

GeTtin' SALTy podcast – Episode 45

Nikki Dobay ([00:00](#)):

Hello, and welcome to GeTtin' SALTy, a state and local tax policy podcast hosted by Greenberg Traurig. My name is Nikki Dobay, shareholder in the Sacramento, California and Portland, Oregon offices. It is 2025 and it would not be the beginning of the year without an update from our great friends at MultiState Associates. And filling in for Morgan Scarborough is the one, the only, Joe Crosby, CEO of MultiState Associates. Joe, thank you so much for taking the time to join me today.

Joe Crosby ([00:33](#)):

Nikki, it's wonderful to be here even if only because Morgan had a baby and so she's not available to talk.

Nikki Dobay ([00:39](#)):

Well, depending on how well you do today, you might become a regular.

Joe Crosby ([00:45](#)):

We'll see about that.

Nikki Dobay ([00:46](#)):

We'll see about that. But thank you so much for joining us and I'm so honored to have you here to get us up to speed on what is going on with the crazy states and what we're going to see in 2025. So do you want to start talking about budgets or politics? Or where would you like to start this conversation?

Joe Crosby ([01:07](#)):

Yes, Nikki, let's talk about money and politics because that's all we ever really talk about. We call it tax policy but we're talking about really is money and politics. So first, on the money side, I think there are two categories of issues to talk about. One is the state budget and revenue picture. So, generally speaking, all the economic forecasts suggest that 2025 will be a perfectly adequate year.

Nikki Dobay ([01:34](#)):

Okay. But, I feel like there's a but.

Joe Crosby ([01:39](#)):

At a high level, states should be fine in terms of crafting their fiscal year '26 budgets because revenues are not likely to shrink. No states are really projecting revenue decreases, except for a couple of outliers where states have consciously cut taxes and as a result are aware and have planned for a slight revenue reduction. But just because revenues are growing doesn't mean that there's enough of them. So I think that macroeconomically, there is one potential challenge for states, particularly those that rely heavily on high marginal personal income tax rates and that is the equities markets.

Nikki Dobay ([02:21](#)):

Okay.

Joe Crosby ([02:22](#)):

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If you look in California, February of last year, the Legislative Analyst Office projected a shortfall for the current fiscal year of \$73 billion. In November, they came back and said the shortfall was down to, I think \$2 billion. And then in January, said it was actually a \$17 billion surplus. During that time, the California legislature and the governor did not actually do a lot to solve the deficit. What they did was wait for the equities markets to solve the deficit. So of that \$90 billion swing, 70 billion of it is a result of tax revenues anticipated from the rise in the equities markets.

[\(03:07\)](#):

California is not every state, but writ small, some of these other states that rely heavily on personal income taxes, particularly higher rates or have capital gains taxes, will benefit from that bump, but it's hard to see the equities markets go higher from here. So when I look at revenues coming up this year, they're expected to grow but it will be more moderate. And the second part of the equation is the effect of the federal stimulus, which was unprecedented during the pendency in the pandemic and a couple of years after, depending on how you want to define that, is also slackening. But moreso, we have a new administration as of this week, which is not really focused on the deficit per se.

Nikki Dobay [\(03:53\)](#):

Right.

Joe Crosby [\(03:54\)](#):

On the other hand, it is focused on constraining government, the federal government, and reducing the size of government. We have no idea yet what's likely to happen, but I think it is highly likely that there will be reductions in the amount of grants from the federal government to the states. And it's going to be in areas like, for example, healthcare. Medicaid is obviously a huge issue for states.

[\(04:21\)](#):

I was, earlier this month, at the Senate Presidents' Forum, which is a group that convenes the state Senate presidents, talking with them. And one of the issues that came out of that, on a bipartisan basis, so I had four state Senate presidents, two Republicans and two Democrats, all raised the issue of Medicaid spending increasing well above forecast. Which is interesting when you think about the fact that Medicaid is a countercyclical program that is supposed to help when the economy is doing poorly, and we have more people needing aid. And we now have a robust expansion with low unemployment and wages increasing, and yet Medicaid expenditures are going up above forecast, partly because the Medicaid population is becoming sicker and partly because it's becoming older. And Medicaid also covers not just poor people, but also aged people as well.

