



Written by [Bob Adelman](#) on July 8, 2014

Texas Beats California: No Income Tax, Booming Economy, Friendly Folks

Following Toyota's [announcement April 28](#) that it would be consolidating its three American business headquarters and moving them from California to a new \$300-million campus in Plano, Texas, the debate over *why* has heated up once again. Toyota follows Occidental Petroleum (which is leaving Los Angeles for Houston, after being there for a hundred years), Raytheon (which is moving its El Segundo headquarters to McKinney, Texas), and Legal Zoom (the largest legal-issues website in the world, which has already moved from Los Angeles to Austin). In the past 18 months more than 50 companies have made the same decision to move from California to Texas.



Some say it's because of the lower cost of living in Texas. The cost of living in Plano is about a third lower than in the Los Angeles-Long Beach area where Toyota is currently located. As calculated by the Dallas-based conservative think tank National Center for Policy Analysis, "People of all incomes will save in Texas," according to Pamela Villarreal, a senior fellow at the institute. Some will save a little; others will save a lot by moving to Texas to keep their jobs with Toyota. As Villarreal explained, the calculation takes into account property taxes "which are pretty high in Texas" — about twice what they are in California for equivalently priced homes. Once real estate taxes are factored in, a single woman in Texas making \$75,000 a year will have about \$14,000 more in discretionary income than she would if she lived in California, but married workers making \$150,000 a year who move from California to Texas would not see as dramatic a jump in discretionary income.

The Manhattan Institute says it makes sense for California companies to make the move to Texas, owing to California's high taxes, oppressive regulations, expensive electricity, union influence, and the high cost of labor. According to the U.S. Energy Information Administration (EIA), the cost per kilowatt-hour for commercial establishments in California is 13.11 cents while it's only 8.2 cents in Texas — a saving of almost 40 percent. For industrial users, the savings are even greater: 10.72 cents per KWH in California versus just 5.86 cents in Texas. That cuts a heavy user's energy bill in Texas nearly in half.

Advantage: Texas

The advantage enjoyed by Texas is reflected in the states' comparative economic growth rates: nearly four percent last year in Texas versus half that in California. In job growth, Texas regained the jobs it lost during the Great Recession by May of 2011 while California just made it back to even by May of this year — a three-year difference in favor of Texas. Since May 2011, Texas has added more than a million new jobs, while California has added barely 25,000 new jobs since this past May. *Advantage: Texas*

According to the blog 24/7 Wall Street, Texas ranks eighth among the country's most quickly growing



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states with GDP growth jumping by \$1.5 trillion in 2013. Its population continues to grow as well, with unemployment below the national average. California is well off the pace. *Advantage: Texas*

Bradley Allen, a pediatric heart surgeon in Paso Robles, just announced his candidacy for Congress in California's 24th district, and in the process noted the difference between California and Texas in an opinion article at the *Wall Street Journal*: "Texas has no state income tax, while California's 13.3% marginal rate is the highest in the country. Electricity rates are about 50%-88% higher compared to Texas due to the Golden State's renewable-energy mandate, and its gas is 70-80 cents per gallon more expensive because of taxes." *Advantage: Texas*

Allen's opponent is incumbent Lois Capps, who sports a dismal Freedom Index rating of just 21 out of 100 on constitutional issues. Out of California's 53 congressional districts, 18 of them have FI ratings of 20 or lower, while just one has an FI rating of 80 or higher. In Texas, by contrast, just three representatives have a rating of 20 or less out of the state's 36 districts, with one, Rep. Steve Stockman, holding an FI rating of 95. *Advantage: Texas*

One of the best measures of the difference between the two states is just how much a Californian would have to pay to move his family to Texas. In November 2012, a Californian living in San Francisco would pay \$1,693 to rent a 20-foot U-Haul truck and drive it San Antonio. On the other hand, a Texan in San Antonio moving to San Francisco would pay just \$893 for the same truck. (Since then the numbers have become even more favorable: A Californian moving his family on August 1 from San Francisco to San Antonio would have to pay \$1,890 for the same truck while a Texan moving the other way would pay only \$737.) *Advantage: Texas*

However, David Horsey, writing for the *Baltimore Sun*, noted that Californians moving to Texas will leave an awful lot behind:

California has Silicon Valley and Hollywood. Texas has oil and gas.

California has Barbara Boxer and Nancy Pelosi. Texas has Ted Cruz and Louie Gohmert.

In California, billionaires get taxed more to pay for programs for the poor. In Texas, billionaires get to keep their money, and the poor go without health care.

[California Governor Jerry] Brown got voters to approve a tax hike to balance the budget and fund education. [Texas Governor Rick] Perry balanced the budget by slashing spending on education.

In lots of places in California, it's tough to live on a middle class family budget. In lots of places in Texas, it's hard to live outside a church-going, football-loving, white, heterosexual lifestyle.

Absence of snarky, politically correct, bitter liberals. *Advantage: Texas.*

Photo of Austin, Texas

A graduate of Cornell University and a former investment advisor, Bob is a regular contributor to The New American magazine and blogs frequently at www.LightFromTheRight.com, primarily on economics and politics. He can be reached at badelman@thenewamerican.com.

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