, based on their votes on specific pieces of legislation. http://www.conservative.org/legislative-ratings. Heritage Action for America also ranks members of Congress based on the extent of their conservatism. http://heritageactionscorecard.com/. The National Taxpayers Union ranks members of Congress based on their views on taxation. http://www.ntu.org/on-capitol-hill/ntu-rates-congress/.

lower in the states that voted for the Republican candidate (Romney) in the 2012 election. However, even if that were the case, it cannot be concluded definitively that the Republican Party favors corporations, because it may also favor lower taxes and smaller government in general. All that can be said is that the Republican Party is more business friendly than the Democratic Party, provided it turns out that corporate income taxes are significantly lower in the red (Republican) states.

Table 1 ranks the states based on their top marginal corporate income tax rate, and indicates which party candidate won that state in the 2012 presidential election. The top five states are Democratic, as are 14 of the top 15 states.

Table 1
Ranking of State Corporate Income Tax Rates (as of January 1, 2013)[3] & Comparison Based on Political Party Affiliation

RANK	STATE	RATE %	Dem or Rep
1	Iowa	12.0	D
2	Pennsylvania	9.99	D
3	D.C.	9.975	D
4	Minnesota	9.8	D
5	Illinois	9.5	D
6	Alaska	9.4	R
7	Connecticut	9.0	D
7	New Jersey	9.0	D
7	Rhode Island	9.0	D
10	Maine	8.93	D
11	California	8.84	D
12	Delaware (see note)	8.7	D

[3] Adapted from Table 15 of Tax Foundation, Facts & Figures: How Does Your State Compare? Washington, DC: Tax Foundation, 2013. http://taxfoundation.org/sites/taxfoundation.org/files/docs/ff2013.pdf.

13	New Hampshire	8.5	D
13	Vermont	8.5	D
15	Maryland	8.25	D
16	Indiana	8.0	R
16	Louisiana	8.0	R
16	Massachusetts	8.0	D
19	Wisconsin	7.9	D
20	Nebraska	7.81	R
21	New Mexico	7.6	D
21	Oregon	7.6	D
23	Idaho	7.4	R
24	New York	7.1	D
25	Kansas	7.0	R
25	West Virginia	7.0	R
27	Arizona	6.968	R
28	North Carolina	6.9	R
29	Montana	6.75	R
30	Alabama	6.5	R
30	Arkansas	6.5	R
30	Tennessee	6.5	R
33	Hawaii	6.4	D
34	Missouri	6.25	R
35	Georgia	6.0	R
35	Kentucky	6.0	R
35	Michigan	6.0	D
35	Oklahoma	6.0	R
35	Virginia (see note)	6.0	D
40	Florida	5.5	D
41	North Dakota	5.15	R
42	Mississippi	5.0	R
42	South Carolina	5.0	R
42	Utah	5.0	R
45	Colorado	4.63	D
46	Nevada	0	D

46	Ohio (see note)	0	D
46	South Dakota	0	R
46	Texas (see note)	0	R
46	Washington (see note)	0	D
46	Wyoming	0	R
Note: Ohio, Texas and Washington do not have a corporate income tax, but they do have a gross receipts tax. Delaware and Virginia have both a corporate income tax and a gross receipts tax. For specifics, see Tax Foundation, *Facts & Figures: How Does Your State Compare?* 2013.			

Table 2 shows the statistical results. Although the mean tax rates in Democratic states are higher than that for Republican states, the p value is 0.0636, which means the difference is significant only if you define significance at 10 percent. In layman's language, what that means is that there isn't much of a difference between the Democratic and Republican states when it comes to the corporate income tax.

