High-tax States Continue to Lose High-income Individuals

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The latest edition of "Rich States, Poor States," published by the American Legislative Exchange Council (ALEC), reported that once again New York and California are at or near the very bottom of the states based on the exodus of citizens seeking lower-tax environs. It's as if the tax-and-spend politicians are unacquainted with Aesop's Fable, "The Goose that Laid the Golden Eggs."

That's especially true in California, where politicians have just put forth proposals for the nation's very first "wealth tax" to be levied not on income, but on an individual's total net worth, no matter where it is held.

As the summary of AB 2088, offered on August 13 by Assemblyman Rob Bonta, a Democrat from Oakland, says, the tax would be applied to the entire net worth of about 30,400 Californians, "raising approximately $7.5 billion annually. The tax takes into account all assets and liabilities held by an individual, globally, capturing the immense levels of accumulated wealth held by the top 0.1% or Californians."

Assemblyman Miguel Santiago, another Democrat representing Los Angeles, presented Assembly Bill 1253, which would not only raise further the already-high income taxes on high-income individuals, but would make the tax retroactive to January 1.

If passed into law, Santiago's bill would raise the state's top tax rate to 16.8 percent, the highest in the nation. This is the same state that already has the nation's second-highest gas taxes and the ninth-highest combined state and local sales taxes in the country.

According to "Rich States, Poor States," California ranks 48th in absolute domestic migration, with an out-migration of more than 800,000 individuals from 2009 to 2018. As a result of the weighing of other factors, such as the state's debt service ratio, its high minimum wage, and workers' compensation costs, California's economic outlook places it at 46th out of 50 states.

New York's out-migration from 2009-2018 was nearly 1.4 million, thanks to its deadly combination of high taxes, high regulations, and a reputation as a non-business-friendly atmosphere. This ranks New York at the bottom among the 50 states in economic outlook.

At the top of this year's list for economic outlook is Utah, a position the state has enjoyed for the last 13 years, followed by Wyoming, Idaho, Indiana, and North Carolina. Utah's success is reflected in its relatively low tax environment, among other markers. The state enjoyed in-migration of nearly 80,000 citizens from high-tax states between 2009 and 2018, putting its economic performance rank at third in the union.

Jonathan Williams, ALEC's chief economist, wrote that Utah has been proactive in keeping its unfunded pension liabilities under control and revising its property-tax system so that it now ranks 14th among the 50 states for its relatively low property-tax burden. Said Williams, "It's not just a theory. This is really playing out in practice. And we see Americans continue to pour into Utah. Utah is just booming right now.

He added, "We continue to see this phenomenon where Americans vote with their feet. And they're voting very strongly away from states with high tax burdens and less economic opportunities."

With apologies to the Greek storyteller Aesop:

> There was once a politician who possessed the most wonderful goose you can imagine, for every day when he visited the nest the goose had laid a beautiful, glittering golden egg.
>
> The politician took the eggs to market to spend on his reelection campaign and build his own personal net worth.
>
> But it was not long before he grew impatient with the goose because she gave him only a single golden egg a day. He was not getting rich fast enough.
>
> Then one day, after he had finished counting his money and his votes, the idea came to him that he could get all the golden eggs at once by killing the goose and cutting her open.
>
> But when the deed was done, not a single golden egg did he find, and his precious goose was dead.

In California, New York, Vermont, New Jersey, and Illinois, the geese (i.e., the taxpayers) aren't dying; they're moving to Texas, Florida, North Carolina, Arizona, and Colorado, according to the ALEC report.

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