FEATURE: GUIDING THE PRESIDENTIAL TAX PLANS

STATE SPOTLIGHT: NORTH CAROLINA

2015 ANNUAL DINNER

MEET THE TAX FOUNDATION
Our Vision

A world where the tax code doesn’t stand in the way of success.

Taxes are a part of life, but they don’t need to be burdensome and complex, nor inhibit economic growth. An ideal tax code is one that follows the principles of sound tax policy: simplicity, neutrality, transparency, and stability.
2015 marked my 15th year at the Tax Foundation and was the most successful year in the organization’s 79-year history. Looking back, it’s hard to believe how much has changed in the tax policy debate and in our organization.

In 2000, the debate was only about “which tax do we cut first?” And when the Great Recession hit, the discussion shifted to “how can we use the tax code to combat inequality?” and “how can we use the IRS to subsidize health insurance?”

Fifteen years ago, the Tax Foundation was just seven people with a small but dedicated audience. Today, we have a team of 24 and are the go-to source on tax policy for millions of taxpayers, hundreds of state and federal legislators, most of the presidential candidates, and every major news outlet in the country.

There are, however, a few things that have remained consistent over the last 15 years. There is still hope that one day American tax policy will stop placing such a heavy burden on taxpayers and our economy, and the Tax Foundation remains dedicated to making that day become a reality. And through the achievements you’ll read about in the pages that follow, it’s clear that we’re closer than ever.

Because of our diligent, hardworking team, backed with the support of our generous donors, the debate on tax policy is moving away from simply how to redistribute income. We’re moving closer to a discussion on how we can simplify the tax code, get rid of the waste, and build a system that promotes economic growth and better living standards.

Today, presidential candidates are competing to have the best tax plans, governors are asking Tax Foundation experts for help in improving their state’s tax codes, and Congress has made tax reform a priority for 2017.

When I look back at the last 15 years, where we’ve come from, and where we are, I see that the U.S. is finally poised for real, positive tax reform. And it’s because of the generous support of our donors that the Tax Foundation is ready with the right staff, the right tools, and the right research to make it happen.

Thank you to all of our supporters who have helped keep us fighting since 1937.

Cheers,

Scott Hodge
Our Mission

To lead the tax reform debate toward smarter, simpler policy.
Our Experts are Cited 400 Times Each Week

The Tax Foundation gained 72% more media attention in 2015 than in 2014, and we’ve more than doubled our overall media presence since 2013.

At the same time, our research and analysis are being cited favorably by the country’s most popular outlets more than ever before.

Not only has our overall media coverage increased significantly over the last three years, we are now cited weekly by the top outlets in the nation.

The New York Times
The Washington Post
The Wall Street Journal
America's #1 Source on Tax Policy

TaxFoundation.org was viewed over 8.5 million times in 2015. That's more than any other time in our history, and nearly triple the traffic of our closest competitor. But we're only getting started. Web traffic is projected to increase by an additional 76% by the end of 2016.

Our reliable, timely, and engaging research and analysis make us the most trusted website in tax policy.
The Nation's Strongest Voice on Tax Policy

Each month, our experts and analysis receive thousands of media citations on tax policy, more than double that of any other group (right). And we aren’t just effective, we’re efficient. We get more media coverage per dollar spent than other policy groups, regardless of their size (opposite).

We provide journalists across all media platforms with the insight they need to keep America’s taxpayers informed about important tax issues in their home states and our nation’s capital.
Dollar for Dollar, We Have the Most Effective Media Impact of Any Think Tank in D.C.

Citations per $100,000 of Revenue

- **Tax Foundation**: 469
- **Economic Policy Institute**: 248
- **Citizens for Tax Justice & ITEP**: 207
- **Americans for Tax Reform**: 147
- **Tax Policy Center**: 106
- **Heartland Institute**: 95
- **National Taxpayers Union**: 84
- **Competitive Enterprise Institute**: 72
- **Cato Institute**: 70
- **Center for American Progress**: 70
- **Brookings Institution**: 62
- **American Enterprise Institute**: 55
- **Heritage Foundation**: 42
- **Urban Institute**: 23
- **Mercatus Center**: 21
- **Center on Budget and Policy Priorities**: 18
- **Council on State Taxation**: 16
At the Center of the U.S. Tax Debate

Members of Congress and presidential candidates rely on us when building their tax plans, and frequently ask us to testify before finance and tax committees. We educate the next generation of policymakers through Tax Foundation University, our experts lecture at international economics conferences, and foreign delegations seek our expertise on international competitiveness.