[\(05:16\)](#):

So I think when you look at states overall, they will be able to craft this year's, budget fiscal year '26 relatively easily for most states, there are a couple of exceptions, partly because revenues are holding up but also because they have substantial amounts of funds that have been set aside over the past four years. [inaudible 00:05:36] what we call ending fund balances are very high, relatively speaking. They're right now about triple the average over the period from 2000 to 2020. So the 20-year period preceding the pandemic from a fiscal year perspective, they've got a lot of money set aside. Michigan, I think, actually just came out and said they earned something like \$600 million in interest last year. So much money stocked aside.

[\(05:58\)](#):

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So as we're looking at the states, I think 2025 legislative sessions, there are very few states that have to do anything to balance their budget on the tax side. But that gets into the politics. It doesn't mean they won't do something.

Nikki Dobay ([06:14](#)):

Right. So let me just unpack that, that was a lot. I just want to unpack a few things. So states generally in good shape, but there are some uncertainties that are out there that they're going to have to grapple with. So even though maybe they should be fairly smooth sailing, I still feel like we make it into some challenging issues despite all that. And I think one of the other big things that we should layer onto this, and maybe you could spend a few minutes talking about is what might happen at the federal level. And is there anything specific there or is that all entwined with the politics?

Joe Crosby ([06:57](#)):

Great question. So looking first at the states that are going to face challenges, it's hard to talk about this without coming across as being political. I don't have a particular persuasion. But the data will show this year that the states that are going to have the greatest difficulty crafting budgets are primarily democratic states. And there are a couple of reasons for this.

([07:22](#)):

One of them is the politics. And I can't do this without generalizing, so I'm not talking about individuals, but generally speaking, the Republican Party at the state level believes that the way to improve their states and their societies is by unleashing individuals to do their thing. And the way you do that is by lessening the burden of government, and the way you do that is by lowering taxes, particularly [inaudible 00:07:52] income taxes.

([07:54](#)):

Democrats often take a different perspective, which is the way that we improve our society is by providing support to those in greatest need because they can't fully participate in our economy and our body politics without things like universal child care or subsidized transportation or other sorts of programs that allow people to take that first step on the ladder so that they can continue to climb it themselves. Not saying one is right or one is wrong, that's just-

Nikki Dobay ([08:25](#)):

They're different approaches.

Joe Crosby ([08:27](#)):

... how it is. And thus, during the pandemic, you saw mainly Republican states curtail spending because of revenue uncertainty. And then when the flood of federal revenue came in, looked to cut marginal tax rates and making more or less one-time investments. On Democratic controlled states, it was a bit different. They did, generally speaking, expand programs. And I talked to one legislator who specifically said, "We're going to use this money to expand programs that we think should be funded anyway. We know this money is going to run out, but we will deal with that problem when it comes up because this is a once in a generation opportunity to fund programs which we think are important. And then once that importance is seen, as the federal revenue slows down, we will be able to make the argument that we need to increase taxes mainly on large corporations and higher income net worth individuals to continue to fund these important programs."

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[\(09:22\)](#):

So we're basically at that point in time where that tidal wave of federal money is receding and that the states now have to fund those programs. And you see it in states like Maryland, states like Minnesota, a little bit in California, but we talked about that, they've got [inaudible 00:09:38] right now. Washington state, which I know you know well, where they are looking at this year, and even if they can muddle through using rainy day funds, the [inaudible 00:09:49] don't look very good.

[\(09:50\)](#):

And then there are some states where it's not really a pandemic issue. New Jersey's the only state which had their ending fund balance at 0.0%. New Jersey, Illinois, New York have perennial problems, they are high cost states. They have always been high cost states, and they essentially always have a structural problem, whether it is at the state level, at the local level, or, for example, in Illinois, it's the city, it's the Chicago Transportation Authority, it's the schools. In New York, it's the Metropolitan Transportation Authority with a \$33 billion capital budget shortfall.

[\(10:27\)](#):

So it's a little bit different in each of those states, but really, when you're looking at states for 2025 that are going to have challenges putting a budget together, it's exclusively Democratic states. There's not a single Republican state. They might have to curtail a little bit. Indiana, Medicaid spending's been running at 9% above forecast or running at an increase of 9%, which was well above forecast, so they're going to have to do some things. But they're not going to be raising taxes or even talking about that.

Nikki Dobay [\(10:58\)](#):

So what are these couple Democratic states, crystal balling it, what are they going to do? Do they have plans?

Joe Crosby [\(11:10\)](#):

Not really.

Nikki Dobay [\(11:10\)](#):

Okay.

