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Contact: Zach Schiller, 216.361.9801
policymattersohio.org/money-stays

Actually, Money Stays Put Study shows claims of state “income migration” are deeply flawed

Proponents of state income-tax cuts have inaccurately tried to tie state migration trends to tax rates.¹ Governor John Kasich has proselytized for income-tax cuts with repeated statements that \$12 billion in income left Ohio between 1995 and 2010 for states with lower income taxes.² But as Michael Mazerov of the Center on Budget and Policy Priorities shows in [a timely new report](#), the idea that most income “moves” when someone migrates to another state is nonsensical. As he notes, “The vast majority of people *can’t* take their income with them to a new state because they work for someone else. When people leave a state, they usually also leave their job.”

As Mazerov explains, there are numerous reasons why using Internal Revenue Service data to suggest that money is “walking” to lower-tax states is wrong. If someone leaves their Ohio job to take one in another state, that previous job likely is filled by someone else in Ohio. If a doctor leaves Ohio for Texas, her patients don’t suddenly stop seeing an Ohio physician. If someone retires from a job and moves to another state, income from their pre-retirement job doesn’t move with them—as the data Kasich is relying on may well imply.

Interestingly, IRS data show that the Adjusted Gross Income of Ohioans who left the state, net of the AGI of those who arrived during the period, was actually somewhat higher than the \$12 billion Kasich cites—but the governor appears to have subtracted those states with higher tax rates.³ North Carolina, a state that had a higher top income-tax rate than Ohio did during this period, was the second-leading destination of Ohioans leaving the state based on net migration figures. California, which also shows supposed income gains of more than \$1 billion from Ohio migrants during the 15-year period, also has top rates that exceed ours. While we ought to be concerned that more people are leaving Ohio than coming here, something besides tax rates is driving this migration.

¹ Policy Matters Ohio and the Center on Budget and Policy Priorities have shown in previous reports that tax levels aren’t a major factor in interstate moves. See Amy Hanauer and Tim Krueger, “The Tax Flight Myth,” Policy Matters Ohio, March 20, 2013, at <http://www.policymattersohio.org/migration-mar2013> and Michael Mazerov, “State Taxes Have Negligible Impact on Americans’ Interstate Moves,” Center on Budget and Policy Priorities, May 21, 2014, at <http://www.cbpp.org/cms/index.cfm?fa=view&id=4141>

² Siegel, Jim, “John Kasich, Ed FitzGerald disagree on tax cuts,” *The Columbus Dispatch*, Sept. 21, 2014, at <http://www.dispatch.com/content/stories/insight/2014/09/21/01-kasich-fitzgerald-disagree-on-tax-cuts.html> and State of the State Address, Ohio Governor John Kasich, Medina, Ohio, Feb. 24, 2014, at <http://governor.ohio.gov/Portals/0/2014%20State%20of%20the%20State%20Final%20Transcript.pdf>

³ Email from Dave Pagnard, deputy director of communications, Office of Budget and Management, Feb. 26, 2014. In total, the figure comes to \$12,264,006,000.

Some people, such as retirees getting a pension or Social Security, take income with them when they move out of state. But this is a relatively small share of the total. For the most part, income does not migrate, people do.

Read the CBPP report at <http://www.cbpp.org/cms/index.cfm?fa=view&id=4218>.

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Policy Matters Ohio is a nonprofit, nonpartisan state policy research institute with offices in Cleveland and Columbus.