

Income Tax Reductions

State Economic Prosperity and Private Wealth

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When North Carolinians bring home a paycheck, it's likely a portion of it has already been deducted for federal and state income taxes. To keep more wages in the hardworking hands of North Carolinians, members of the North Carolina General Assembly seek to cap the state income tax rate at 3.5%. Concerned critics say that lowering income taxes will harm North Carolina's economy. Let's look at how income tax reductions have historically affected North Carolina and North Carolinians.

In 2012, the state income tax rate was around 7.75%¹ and North Carolina's Gross Domestic Product, an economic measure of goods and services produced in a region, was 486,857, about 3%, of the national GDP.² The average resident in Wake Forest in 2012 made \$72,000 a year (equivalent to \$106,000 today*).³

In 2018, the General Assembly passed Senate Bill 75,⁴ a ballot measure to amend the State Constitution Article V Section 2(6) income tax rate cap from 10% to 7%. While Senator Jay Chaudhari (D-Wake) was concerned that North Carolina would lose a valuable revenue source by cutting income taxes, Senator Tom Tucker (R-Union) said that lowering income taxes will force the General Assembly to “watch their spending.” Senator Ralph Hise (R-Mitchell) considered that when “people are given the choice of what their tax rate can be ... they’ll generally always choose the lower number.”⁵ At that time, Wake Forest residents’ median annual

¹ https://sites.ncleg.gov/frd/wp-content/uploads/sites/7/2024/03/2024_History_of_State_Tax_Rates-2.pdf

² <https://apps.bea.gov/itable/>

ReqID=99&step=1#eyJxIHRBpZCI6OTksInN0ZXBzIjpbMSwyOSwyNSwyNiwyNyw0MF0sImRhdGEiOltbIlRhYmxlSWQlLCllMzIsXSxbIk1ham9yQXJlYUtleSIsIjAiXSxbIkxpbnUiLCIxIl0sWyJldGF0ZSIsljAiXSxbIlVuaXRfb2ZfTWVhc3VyZSIslkxldmVscyJdLFsiTWFwQ29sb3IiLCJC RUFTdGFuZGZGYZCjdlFsi bJhbmdlIiw iNSjdLFSiWVVhciSljIwMTI6UTliXSxbIlllYXJlCZWdpbiSl0xIl0sWyJZZWFyRW5kIiw iLTEiXSV19

³ https://issuu.com/bmartinson/docs/guide_to_wake_forest_low_res

⁴ <https://www.ncleg.gov/BillLookUp/2017/s75>

⁵ <https://www.wral.com/story/proposed-cap-on-nc-income-tax-rate-clears-senate/16584607/>

income was about \$74,000 (equivalent to \$99,000 today*).⁶ In November of 2018, voters approved the State Constitutional amendment to cap income tax at 7%.⁷

Prior to November 2018, the North Carolina Justice Center warned that lowering income taxes burdens the middle-class and poor while benefiting the wealthy, as governments adjust for the lost revenue by raising property and other taxes.⁸ However, by 2019, with an income tax rate of 5.25%,⁹ the state GDP had risen to 576,267¹⁰ and the average resident of Wake Forest earned \$85,000 a year (equivalent to \$112,000 today*).¹¹

Following this positive trend, the General Assembly passed H259, the 2023 Appropriations Act, implementing further income tax reductions with a gradual decline from 4.99% in 2022 to 3.99% by 2025.¹² Representative Tim Moore (R-Cleveland) said, “[This bill is] going to lower taxes. It’s going to invest in our infrastructure from one end of the state to the other and make a wise use of North Carolina’s resources that we have to see our state continue to grow and prosper.”¹³

Now, nearly eight years after voter approval of the 2018 State Constitutional amendment and after six years of lower income tax rates, how has this affected the state economy?

Taking into consideration influencer bias, while also aggregating the general consensus of actual proven data, in 2021, The American Enterprise Institute named North Carolina one of the top 10 performing states nationwide for net domestic migration — where people want to live more than any other. The Institute found that common factors between the top 10 states included

⁶ <https://www.wakeforestnc.gov/sites/default/files/uploads/planning/renaissance-plan-for-downtown-wake-forest-2017.pdf>

⁷ https://er.ncsbe.gov/?election_dt=11/06/2018&county_id=0&office=REF&contest=0

⁸ <https://www.ncjustice.org/publications/income-tax-rate-cap-amendment-is-costly-for-taxpayers-communities/>

⁹ https://sites.ncleg.gov/frd/wp-content/uploads/sites/7/2024/03/2024_History_of_State_Tax_Rates-2.pdf

¹⁰ <https://apps.bea.gov/itable/?ReqID=99&step=1#eyJhcHBpZCI6OTksInN0ZXBzIjpjbMSwyOSwyNSwyNiwyNyw0MCw0MF0sImRhdGEiOltbIlRhYmxlSWQiLCI1MzIxXSBxIk1ham9yQXJlYWtleSIASjAiXSxbIkxpbnUiLCIxIl0sWjYJTdGF0ZSIsIjAiXSxbIlVuaXRfb2ZfTVFVhc3MtYSIsIkxlSXBvVscydJdLFsiTWFwQz9sb3IlLjCjRUFTdGFWZGFyZCjdlFSibjJhbmdllwiNSjdLFsiZWVhcilIjIwMTk6UHQiXSBxIlIlYXJlCjZWFdpbiIsIl0sIl0sWjYZZWFrRW5klwiLTExXV19>