Joe Crosby [\(11:12\)](#):

It's been four years where the money has flowed in so quickly and at such a level that people have sort of forgotten how to do this. Now, one thing, talking with legislative leaders around the country, they've said is the benefit of a tight year is it's easy to say no because you just say no to everybody. Say no to people who want more money for things because you're not going to be able really to do that.

[\(11:40\)](#):

But you've got these baseline expenditures, like in Maryland, as we all know, the Kirwan Commission and the 10-year plan to every year increase funding for education. There's really no one calling to roll that back. There are concerns about funding, excuse me, expenditures in other parts of government, particularly Medicaid. And there's a knowledge and understanding that you're going to have to... If you're not going to cut the spending enough to bring it into balance, you're going to have to find more revenue.

[\(12:07\)](#):

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There's not yet a consensus on how to do that. I think there's a conceptual consensus that it should come from large businesses and higher income, higher net worth individuals. Exactly what that means, no one really knows.

Nikki Dobay ([12:23](#)):

Yeah, I think you mentioned Washington. I think Washington is a prime example of this because they had a significant budget deficit exactly created from new programs that were put in place during the pandemic. I think I've been pleased to see there's less, let's just find new revenue. There has been conversations about we need to cut things too, so that is good. But all the proposals came out and it's increasing B&O tax rates, a wealth tax, and a potential payroll tax that are kind of the funding mechanisms. So we'll definitely see those battles play out in Washington.

([13:01](#)):

Are there other specific states where you think we have to be really on high alert at this point? I know it's still early in the legislative season.

Joe Crosby ([13:15](#)):

It's a good question, and I'll stick first with the Democratic side, but there are things to talk about on the Republican side as well. So Washington State for sure, and I think it's a good one to start with because it demonstrates that this is really about politics. So there's a budget deficit, everybody agrees that there's a budget deficit. Every state has a balanced budget requirement except for Vermont, but they balance their budget anyway. So they're going to enact something. There's going to be fund transfer, there's going to be use of fund balances. There will be "Cuts."

([13:49](#)):

Scott Mackey, a good friend of mine who used to be [inaudible 00:13:53], we agreed a couple decades ago that whatever a state says the deficit is, cut that figure in half because every single year, most states have a deficit if you just take, here's what we spent last year and here's what is built into the system, and revenue almost never runs that. So the headline number is really never the actual number, there's always going to be cuts. So there's combination of cuts, fund transfers, spending of excess or bank dollars, and then you get down to it, which is what are we really going to cut? And what are we really going to do to raise taxes?

([14:26](#)):

In Washington State, I don't think yet it's known exactly how much money they need. It's really hard to put together a tax package until you do that. But there are a lot of people, legislators who have opinions on how it should be done. So those folks, it's a relatively small number. I know we all think that tax policy is the most important thing in the universe, but most of them run for office because they care about other policies-

Nikki Dobay ([14:50](#)):

Something else.

Joe Crosby ([14:52](#)):

But there's the [inaudible 00:14:53] just like us who care about the tax policy and they come right in. And the easiest ones in Washington are things like the B&O tax. It's like, "Hey, we've got a tax, let's just increase the rate." And I know there's a couple of variations in terms of what's been proposed.

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(15:07):

And then there's the people who are more on what I'll call the ideological end of tax policy, which is we want a wealth tax because we don't like the distribution of income in this country and the federal government isn't going to fix it, and we need to do something about it, so we want to impose a wealth tax. So it's not being proposed to solve the budget deficit, it's being proposed for its own reasons, and it may be part of a budget deficit solution.

(15:34):

But you've got a new governor in Washington state, and we have a bunch of new governors. We had no party switches, but just because the party doesn't switch doesn't mean that the person doesn't have a different opinion on what to do. And the new governor so far has not said no, but he certainly hasn't said yes.

Nikki Dobay (15:48):

Yeah, from my perspective, he's been pretty far leaning towards no. And he seems to, again, this is something I've been pleased with because it's the wild west out on the West Coast and what they will do on tax issues. So it's nice to have a governor that's kind of tempering the conversation, at least in some ways because I don't think we saw that too much with the former governor. So what about the... Oh, go ahead.

Joe Crosby (16:14):

In fact, the tax package that just got introduced this week, the sponsor said it was a courtesy to former Governor Inslee because it was the [inaudible 00:16:23] set of packages that he had proposed.

