Policy Matters Ohio

2912 Euclid Avenue • Cleveland, Ohio, 44115 • tel: 216/931-9922 • fax: 216/931-9924
http://www.policymattersohio.org

For Immediate Release: June 7, 2005
Contact David Rothstein 216-931-9922

Analysis finds no relationship between income taxes and interstate migration
Study concludes that other factors better explain why people leave Ohio

Migration into and out of Ohio does not appear to be linked to state income tax policy, according to a new analysis of interstate migration data from Policy Matters Ohio. The study, which examines Internal Revenue Service tax filing data from a 15-year period ending in 2003, finds that more filers migrated out of than into Ohio during each year of the analysis, that migration changes don't vary with tax changes, and that Ohioans migrate to states with a variety of tax structures.

In 2003, Ohio lost more households, 2.9 per 1,000, than all but nine other states and the District of Columbia. However, Ohioans migrate to and come from states with a variety of income tax systems. In that same year, rates were -5.5 in Illinois, -3.6 in Michigan and +.03 in Pennsylvania (all area states with flat income tax rates). That year, two of the eight states that have no state income taxes also had negative migration rates.

Median incomes of those migrating in or out of Ohio were substantially lower than median incomes of those who did not move in Ohio. Median incomes of out-migrants were slightly higher than median incomes of in-migrants. Other findings include:

♦ More Ohioans migrate to Florida than any other state (14% of those migrating in 2003). Other top states are Kentucky, Michigan, Indiana, California, and Pennsylvania. Of these, only Florida has no personal income tax.

♦ The same states that attract Ohioans send people here. Florida is always the top sender state, and Michigan, Kentucky, Pennsylvania, Indiana, and California are always among the top five.

♦ All states bordering Ohio, except Kentucky, have negative migration rates (more people leaving than coming in) for most of the years studied. Overall, states with negative migration rates have a variety of state income tax policies.

During the period studied, Ohio made two major changes to its income tax structure that would be likely to affect migration if income taxes were a major factor in location decisions. In 1993, Ohio added a top tax rate of 7.5% on income of $200,000 or more. Between 1996 and 2000, a temporary income tax cut returned more than $2.2 billion to

taxpayers. If taxes steered migration, we might expect outward migration to have increased between 1993 and 1996, and to have decreased between 1996 and 2000. In fact, outward migration does not correspond to these predictions.

"We are losing more people than we are gaining," said Policy Matters Research Assistant David Rothstein, the report author. "However, migration does not appear to be linked to income tax policy. Generating jobs and promoting educational opportunities will do more to keep people here than cutting income taxes for the wealthiest."

In 2003, the 92,147 households that left Ohio represented 2 percent of the state's households, while those that entered Ohio represented 1.8% of households. Some population changes commonly attributed to migration may actually be due to aging – for example, a recent 5.3 percent drop in 25 to 44 year olds was accompanied by an 11.8 percent gain in 45 to 64 year olds. Some of the loss was due not to young people leaving Ohio but to young people getting older.

Policy Matters Ohio is a non-partisan, non-profit policy research institute, on the web at www.policymattersohio.org. This report is available at http://www.policymattersohio.org/taxes_and_migration_2005_06.htm