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People move across state lines for jobs, housing, family, not taxes, new report finds

Very few Americans move across state lines each year, but those who do make those moves based on employment, unemployment, income, housing affordability and higher education opportunity, not taxes, according to a new analysis by Policy Matters Ohio.

“Even large increases in income taxes do not lead to changes in migration,” said Amy Hanauer, Policy Matters executive director and a study author. “But adequate revenue is essential to creating a state economy with excellent schools, universities, worker training and infrastructure.”

Gov. John Kasich’s proposed tax changes would reduce state revenue, substantially cut the taxes of the wealthiest and slightly increase the taxes of Ohio middle-income and poor households. The Kasich administration cited a belief that personal income taxes “encourage out-migration from a state” as a rationale for reducing income taxes.

Our study, “The Tax Flight Myth,” examined the relationship between taxes, other economic issues, and interstate movement for Ohio and surrounding states. We found that even a large across-the-board tax increase would not have a statistically significant effect on movement between states in the Ohio region. By contrast, similarly sized changes in unemployment insurance claims, housing affordability, or property crime have statistically significant effects on migration patterns.

The study also found that a loss of revenue for the state would result in people leaving the state, especially if the public sector reduced employment or did not hire when it otherwise would have. Even more might leave if property crime were to increase as a result jobs lost in law enforcement or other public-safety sectors, according to the study.

Key findings

Do states that lower their income taxes attract or retain more people?

No

What would be the net result of the plan to reduce taxes and state revenue?

More people would leave

Why do people move?

Jobs, affordable housing, good pay, family

Do taxes matter?

Too little to be measured

Will reducing Ohio’s income tax keep people in Ohio?

No

Other findings include:

- Just 1.6 percent of households moved from one state to another in 2010;
- Households are most likely to move if they are unemployed, in their 20s, at the beginning of their careers, and don't have children. Married adults, home-owners, and those over age 40 are much less likely to move;
- The four main reasons Americans between the ages of 30 and 64 cited for moving were job (36 percent), family (22 percent), housing (28 percent), and quality of life (8 percent). Some 93 percent of Americans cite at least one of these variables. Americans also cite college, retirement, and natural disasters more frequently than taxes;
- The seven states to which Ohio lost the most households in 2011 – Florida, Kentucky, Texas, Indiana, Pennsylvania, California and Michigan – were also the seven states from which it gained the most households. More people came to Ohio from Florida than any other state. Five of these seven states have income taxes, some with top rates that exceed Ohio's.

Taxes pay for services, so higher tax rates often mean better schools, universities, parks, libraries, safety services, child care or elderly care. These factors improve quality of life, career prospects, or a financial bottom line – services like education or elderly care are worth far more than would be saved on taxes by living in a lower-tax community.

“If we want a prosperous state, we should start by determining what we need to provide to businesses, students, workers and families, and then put in place the tax structure that most fairly and sufficiently provides those public goods,” Hanauer said. “An adequate income tax is a crucial part of that structure.”

The Political Economy Research Institute conducted a multivariate regression analysis on Ohio and Midwest household migration for this report. PERI is an independent unit of the University of Massachusetts, Amherst, with close ties to the Department of Economics.

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