(16:25):

Looking at some other states, so when I've got my map over here because I'm very visual, I do put Maryland at the top of the list of states where we're likely to see a tax increase. What does it look like? I don't know. I think if you're looking at this from a policy perspective, the best thing to do is to look at your existing bases and which tax base is really the best base for your citizenry constituency? So if I'm in Maryland, I'm looking at marginal rate increases on individuals, and I'm looking at possibly some sales tax rate increases. And if you look at what the governor and some of the things that have been floated, that's what they're talking about. But there are lots of other things that are going to be put on the table there too. So Maryland is one.

(17:17):

New Jersey is a bit of a sleeper. The governor is a lame duck. New Jersey is off cycle, so they will have a gubernatorial election this year. Governor Murphy has, from his perspective, done a good job. The senate president recently said, "Nothing is off the table." Do they need the money? Not necessarily, but they're talking about it.

(17:38):

Illinois is another one where I think that there is some significant concern. And then there's some other states that are in challenging situations, but where the politics are different. So Minnesota is the one that I'm going to put on the table there. [inaudible 00:17:54] California had a massive budget surplus, and then it's recently turned to a deficit, mainly because of accelerating spending. Governor Walz is still governor, not vice president, and he's put together a package of tax increases including a broad sales tax base expansion.

(18:11):

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But we have a House of Representatives which is, depending on how you count, tied now. Up until the election, Democrats had full control of government. Now the house is tied, but there is one Democrat who is being removed from office. There is some litigation the Republicans have convened and put themselves in charge. The Democrats are refusing to participate in this, and so they are saying it is an illegal session. So I think it's going to be some months in some these places before we know exactly what they're going to do.

[\(18:46\)](#):

But Minnesota, I have a hard time believing the Republicans who just came into power are going to vote for tax increases. On the other hand, because of past litigation, it's clear that government must shut down if a budget is not enacted. So the Republicans are not going to want to be hard with that brush. So there is some inherent tension there. But those are the states that I would be most concerned about in terms of absolute tax increases and tax increases falling on the business community.

Nikki Dobay [\(19:14\)](#):

Thank you for that on Minnesota because Minnesota is always one where I'm just shocked how much goes on there. Because I just never think about it, it's like one of those states that's... Sorry, Minnesotans, it's kind of a flyover state, but then it's like, what the heck is going on there? So it looks like-

Joe Crosby [\(19:31\)](#):

Nikki said that, I did not say that. I don't agree with the flyover concept.

Nikki Dobay [\(19:37\)](#):

Okay, okay. Sorry. It always is just one that surprises me.

[\(19:38\)](#):

Let's talk about just a few specific... One of the themes over the past 10 or more years is targeted taxes on certain types of businesses or just big businesses. And we're going to talk about this, we're not trying to get anybody riled up, but there are proposals for mandatory worldwide combined reporting. The states where those are being proposed, so far, I don't think there's any serious threats. But from your perspective, do you see any serious threats anywhere this year on that issue?

Joe Crosby [\(20:11\)](#):

And we'll get to Republicans eventually. This really is a Democratic issue and it does demonstrate the importance of politics over policy. I'm not saying there aren't policy justifications for the concept of imposing combined reporting or imposing it on a worldwide basis. But most of the people in the legislatures that come at this issue come at it from the perspective that large businesses are somehow getting away with something, income shifting. And the way to combat that is to impose combined reporting and now to impose it on a worldwide basis.

[\(20:45\)](#):

But other than Alaska, for oil companies and some others, we don't have mandatory worldwide anywhere. But you look at it, and Nikki, you asked about the federal government. This is the first linkage. President Trump already said pillar one, pillar three we're breaking all the pillars.

Nikki Dobay [\(21:03\)](#):

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Great.

Joe Crosby ([21:05](#)):

One of the things that has been said is that states shouldn't focus on this consequence, this issue of income shifting because it's something that is a national and international issue. Well, under the Trump administration, that may not be the case.

Nikki Dobay ([21:22](#)):

Got it.

Joe Crosby ([21:22](#)):

So I think some of what we're going to see this year is not necessarily a reaction to things that are happening or not happening at the federal level. It is more of a reaction to Democratic-led states being concerned that the Republican-led federal government is not representing their constituents' interests. So combined reporting is the sort of clearest expression within the corporate income tax, business tax arena of we need to do something because these people are shirking their responsibilities to support these programs to help people up the ladder. Again, I'm not arguing this, I'm simply reflecting what I hear back to your audience.