Our Work Was Cited in 76 Countries in 2015
Educating America’s Policymakers

We’re teaching and building relationships with the next generation of our nation’s leaders. More than 100 congressional staff members attended Tax Foundation University (*top right*) this past summer to learn about the fundamentals of economics and smart tax policy.

Businesses Need Tax Reform

Businesses in America are burdened by one of the least competitive tax codes in the world. We have the highest corporate tax rate, we discourage businesses from locating here, and the tax code’s complexity increases year after year. That’s why we have the 32\textsuperscript{nd} least competitive tax code in the industrialized world according to our annual *International Tax Competitiveness Index*.

“Rather than erecting an iron tax curtain that keeps U.S. companies from escaping, the White House and Congress should enact reform that invites more businesses to stay or move to the U.S.”

—*The Wall Street Journal* responds to 2015 *International Tax Competitiveness Index*

Each year we host an event to honor the country that has the highest-ranking tax code, and this year, Estonian Ambassador to the United States Erik Marmei was our guest of honor (*bottom right*).
Getting Tax Reform Right

Tax reform isn’t just about fixing government finances, it’s about improving people’s lives. And to get reform right, it’s crucial that the leaders in Congress understand how their tax plans will impact the American worker and taxpayer.

Unfortunately, policymakers have been looking at their tax plans with blinders on for the last 30 years. For decades, Congress has assumed that changes to the tax code don’t impact the economy. But ask any business owner or family planner, and they’ll tell you that taxes have a real impact on their lives, and that they could use some relief.

Today, we’re doing something that’s never been done. We’re using our Taxes and Growth (TAG) Model to tell policymakers how their tax changes will impact jobs, wages, and economic growth. Taxpayers and economic growth, not the government’s bank account, need to be the focus of tax reform from now on.
Leading Congress to Smart Tax Reform

Congressional members and presidential candidates regularly seek us out while crafting their proposals, asking to use the TAG Model to pinpoint the pros and cons of their plans. As a result, policymakers are devising more and more tax plans that streamline the tax code's complexity and promote our competitiveness internationally.

“Congress has a responsibility to produce a tax code that spurs economic growth and lessens the amount of time we all spend dealing with paperwork, so that we have more time for ourselves and each other.”

—Scott A. Hodge, Tax Foundation President

For 30 years, projecting the economic impact of tax reform has been a holy grail for policy experts, and we found it. Policymakers didn’t have the tools they needed to produce pro-growth and pro-taxpayer reforms. Now that we've supercharged the debate with our TAG Model, they do.
State Taxes: Tax Competition Leads to Better Tax Policy

Every state is different, so our state team takes an on-the-ground approach, traveling across the country to learn about unique tax problems and offering meaningful reform options.

We Testified or Presented in 33 States & D.C. in 2015
High-quality research is irrelevant if it goes unread. Our team has built relationships with policymakers and cultivated a reputation for impartial, impactful analysis that opens doors across the country.

Our testimony and analysis help inform policy decisions, with governors and legislators leaning on our research and looking to us for guidance.
The Secret of State Success: Rank, Educate, and Solve

Using a strategic outreach and three potent publications, our team helps legislators make lasting changes to their state’s tax policies that enable people and businesses to flourish.

**Step 1: Rank**

The first step to improving policy is recognizing where there is a problem. Every year, our team releases a new edition of our flagship publication, the *State Business Tax Climate Index* (top left). Using more than 100 variables, from categories like individual and corporate income taxes, sales taxes, and more, the book ranks how well states structure their tax systems. This helps us identify who is most in need of reform and fosters a spirit of competition among states.

*In 2015, our State Business Tax Climate Index was a finalist for the prestigious Templeton Freedom Award (left), which recognizes innovative contributions to freedom and prosperity.*
Step 2: Educate

Some states need accurate information assessing the strengths and weaknesses of their tax systems. Our chart books (*top right*), filled with eye-catching graphics and colorful data, illustrate the story of the state's tax issues. Covering each tax type and highlighting where the state can improve, these books provide policymakers and taxpayers alike with practical knowledge about their state's tax challenges.