¹¹ https://issuu.com/bmartinson/docs/wakeforest_profile_2019_medres

¹² <https://ncleg.gov/Sessions/2023/Bills/House/PDF/H259v7.pdf>

¹³ <https://www.wral.com/story/lawmakers-make-progress-on-nc-budget-including-tax-cut-deal/20979384/>

state and legislative leadership, lower tax burdens, Forbes rankings, and lower unemployment rates.¹⁴

CNBC designates North Carolina *the*, if not one of, the most friendly states for businesses, and among the best states nationwide in regards to education, growing workforce, and economy since 2022.¹⁵ Similarly, B2B Reviews marked North Carolina as the best state to start a business.¹⁶

In 2025, US News identified that North Carolina is in the top 5 states people want to live because of the state's low cost of living.¹⁷

Also in 2025, the Bureau of Economic Analysis under the US Department of Commerce saw that North Carolina's GDP was 689,942, 70% higher than it was in 2012.¹⁸

More locally, Wake Forest is ranked #10 as the best city in the state, according to USA Today, due to the average median income of residents, cost of housing, and low unemployment rate, despite housing costs everywhere being so high.¹⁹ The Town of Wake Forest estimates that the average resident earns \$121,000 a year — This is nearly 71% more than the median household income across the entire state, and 60% more than what Wake Forest residents earned in 2012.²⁰

On March 25, 2026, Governor Stein stated that he is against further decreasing the North Carolina state income tax. “Even if these cuts were a good idea when they were enacted, they are now irresponsible. ... [F]ully half of the [income tax] money goes to the top 8% of earners. People already making \$764,000 or more will see an average cut of more than \$8,000. Meanwhile, about 40% of our state will see a benefit of less than \$100 a year. Basically, we’re

¹⁴ <https://www.aei.org/carpe-diem/top-10-inbound-vs-top-10-outbound-us-states-in-2021-how-do-they-compare-on-a-variety-of-economic-tax-business-climate-and-political-measures/>

¹⁵ <https://www.cnbc.com/2025/07/10/north-carolina-top-state-for-business-america.html>

¹⁶ <https://www.b2breviews.com/best-north-carolina-cities-for-small-business/>

¹⁷ <https://realestate.usnews.com/home-services/moving/moving-trends>

¹⁸ <https://apps.bea.gov/itable/?ReqID=99&step=1#eyJhcHBpZCI6OTksInN0ZXBzIjpjbMSwyOSwyNSwyNiwyNyw0MCw0MF0sImRhdGEiOltbIlRhYmxiSWQjLCI1MzIxXSxbIk1ham9yQXJlYUtleSIiLjAiXSxbIkxpbnUiLCIxIl0sWyJTdGF0ZSIsIjAiXSxbIIVuaXRfb2ZfTWVhc3VyZSIsIkxldmVscyJdLFsiTWFwQ29sb3IsIlJCJRUFRTdGFuZGFGYFZCJdLFsiIjAibmdmlwiNSJdLFsiZWVhcilIiwMjU6U0toIXSxbIIIiYXkiXCZWDdbpbisIl0sIl0sWyJidWVwRW5kIiwiaWEiOiE1XSw1>

¹⁹ <https://www.wakeforestnc.gov/news/wake-forest-ranks-10-best-city-nc>

²⁰ https://issuu.com/wfbip/docs/2025_wake_forest_community_profile

asking everyday North Carolinians to sacrifice key services to put more money in the pockets of folks who are already doing well.”²¹

Yet, while, logically, people who earn more receive a larger benefit, the overall record appears to disagree with Governor Stein. Because North Carolina’s state tax rates are lower than other states’, people want to move to North Carolina where they see more of their wages. Additionally, people who earn more spend more, which bolsters the economy. People who earn more engage more, which supports businesses, charities, and community events. People who earn more save more, which increases personal fiscal stability. Therefore, as North Carolinians keep more of their wages, more North Carolinians become wealthier.

While tax cuts decrease a state’s spending powers, the reduced revenues incentivize tighter, wiser budgets. Side effects of fiscally responsible budgets include a smaller, more Constitutionally-run government, decreased bloat, grift, and waste, and identification of areas of need versus want. Meanwhile, the state economy is supported by more private investments of consumer choice.

Should Senate Bill 1080 pass the North Carolina General Assembly, it will come before voters on November 3, 2026. You can learn more about S1080 here.²² I would highly encourage everyone to contact your district representatives in the General Assembly with respectful thoughts and comments. You can find their contact information at this link.²³

* The inflation was found using the US Bureau of Labor Statistics calculator for April 2026.

²¹ <https://governor.nc.gov/news/press-releases/2026/03/25/governors-march-column-building-north-carolinas-success-story-changing-strategies-changing>

²² <https://www.ncleg.gov/BillLookup/2025/S1080>

²³ <https://www.ncleg.gov/FindYourLegislators>