Nikki Dobay ([22:01](#)):

Yeah, I think that that's right. And to your point about the federal government isn't doing things to deal with this, so now we have to take things into our own hands. And again, people are on all sides of this and we know the good and the bad, and so it's just a complicated issue. Which we will have to grapple with some this year, but we'll have to see how, I guess, riled up about it people really do get.

Joe Crosby ([22:26](#)):

Yeah, the question is does it happen? Do we end up a state with a state going to mandatory worldwide combined reporting? The easy answer is no, because those states [inaudible 00:22:34] in more than 30 years. We had a whole fight about this in the '80s and early '90s and people walked away from it, but there's always the first year, right? I think the challenge is if you're a legislative leader or a governor crafting a budget, this is a really big fight that generates very little revenue.

Nikki Dobay ([22:51](#)):

Right, that's-

Joe Crosby ([22:52](#)):

So it's like is the juice worth the squeeze?

Nikki Dobay ([22:54](#)):

Exactly.

Joe Crosby ([22:55](#)):

Every politician is thinking about that. It's like you hear about this issue and, "Hey, this issue, this goes after the bad people. And I have a budget deficit, so let's do this to solve my problem." And then you're

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like, "Wait a minute, it gets me 12 cents? What am I going to do with 12 cents? I need more than 12 cents."

Nikki Dobay ([23:11](#)):

But all these people showed up and are yelling at me now.

Joe Crosby ([23:13](#)):

Right, I'm going to fight this big fight with businesses that are multinationals, that have jobs that pay way above the national average and have massive benefits, and the halo effect to our state is fantastic, and I'm specifically sticking them with a shiv in the kidney. Why would I do this? Because that's what it feels like for those who don't understand.

Nikki Dobay ([23:32](#)):

Right. All right, another issue, speaking of the easy answer is no until we have one state that does it, digital advertising taxes. It was just on a call where there are another, a whole tranche of states that are introducing these stupid ideas while Maryland is defending its policy, which is, I will say this too, very, in my mind, it's unconstitutional and it will be struck down, which is also leading to all Maryland-

Joe Crosby ([24:02](#)):

When, Nikki? When?

Nikki Dobay ([24:05](#)):

I know, I know, I know. Well, we're hearing hopefully by the end of the year.

Joe Crosby ([24:08](#)):

I would hope so.

Nikki Dobay ([24:09](#)):

Yeah. So do you think that this is an issue too where it sounds like there's a couple serious threats out there. Rhode Island may be one, other states, Montana. Kind of strange states from my perspective to be jumping into this giant cluster of litigation.

Joe Crosby ([24:29](#)):

Yeah, so there are two flavors here. Flavor one is sort of the vanilla, which is extending the sales tax to certain digital goods and services, which has been going on for 30 years now or whatever. And then there's the other, bespoke taxes to target particular companies who are... They're the Magnificent Seven in the stock market or whatever they are, and who are allegedly responsible for a host of social ills and are generating outsized profits and are not subject to tax.

([25:03](#)):

That's not true. These companies are subject to tax. I talked to lots of them, they say like, "Oh, company X doesn't have to pay taxes here." I'm like, "That makes no sense whatsoever. Of course, they have to pay taxes." "Oh, well their receipts aren't sourced here." It's like, "Well, that's probably not true either, but if it is just change your sourcing."

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Nikki Dobay ([25:19](#)):

Change that law. Yeah.

Joe Crosby ([25:21](#)):

Right. You may not even need to change the law. Whether we like it or not, Departments of Revenue has quite wide latitude on some of those things. So the facts don't really hold up, but what holds up is the energy and the anger.

([25:36](#)):

So I don't even know specifically the Montana example, but there have been a lot of concern, both by Democrats and Republicans, about the impact of certain types of new media on youth particularly. So when you're a hammer, everything looks like a nail. The biggest lever that any state legislator can pull to have immediate impact on anything is taxes. You want to change health policy or you want to change education policy or you want to change any of these things that bedevil our society, it takes sustained effort over many years, if not decades. But if you want to express displeasure and show them you mean business, threaten to tax them right now.

([26:18](#)):

So do these things pass this year? I'm hopeful not, but my gut is long-term, that as soon as some state figures out the formula for a tax that is sufficiently targeted and defensible legally, that other states will move to enact them. And we've seen this before, before any of us were in this business. For example, the predecessor to some of our general sales taxes were chain store taxes, in the teens and the '20s, which came and then went and they were replaced by other taxes.