Step 3: Solve

When a state is ripe for reform, our team is there to help guide legislators in the right direction. Over several months, our economists meet in person with hundreds of businesses, taxpayers, and politicians to compile a menu of options for real, lasting reform. We put these recommendations all in one book (*bottom right*), providing a detailed game plan for legislators as they move toward meaningful tax reform.
State Spotlight
Fixing North Carolina's Tax Code

In 2013, North Carolina had a poorly structured tax code that limited the growth of its economy and relegated the state to 44th on our State Business Tax Climate Index. Fortunately, legislators knew they needed to enact tax reform and knew the one place to call for help.

"With the Tax Foundation’s support, we delivered one of the country’s greatest success stories."

— Senate President Phil Berger

That's why the Tax Foundation went to Raleigh to work with North Carolinians and analyze the state's tax code. Just months later, we released our first reform book discussing four comprehensive options for improving North Carolina's tax code.

Ultimately, the Assembly passed a version of our plan, which provided taxpayers with much-needed relief, reduced the tax burden on businesses, and repealed the death tax.

When all the changes go into effect, the state will improve by an unprecedented 31 positions on the Index. In recognition of the state’s efforts, we released a North Carolina chart book in 2015 and hosted an event with Senate President Phil Berger (top right), who said, "With the Tax Foundation's support, we delivered one of the country's greatest success stories."
Some Taxes Are Just Bad Policy, Others Are Illegal

Our legal program leads the fight for upholding and expanding taxpayer protections, limiting state tax powers to their geographic borders, and educating the legal community about economics and the principles of good tax policy.

In 2015, we:

• Filed a brief in *Maryland v. Wynne*, warning against Maryland’s attempt to tax all income earned by residents anywhere in the world. This led to the important ruling by the U.S. Supreme Court that state tax laws cannot discriminate against people who do business in more than one state, travel through more than one state, or live in one state but work in another.

• Proposed a federal law defining the limits of state tax power, as the Constitution originally anticipated.

• Filed a brief to the U.S. Supreme Court to stop collection on a Colorado Internet sales tax law and have been widely quoted on proposed federal legislation.
This election, 10 candidates came to us for guidance as they developed their tax reform plans, using our Taxes and Growth Model to show how their plans would impact jobs, wages, and economic growth. As a result, more candidates released full-fledged pro-growth tax plans than ever before.

### Comparing the 2016 Presidential Tax Plans

<table>
<thead>
<tr>
<th>Plan</th>
<th>10-Year GDP Growth</th>
<th>10-Year Capital Investment Growth</th>
<th>10-Year Wage Rate Growth</th>
<th>Added Jobs (millions)</th>
<th>10-Year Static Revenue Estimate (billions)</th>
<th>10-Year Dynamic Revenue Estimate (billions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bush</td>
<td>10.0%</td>
<td>28.8%</td>
<td>7.4%</td>
<td>2.7</td>
<td>-$3,665</td>
<td>-$1,610</td>
</tr>
<tr>
<td>Clinton</td>
<td>-1.0%</td>
<td>-2.8%</td>
<td>-0.8%</td>
<td>-0.3</td>
<td>$498</td>
<td>$191</td>
</tr>
<tr>
<td>Cruz</td>
<td>13.9%</td>
<td>43.9%</td>
<td>12.2%</td>
<td>4.9</td>
<td>-$3,666</td>
<td>-$768</td>
</tr>
<tr>
<td>Rubio</td>
<td>15.0%</td>
<td>48.9%</td>
<td>12.5%</td>
<td>2.7</td>
<td>-$6,055</td>
<td>-$2,401</td>
</tr>
<tr>
<td>Sanders</td>
<td>-9.5%</td>
<td>-18.6%</td>
<td>-4.3%</td>
<td>-5.9</td>
<td>$13,574</td>
<td>$9,827</td>
</tr>
<tr>
<td>Trump</td>
<td>11.5%</td>
<td>29%</td>
<td>6.5%</td>
<td>5.3</td>
<td>-$11,980</td>
<td>-$10,135</td>
</tr>
</tbody>
</table>

**UNITED STATES OF AMERICA**
America Relies on Our Analysis to Make Informed Decisions

In 2015, we analyzed every presidential candidate’s tax plan, and for the first time ever, voters knew how each candidate’s policies would impact jobs, wages, and growth.

We even teamed up with USA TODAY to build a calculator that let taxpayers determine how their tax bills would change under each candidate.

When taxes came up during the national TV debates, candidates cited our numbers to argue who had the most effective tax plan.

