Study: Businesses, Taxpayers Fleeing High-tax States

Based on the latest data from the Internal Revenue Service, Americans for Tax Reform (ATR) concluded that, given the opportunity, taxpayers as well as businesses move from high-tax states to lower-tax states. In 2013, more than 200,000 people moved from New York, Illinois, California, Connecticut, and Massachusetts to Texas, Florida, South Carolina, North Carolina, and Arizona.

And they took with them more than $16 billion in adjusted gross income. The single largest migration was 17,355 from New York to Florida. Those migrating left behind Democrat-dominated states in favor of Republican-run states. Altogether, said ATR:

> [In 2013] Democrat-run states lost a net 226,763 taxpayers, bringing with them nearly $15.7 billion in adjusted gross income (AGI). That same year, states with Republican governors gained nearly 220,000 new taxpayers, who brought more than $14.1 billion in AGI with them.

The biggest loser was New York, which shrank by 115,000 taxpayers, taking with them $5.65 billion in adjusted gross income. Texas was the biggest gainer, enjoying an influx of 152,000 taxpayers, who brought with them $6 billion in adjusted gross income.

Other measures reflect the massive migration to tax-friendly states. For instance, over the last 20 years, Texas has enjoyed four times the job growth of California, and enjoys an unemployment rate half that of California. The U-Haul index shows that it costs twice as much to rent a U-Haul trailer from Texas to California, reflecting the great demand from Californians to move to Texas and the nearly nonexistent demand from Texans to move to California.

It's not just taxpayers uprooting themselves in search of better tax climates, either. In June, right after Connecticut Governor Dan Malloy signed into law the second massive tax increase in three years, General Electric CEO Jeff Immelt sent this e-mail to his people:

> Last night the Connecticut legislature passed a tax package which includes significant and retroactive tax increases for businesses in the state. The passing of this law, despite the concerns we raised, has serious implications for GE, other businesses, and for the business climate in Connecticut….
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> As a result of this law passing, I have assembled an exploratory team to look into the company's options to relocate [our] corporate headquarters to another state with a more pro-business environment.

Attached to his e-mail was a "fact sheet" listing all the reasons why GE is considering the move. It includes the unsurprising conclusion by a number of indexes and rankings that show Connecticut to be among the bottom 10 among the 50 states. Gallup places Connecticut dead last in its "job climate" index while CNBC places the state 46th in its economic profile, 47th in its cost of doing business ranking, and 48th in its cost of living analysis. Forbes ranked the state 44th out of 50 in 2014 in its economic climate ranking, while the Tax Foundation rated Connecticut 42nd in its Business Tax Climate index and 49th in its property tax ranking. It also showed state and local tax collections per person to be the second-highest in the country.

If GE moves, it will have not only a negative economic impact on Connecticut, but a social one as well. At present the company employs 5,700 people there, and spends $14 billion a year with local suppliers, helping to support more than 65,000 jobs in the state. The company contributes millions to local charities, including $1.2 million in 2010 to Fairfield County healthcare centers and $7.5 million in 2012 in a partnership with the University of Connecticut to fund engineering research and scholarship. In 2013, the company donated $15 million to Newtown for a new community center. In 2014, the company made a total of nearly $10 million in contributions to local and state charities, as well.

If it moves, GE will take with it 4,500 volunteers who each year invest nearly 50,000 man-hours in more than 145 local and state-wide projects.

As Immelt explained in his e-mail:

> We purchase $14 billion in goods and services from Connecticut companies. Despite this, we have had a tough past decade in Connecticut. Our taxes have been raised five times since 2011…. I believe we should pay our fair share and that all of us should give back to our communities.
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> But we can compare Connecticut with other states where small and large businesses have a better environment to thrive and compete.

Connecticut politicians appear to be blind or oblivious to the consequences of their actions. Carol Platt Liebau, president of the Yankee Institute, a free-market think tank, supports the potential move out of the state by GE:

> I think it does make sense, because what you've seen [by politicians] is not only a willingness to raise taxes but a seeming lack of comprehension on the part of state leaders as to why that's a problem.

Not every politician in the state has lost his mind, however. State Senator Joe Markley, a rare Republican in a heavily Democrat state, said that 25 years of tax increases and exploding government has destroyed "one of the country's great manufacturing bases." In a moment of candor, Markley said Connecticut's problem is simple: "The economy stinks and we spend too much," adding, "We are the example of what you get with big government."

Not to pick on Connecticut unnecessarily, the American Legislative Exchange Council (ALEC), in its recent *Rich States, Poor States* study, is helpful in pointing out that, in general, taxpayers and businesses are leaving poorly run states in favor of better performing ones. In its study, New York ranks dead last in its Economic Performance Outlook while Illinois ranks 40th, California ranks 44th, Connecticut ranks 47th, and Massachusetts ranks 28th.

In contrast, the states where taxpayers are fleeing to are, in general, ranked higher by ALEC. Texas is ranked 11th while Florida is ranked 15th. South Carolina is ranked 32nd, while North Carolina is Number 4 with Arizona at Number 5.

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