([26:51](#)):

I think we're probably ripe for an era of tax experimentation. If you really look at it over the longer horizon, the last era of tax experimentation in this country was the '40s through the '60s with the rise of personal income taxation at the states.

Nikki Dobay ([27:08](#)):

Do you think, pulling that a little bit together, it seems to me this just lends itself to a broader conversation about the general sales tax and how that works and whether there are structural defects or structural changes that need to happen there to deal with some of these issues as opposed to let's get really targeted and go after the guys we don't like. To me, the former is better than the latter, but the latter is easier politically.

Joe Crosby ([27:39](#)):

There certainly are structural defects in the sales tax. The glib answer is we just need to expand the sales tax base. That's not rational because most of the things that people talk about extending to the base to are business-

Nikki Dobay ([27:53](#)):

Business. Yeah.

Joe Crosby ([27:54](#)):

... issues, inputs. They immediately exempt all of the things that are actually the largest areas of consumption, namely education, healthcare, and housing. No legislator's ever going to run on that. We

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could talk about how actually to fix it, but I'd have to go into witness protection, so we're not going to do that on this podcast. Maybe when I retire, I could tell you what, if I were philosopher king, I would do.

Nikki Dobay ([28:20](#)):

You would do. All right.

Joe Crosby ([28:21](#)):

But not today. But no, you're right, Nikki. It's a broader debate. The problem is that it really is a policy oriented, rooted debate, which doesn't play well with politics.

([28:33](#)):

There's been talk, and I'll transition to Republicans as we wrap up, about eliminating income taxes. The focus is mainly, on the Republican side, on the personal income tax, but the corporate income tax has not been unaddressed. I've talked to many businesses who are deeply afraid of the corporate income tax being eliminated, not because they think it's a good tax, I think the idea of a sub-national tax on corporate income in a country like the United States is nonsensical. But if it goes away and then you lose the tax that you can point to say, "That's our tax." It [inaudible 00:29:06]-

Nikki Dobay ([29:06](#)):

What does it get replaced with?

Joe Crosby ([29:08](#)):

Right. Businesses, as we know, pay lots and lots of taxes, but none of them say business tax. That one says right in it-

Nikki Dobay ([29:14](#)):

Corporate.

Joe Crosby ([29:14](#)):

... corporate income tax.

Nikki Dobay ([29:15](#)):

Right, right, right.

Joe Crosby ([29:16](#)):

So if it got removed, people would say, "We don't have a business income tax or a business tax, and so we need one."

Nikki Dobay ([29:22](#)):

We have two of those in Oregon, that's how cool we are.

Joe Crosby ([29:25](#)):

Well, right. Yeah-

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Nikki Dobay ([29:27](#)):

Corporate income and corporate activity.

Joe Crosby ([29:29](#)):

Yeah, there are a few special states, although Oregon may be most special. Like New Hampshire has a BET and a BBT, but they at least work together and then they don't have other dumb taxes.

Nikki Dobay ([29:42](#)):

So what else are the Republicans... Do they have other big issues? And then we were going to get into the most fun, the surprise non-tax question.

Joe Crosby ([29:49](#)):

Okay. So our friends on the business side generally breathe a sigh of relief when Republicans are charged because we all know Republicans don't like to raise taxes. That's true, as far as it goes. But they really don't like income taxes, going back to what I said in the beginning, and they're willing to do a lot to get rid of income taxes, including put more taxes on businesses. So you're hard-pressed to find a big proposal to significantly reduce or eliminate income taxes, particularly personal income taxes, that is not an actual shift to taxes from individuals to businesses. We saw in Nebraska last year, right?

Nikki Dobay ([30:25](#)):

Yep.

Joe Crosby ([30:26](#)):

The governor really hates property taxes. He's also a very large property owner. And they were talking about expanding the sales tax base to reduce property taxes. It would've been a shift overall from individuals to businesses. We see it more frequently eliminating income taxes and expanding the sales tax base. And again, expanding the sales tax base to business inputs and eliminating personal income taxes. So we've not seen as much of that.

([30:53](#)):

There are more and more Republicans who ascribe to the North Carolina model and Senate President Berger there deserves great credit. Now, more than a decade ago, there was a big proposal to eliminate the income tax and expand the sales tax base, and President Berger said no. He said, "We're going to reduce the income tax. We're going to modestly expand the sales tax base to cover services where the property is already subject to taxation." For example, automotive, which makes sense more or less. Yeah, there's some business inputs in there, but it's not a business input per se. "And we're going to make sure we budget so that we live within the reduced tax revenue."