Additionally, thousands of reporters relied almost exclusively on our research, publishing stories in every major news outlet in the country.

A new president could bring real tax reform to Washington in 2017, and the Tax Foundation will be there to guide the debate toward smarter policy.
Annual Dinner 2015

For 79 years, our annual dinner, affectionately known as "Tax Prom," has been a gathering for the tax community's best, brightest, and most influential.

Join us this November, and find out why hundreds of people say this is the tax world's most celebrated event of the year. Visit TaxProm.com to learn more.
Donor Spotlight
Dennis and Judy Groth

For Dennis and Judy Groth, the owners and founders of Groth Vineyards and Winery in Oakville, just northwest of Napa, California, the complexities of our nation’s tax policies are far from foreign.

As a former CPA and partner at Ernst & Young, and later as the CFO of Atari, Dennis is keenly aware of how tax policy impacts the decision-making of companies and their employees.

"I see the Tax Foundation cited in The Wall Street Journal all the time. Members of Congress use Tax Foundation numbers. People trust their work. It’s important, really important."

As family business owners, the two are regularly faced with the woes of California’s notorious taxes, along with those of every state where they sell wine.

They support the Tax Foundation because it is uniquely effective at guiding tax policy in the right direction.

“I see the Tax Foundation cited in The Wall Street Journal all the time. Members of Congress use Tax Foundation numbers. People trust their work. It’s important, really important,” said Dennis.
And while they love the Foundation’s effectiveness and growing reputation at both the state and federal levels, what matters most to them is the organization’s commitment to remaining unbiased.

“Unlike so many other groups, the work of the Tax Foundation doesn’t reflect personal biases, it lets good research and accurate data speak for itself. And that’s what’s important. That’s why people listen,” said Dennis.

Like many of our supporters, Dennis’ and Judy’s first interaction with the Tax Foundation came through the mail.

“We received *Putting a Face on America’s Tax Returns* a few years ago and were happy to see someone willing to tell the truth about income taxes and who pays them. We sent in a check, and before long received a call from Scott Hodge.”

Over the years, the couple has become two of the organization’s most stalwart supporters, giving regularly, and even inviting Scott to come to their home to meet and discuss the important work of the organization with some of their friends.

"Unlike so many other groups, the work of the Tax Foundation doesn’t reflect personal biases, it lets good research and accurate data speak for itself. And that’s what’s important. That’s why people listen."

“We continue to support the Tax Foundation because we want the organization to continue growing. Policymakers and journalists are already listening to them, when they only have a small staff. Just imagine how much more they could achieve if they had more staff and resources,” said Dennis.
Internships, Fellowships, & Clerkships

Year-round, we're mentoring the next generation of tax policy experts through our internship, fellowship, and clerkship programs. We work with them on substantive projects that produce the experience and skills needed to advance the fight for sound tax policy.
Meet Our Board of Directors

David P. Lewis  
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Vice President,  
Global Taxes & Chief Tax Executive,  
Assistant Treasurer,  
Eli Lilly and Company

Mr. James W. Lintott  
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Senior Government Relations Advisor,  
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Congressional Budget Office

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Ms. Pamela Olson  
Deputy Tax Leader & WNTS Leader  
PricewaterhouseCoopers LLP

Mr. Thomas J. Roesser  
Senior Director of Tax Affairs,  
Microsoft Corporation

Scott A. Hodge  
President,  
Tax Foundation
# 2015 By The Numbers

## Statement of Activities

### Revenue

<table>
<thead>
<tr>
<th>Source</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Philanthropic Foundations</td>
<td>$756,095</td>
<td>$1,223,977</td>
<td>$1,552,000</td>
<td>$1,275,750</td>
</tr>
<tr>
<td>Business Contributions</td>
<td>$802,814</td>
<td>$1,129,900</td>
<td>$1,481,004</td>
<td>$1,350,525</td>
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<tr>
<td>Donations from Individuals</td>
<td>$355,899</td>
<td>$348,009</td>
<td>$379,348</td>
<td>$520,467</td>
</tr>
<tr>
<td>Event Revenue (Net)</td>
<td>$237,643</td>
<td>$230,389</td>
<td>$290,425</td>
<td>$373,054</td>
</tr>
<tr>
<td>Investment Income</td>
<td>$7,820</td>
<td>$8,771</td>
<td>$18,695</td>
<td>$33,927</td>
</tr>
<tr>
<td>Publication Sales &amp; Other</td>
<td>$12,944</td>
<td>$12,014</td>
<td>$12,864</td>
<td>$114,199</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>$2,173,216</strong></td>
<td><strong>$2,953,060</strong></td>
<td><strong>$3,764,529</strong></td>
<td><strong>$3,667,922</strong></td>
</tr>
</tbody>
</table>

