



Just the Facts: Income Taxes Are Destructive to Growth

Published on *Show-Me Institute* (<https://showmeinstitute.org>)



By: *Patrick Ishmael*

The debate over whether state legislators should hike taxes on Missourians this year is ramping up in the state Senate. The battle lines appear to be drawn, at least in some part, over the question of whether income taxes harm growth.

In fact, in terms of the research into such matters, the destructiveness of income taxes is among the few things where there is some general agreement in the economic literature. To once [again](#) quote researcher Jens Arnold of the Organisation for Economic Co-operation and Development [and his review of the evidence](#) :

A stronger reliance on income taxes seems to be associated with **significantly lower levels of GDP per capita** than the use of taxes on consumption and property. Within income taxes, those on corporate income seem to be associated with lower levels of GDP per capita than personal income taxes. **In fact, corporate income taxes appear to be the least attractive choice from the perspective of raising GDP per capita.** [emphasis mine]

Letting the government take people's money before it can be saved or spent denies families and businesses the opportunity to invest that money in themselves, and those negative effects compound over time. That denial of investment impacts overall GDP. It's that simple. Removing more and more money from the private economy and increasing government's contribution to

overall state GDP [is a recipe for disaster](#) that legislators shouldn't be entertaining.

The goal should be to continue the work of reducing and eliminating income taxes in Missouri, and new taxes on, say, internet sales should not become play money for politicians rather than an offset for income tax relief.

About the Author



*Patrick Ishmael
Director of Government Accountability*

Patrick Ishmael is the director of government accountability at the Show-Me Institute.

Read Online

<https://showmeinstitute.org/blog/taxes-income-earnings/just-facts-income-taxes-are-destructive-growth>

Links

[1] <https://showmeinstitute.org/blog/taxes-income-earnings/just-facts-income-taxes-are-destructive-growth>

[2] <https://showmeinstitute.org/blog/taxes-income-earnings/incremental-tax-reform-dont-let-perfect-be-enemy-good-0>

[3] <http://kisi.deu.edu.tr/yesim.kustepeli/taxdesign-2.pdf>

[4] https://papers.ssrn.com/sol3/papers.cfm?abstract_id=3039566

Mission Statement

Advancing liberty with responsibility by promoting market solutions for Missouri public policy.

Show-Me Institute

5297 Washington Place 3645 Troost Avenue
Saint Louis, MO 63108 Kansas City, MO 64109
Phone: (314) 454-0647 Phone: (816) 287-0370
Fax: (314) 454-0667

Email: info@showmeinstitute.org

Support Our Work

The Show-Me Institute is a tax-exempt 501(c)(3) nonprofit organization. Make your tax deductible contribution today: <http://ShowMeInstitute.org/donate>