([31:33](#)):

And they've done it. And now, I think on January 1 for like the seventh year out of 10 or something along those lines, I'm making up the stats here, they've cut the income tax rate again. So we see more Republican states look at incrementalism as a way to achieve goals rather than like let's blow everything up. We just went through that in Louisiana in December. They ended up with an incremental package after starting with the let's blow everything up package. I still think it bears watching though, because there's no greater potential catapult in the Republican Party to higher office that just say, "I got rid of the income tax." So that magic berry is always there, waiting to be consumed.

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Nikki Dobay ([32:13](#)):

It is interesting because Idaho comes to mind in this incremental path that you're talking about. But the governor's very vocal about how he's always cutting taxes, but some of those rate decreases have been so modest that you have to... It's always like, okay, you did. That's right. But yeah, so I think it's a good balancing. So any final thoughts on 2025 before we get to the surprise non-tax question?

Joe Crosby ([32:44](#)):

Will be a year of experimentation. We didn't get to talk about TCJA extension. That will probably have more effect in 2026 than 2025. But if you see the feds significantly raise or eliminate the SALT limitation, then progressive states will have a more reason to go after high earners by saying, "The federal government just paid us to tax them more."

Nikki Dobay ([33:11](#)):

Which is a little crazy because they've been fighting to get the SALT cap removed, but... Well, yes, that's a whole other podcast.

Joe Crosby ([33:20](#)):

Don't ask me to make this stuff rational. I'm just telling you what to see.

Nikki Dobay ([33:24](#)):

I know. That's where it all falls apart for me, but-

Joe Crosby ([33:26](#)):

I'm waiting for my exciting... I don't even know where this is going.

Nikki Dobay ([33:30](#)):

Okay. All right. Well, the timing of your appearance is, even though you won't actually visually appear anywhere, your voice appearance is very good. So oddly, this week, I've had conversations with multiple people about sailing. So my surprise non-tax question, how this works is I ask the question. I answer while you have time to collect your thoughts. So the question this week, and I don't even know if this is kind of the right question you ask a person that sails, is what's the farthest you've gone in a boat? That's what I'm going to ask the question.

([34:01](#)):

So from my perspective, we grew up just with a boat like water-skiing, and so the farthest I've gone is however long Mosquito lake is in Northeastern Ohio. I don't know how big that lake actually is. I was fairly young, but so that's my boating experience. But when I've had these conversations, I was like, "Oh, Joe's going to be on and Joe lived on a boat." So is that even a rational question? How far have you gone on a boat?

Joe Crosby ([34:36](#)):

I don't know for sure what it is in miles, but I do have my map here and I can tell you I've taken the same boat from Belfast, Maine to the Dry Tortugas, which are about 70 miles west of Key West, so let's say a couple of thousand or so.

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Nikki Dobay ([34:56](#)):

All right, because the one person I was talking to this week, she is going to do the race that goes from LA to Hawaii.

Joe Crosby ([35:02](#)):

Oh, yeah, the Transpac.

Nikki Dobay ([35:04](#)):

Yeah, yeah.

Joe Crosby ([35:06](#)):

I could talk about this forever. I have a good friend whose father, who's passed away now, he used to race the Transpac all the time. I grew up racing in Southern California, sailboat racing.

Nikki Dobay ([35:17](#)):

How many days have you been on a boat without seeing land?

Joe Crosby ([35:21](#)):

Oh, without seeing land?

Nikki Dobay ([35:22](#)):

Yeah, I just... These are-

Joe Crosby ([35:24](#)):

No, because I've not done it, so that's like I've not transited oceans, it's all been coast-wise. So there's never been an entire day where I couldn't see land, meaning I started off somewhere where I could see land and ended up, yeah, you're out of the sight of land, but I've never ended up... Because usually, I'm either anchoring or in a marina, and so I'm not just going for the sake of going, I'm going to get somewhere and then got my hotspot set up and go back to work.

Nikki Dobay ([35:55](#)):

Okay. Well, Joe, thank you so much for joining me. I think we'll be talking again because we probably have to get into what the heck the federal government's going to do at some point, but you've given us a lot to think about today. So thank you so much and thank you to the listeners Joe and my contact information will be in the show notes and I will be with you in a few weeks on the next GeTtin' SALTy.