Job Creation from the Obama and McCain Tax Plans: A State-by-State Analysis

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A recent Heritage Foundation Center for Data Analysis report[1] describes the economic outcomes that can be expected based on the presidential candidates' proposed tax plans. The outcomes include the effects of these proposed policies on gross domestic product, disposable income, and employment growth over a 10-year period.

The analysis finds that job growth under Senator John McCain's (R–AZ) plan at the national level is more than two times faster than job growth under Senator Barack Obama's (D–IL) plan. Table 1 shows the average yearly employment gain that can be expected in each state as a result of McCain's and Obama's tax plans.[2]

Job creation grows faster in McCain's plan because of the plan's pro-growth provisions. The McCain proposal includes lower tax rates for businesses and allows businesses to deduct the cost of new purchases of equipment and technology in the first year. Both of these proposals lower business expenses, leaving more money for business owners to use for employment and operation purposes. Owners will use this money to hire new staff, purchase more materials, and invest more in research and development activities.

Obama's plan relies chiefly on a series of tax credits in order to redistribute income. These credits will serve to boost consumption, creating some

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1. William W. Beach *et al.*, "The Obama and McCain Tax Plans: How Do They Compare?" Heritage Foundation *Center for Data Analysis Report* No. CDA08–09, October 15, 2008, at *http://www.heritage.org/Research/Economy/cda08-09.cfm*

2. The Center for Data Analysis used a version of the Global Insight (GI) baseline forecast and the U.S. Macroeconomic Model to simulate the economic effects of adopting the McCain and Obama tax proposals. This model is provided to The Heritage Foundation by IHS Global Insight, Inc., of Lexington, Massachusetts. The methodologies, assumptions, conclusions, and opinions in this *CDA Report* are entirely the work of CDA analysts. They have not been endorsed by and do not necessarily reflect the views of the owners of the GI model. The GI model is used by leading government agencies and Fortune 500 companies to provide indications to policymakers of the probable effects of economic events and public policy changes on hundreds of major economic indicators. State estimates were calculated by multiplying each state's share of total national employment to the

macroeconomic estimates of each of the tax plans. For example, the population of employed people in California accounts for almost 12 percent of employment nationwide. In order to calculate the percentage of jobs California would stand to gain as a result of the candidates' tax plans, this percentage was multiplied by the national estimates of job change from the macro model. State employment data for July 2008 was collected from the U.S. Department of Labor, Bureau of Labor Statistics, *Civilian labor force and unemployment by state and selected area, seasonally adjusted*, table 3, at *http://www.bls.gov/news.release/laus.t03.htm* (September 29, 2008).

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State-by-State Comparison of McCain's and Obama's Tax Plans

Average Number of Additional Jobs Created, 2009–2018

State	McCain Tax Plan	Obama Tax Plan	Advantage McCain Tax Plan	State	McCain Tax Plan	Obama Tax Plan	Advantage McCain Tax Plan
Alabama	30,015	12,930	+17,084	Montana	6,956	2,996	+3,959
Alaska	4,951	2,133	+2,818	Nebraska	13,677	5,892	+7,785
Arizona	42,556	18,333	+24,223	Nevada	19,300	8,314	+10,986
Arkansas	18,933	8,156	+10,777	New Hampshire	10,245	4,413	+5,831
California	253,762	109,320	+144,442	New Jersey	62,108	26,756	+35,352
Colorado	38,095	16,411	+21,684	New Mexico	13,139	5,660	+7,479
Connecticut	26,052	11,223	+14,829	New York	131,872	56,810	+75,062
Delaware	6,156	2,652	+3,504	North Carolina	63,452	27,335	+36,117
District of Columbia	4,549	1,960	+2,589	North Dakota	5,138	2,213	+2,924
Florida	128,769	55,473	+73,296	Ohio	82,563	35,568	+46,995
Georgia	67,935	29,266	+38,669	Oklahoma	23,940	10,313	+13,627
Hawaii	9,161	3,947	+5,215	Oregon	26,892	11,585	+15,307
Idaho	10,381	4,472	+5,909	Pennsylvania	87,731	37,794	+49,937
Illinois	93,089	40,102	+52,986	Rhode Island	7,905	3,406	+4,500
Indiana	44,617	19,221	+25,396	South Carolina	29,811	12,842	+16,968
Iowa	23,124	9,962	+13,162	South Dakota	6,116	2,635	+3,481
Kansas	20,535	8,846	+11,689	Tennessee	41,882	18,043	+23,839
Kentucky	28,081	12,097	+15,984	Texas	161,171	69,432	+91,739
Louisiana	27,710	11,937	+15,773	Utah	19,100	8,228	+10,872
Maine	9,815	4,228	+5,587	Vermont	4,862	2,094	+2,767
Maryland	41,629	17,934	+23,696	Virginia	57,183	24,634	+32,549
Massachusetts	47,113	20,296	+26,817	Washington	47,586	20,500	+27,086
Michigan	68,356	29,448	+38,909	West Virginia	11,105	4,784	+6,321
Minnesota	40,472	17,435	+23,037	Wisconsin	42,308	18,226	+24,082
Mississippi	18,364	7,911	+10,453	Wyoming	4,015	1,730	+2,286
Missouri	41,585	17,915	+ 23,671	**Total Jobs**	**2,125,858**	**915,812**	**+1,210,046**

Source: William W. Beach *et al.*, "The Obama and McCain Tax Plans: How Do They Compare?" Heritage Foundation *Center for Data Analysis Report* No. CDA08-09, October 15, 2008, at *http://www.heritage.org/Research/Economy/cda08-09.cfm*.

Table 1 • WM 2105 ☎ heritage.org

demand for new employment. However, tax credits will not boost business investment, which influences employment outcomes in other sectors of the economy. As a result, none of the trickle down employment effects observed as a result of McCain's tax cuts result from Obama's tax credits.

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