### Expenses

<table>
<thead>
<tr>
<th>Category</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs</td>
<td>$1,254,609</td>
<td>$1,821,069</td>
<td>$2,143,968</td>
<td>$2,820,683</td>
</tr>
<tr>
<td>Fundraising &amp; Donor Outreach</td>
<td>$417,619</td>
<td>$436,719</td>
<td>$467,830</td>
<td>$642,517</td>
</tr>
<tr>
<td>General &amp; Administrative</td>
<td>$228,520</td>
<td>$211,880</td>
<td>$289,458</td>
<td>$369,312</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$1,900,821</strong></td>
<td><strong>$2,469,668</strong></td>
<td><strong>$2,901,256</strong></td>
<td><strong>$3,832,512</strong></td>
</tr>
<tr>
<td>Surplus/(Deficit)</td>
<td>$272,395</td>
<td>$483,392</td>
<td>$863,273*</td>
<td>($164,590)*</td>
</tr>
</tbody>
</table>

*Note: In late 2014, a generous donor notified us of a $350,000 grant we would receive in 2015 for expenses to be incurred in 2015. GAAP and IRS rules require us to report that grant as revenue in 2014 and the expenses in 2015, altering the paper surplus and deficit picture for those two years. FASB is reviewing proposed rule changes on revenue recognition to address these differences.
# 2015 By The Numbers

## Balance Sheet

### ASSETS & LIABILITIES

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Cash Equivalents</td>
<td>$351,640</td>
<td>$555,374</td>
<td>$575,954</td>
<td>$694,078</td>
</tr>
<tr>
<td>Investments</td>
<td>$602,260</td>
<td>$681,766</td>
<td>$1,502,093</td>
<td>$1,479,620</td>
</tr>
<tr>
<td>Other Assets</td>
<td>$183,027</td>
<td>$387,095</td>
<td>$1,576,692</td>
<td>$1,133,300</td>
</tr>
<tr>
<td>Liabilities</td>
<td>($131,702)</td>
<td>($98,393)</td>
<td>($1,342,393)</td>
<td>($1,212,556)</td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td><strong>$1,024,074</strong></td>
<td><strong>$1,578,799</strong></td>
<td><strong>$2,312,345</strong></td>
<td><strong>$2,094,442</strong></td>
</tr>
</tbody>
</table>

### Growth, 2005-2015

- **Revenue**
- **Expenses**

![Graph showing growth from 2005 to 2015](image-url)
Support Our Mission of Sound Tax Policy

**President's Circle**
Those who make gifts of $1,000 or more will be invited to join this exceptional group of supporters. Benefits include:

- An invitation for two to join us at Tax Prom, our Annual Dinner in Washington, D.C.
- A certificate suitable for framing and a gold Tax Foundation lapel pin
- Exclusive updates from Tax Foundation president Scott Hodge

**Loyalty Society**
Sign up for automatic monthly giving and be counted as one of our most loyal supporters! You’ll receive a certificate suitable for framing, lapel pin, and special updates about what our team is doing to improve tax policy.

**Legacy Society**
Notify the Tax Foundation if you've included us in your estate plan. Planned gifts provide an easy way to leave a legacy and ensure the Tax Foundation has the means necessary to continue advancing pro-growth tax policy for future generations.
The Principles of Sound Tax Policy

**Simplicity**
Tax codes should be easy for taxpayers to comply with and for governments to administer and enforce.

**Transparency**
Tax policies should clearly and plainly define what taxpayers must pay and when they must pay it. Disguising tax burdens in complex structures should be avoided. Additionally, any changes to the tax code should be made with careful consideration, input, and open hearings.

**Neutrality**
Taxes should neither encourage nor discourage personal or business decisions. The purpose of taxes is to raise needed revenue, not to favor or punish specific industries, activities, and products. Minimizing tax preferences broadens the tax base, so that the government can raise sufficient revenue with lower rates.

**Stability**
Taxpayers deserve consistency and predictability in the tax code. Governments should avoid enacting temporary tax laws, including tax holidays, amnesties, and retroactive changes.