Table 2
Statistical Results
Corporate Income Tax Rates

	DEMOCRATS	REPUBLICANS
Mean	7.28574	5.79700
Standard Deviation	3.05404	2.47291
SEM	0.58775	0.50478
N	27	24
p = 0.0636		

STATE INDIVIDUAL INCOME TAXES

A similar methodology was used to determine whether the political party demographic is related to the top individual income tax rate. Table 3 ranks the states based on their top marginal individual income tax rate, and indicates which party candidate won that state in the 2012 presidential election. The top ten states are Democratic. However, that does not necessarily mean that Democratic politicians are more favorably disposed to high tax rates. That relationship can only be determined by subjecting the data to statistical analysis.

Table 3
Ranking of State Individual Income Tax Rates (as of January 1, 2013)[4] & Comparison Based on Political Party Affiliation

RANK	STATE	RATE %	Dem or Rep
1	California	13.3	D
2	Hawaii	11	D
3	Oregon	9.9	D
4	Iowa	8.98	D
5	New Jersey	8.97	D
6	Vermont	8.95	D
6	Washington, DC	8.95	D
8	New York	8.82	D
9	Maine	7.95	D
10	Minnesota	7.85	D
11	North Carolina	7.75	R
11	Wisconsin	7.75	D
13	Idaho	7.4	R
14	Arkansas	7	R

[4] Adapted from Table 12 of Tax Foundation, Facts & Figures: How Does Your State Compare? Washington, DC: Tax Foundation, 2013. http://taxfoundation.org/sites/taxfoundation.org/files/docs/ff2013.pdf.

14	South Carolina	7	R
16	Montana	6.9	R
17	Nebraska	6.84	R
18	Delaware	6.75	D
19	Connecticut	6.7	D
20	West Virginia	6.5	R
21	Georgia	6	R
21	Kentucky	6	R
21	Louisiana	6	R
21	Missouri	6	R
21	Tennessee	6	R
26	Rhode Island	5.99	D
27	Ohio	5.925	D
28	Maryland	5.75	D
28	Virginia	5.75	D
30	Massachusetts	5.25	D
30	Oklahoma	5.25	R
32	Alabama	5	R
32	Illinois	5	D
32	Mississippi	5	R
32	New Hampshire	5	D
32	Utah	5	R
37	Kansas	4.9	R
37	New Mexico	4.9	D
39	Colorado	4.63	D
40	Arizona	4.54	R
41	Michigan	4.25	R
42	North Dakota	3.99	R
43	Indiana	3.4	R
44	Pennsylvania	3.07	D
45	Alaska	0	R
45	Florida	0	R
45	Nevada	0	D
45	South Dakota	0	R

45	Texas	0	R
45	Washington	0	D
45	Wyoming	0	R

Table 4 shows the relevant statistics. The Democratic states had higher marginal tax rates, on average, 6.34759 percent, compared to the Republican states, 4.85292 percent. However, the difference is significant only if one defines significance at 10 percent (p = 0.0712). In layman's terms, there's not much difference between the Democrat and Republican states when it comes to individual income tax rates.

Table 4
Statistical Results
Individual Income Tax Rates

	DEMOCRATS	REPUBLICANS
Mean	6.34759	4.85292
Standard Deviation	3.22290	2.45758
SEM	0.62025	0.50165
N	27	24
p = 0.0712		

CONCLUDING COMMENTS

Although it is clear that Democrats are less opposed than Republicans to higher taxes at the federal level, what is less clear is whether Democrats at the state level are also less opposed to taxes. The purpose of the present study was to find an answer to that question.

The study found that, although the states that voted for the Democratic Party candidate in the 2012 election had higher average corporate and individual income tax rates, they were not significantly higher than the rates in the states that voted for the Republican Party candidate, unless one defines significance at 10 percent. Most studies define differences to be significant at the 5 percent level, which means the differences in corporate and individual income tax rates were not significant.

There is room for criticism of these findings. The income tax is not the only tax assessed at the state level. Sales, use and property taxes, among others, are also assessed. Measuring the total tax bite per capita might be used as an alternative methodology. However, we will save an analysis of these datasets for another day.