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Read the report: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3556>

Report: Costly Tax Cuts Won't Keep People in Ohio

Cutting state taxes is unlikely to affect residents' decisions to stay in or leave Ohio, but will cost the state resources it needs to create the highly-educated workforce, quality infrastructure, and safe communities that form the building blocks of a strong economy, according to a new report that busts a common myth advanced by proponents of cutting taxes. Americans move from state to state for a variety of reasons, but tax levels rarely factor into such decisions.

Arguments in favor of cutting taxes often include the unproven claim that a state's tax rates are driving people to leave the state, particularly the most affluent.

"This claim is false. The effects of taxes on migration are, at most, small — so small that states that raise income taxes on the wealthiest households will see a substantial net gain in revenue," said Robert Tannenwald, co-author of the report and senior fellow at the Center on Budget and Policy Priorities, a Washington, DC-based nonpartisan, nonprofit policy research organization that published the new report.

The migration myth was recently used in Ohio as a rationale to repeal the state estate tax. Depriving hard-pressed Ohio communities of that revenue will reduce the services they can provide, as numerous mayors and township officials testified in hearings on the measure. It is unlikely to keep more people in Ohio, however.

The report cites numerous examples of research debunking the migration myth and, through case studies, shows how misinformation about the impact of taxes on migration can influence policymakers and the media. Those that support the migration myth often wrongly assume a cause and effect relationship, promote irrelevant findings, and inaccurately measure migration, the report found. For instance, Florida, which is often mentioned as a destination because it lacks an income tax and inheritance taxes, has recently been losing more U.S. residents than it gains.

"Ohio needs jobs, and, as the 2005 tax overhaul showed, cutting taxes isn't likely to produce them. A more balanced approach makes much more sense for Ohio's economy," said Zach Schiller of Policy Matters Ohio, a nonprofit, nonpartisan research institute based in Cleveland.

Very few Americans move between states, according to the report. The little interstate-migration that does occur is far more frequently due to job opportunities and housing prices than tax rates. Specifically, the report illustrates that housing costs may have a significantly larger impact on Americans' finances than tax levels.



“We need to invest in Ohio’s future by raising the resources to maintain and improve the schools, communities, transportation systems and safety net that made Ohio a good place to live, work and do business in the past,” Schiller said. “This report, by providing accurate information about taxes and migration, will help policymakers who want to make smarter decisions for Ohio.”

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The Center’s full report can be found at: <http://www.cbpp.org/cms/index.cfm?fa=view&id=3556>

ATTENTION TV PRODUCERS: High-resolution video sound bites featuring the report’s co-author, Jon Shure, are available upon request. Please contact: Shannon Spillane, Center on Budget and Policy Priorities, 202-408-1080 or spillane@cbpp.org.

The Center on Budget and Policy Priorities is a nonprofit, nonpartisan research organization and policy institute that conducts research and analysis on a range of government policies and programs.

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

