

Why Cutting State Income Taxes Isn't the Way to Attract Residents

Tax-cut supporters often present misleading or inaccurate evidence that slashing or eliminating state income taxes will cause more people to move to a state. Policymakers should be highly skeptical of these claims.

1 The main reasons for interstate moves have nothing to do with taxes.

Experts have thoroughly studied this issue. They overwhelmingly conclude that differences in state tax levels don't have a significant impact on interstate moves. Instead, people move mainly for:



Jobs and family

The most common reason people cite for an interstate move is a new job or job transfer. Family reasons are the second most common.



Less expensive housing

Housing costs vary much more across the country than state and local taxes.



Warmer climate

Though neither has an income tax, such northern states as South Dakota and Alaska saw more people move out than move in from other states from 1993 to 2011.

Of course, some people relocate because they think their taxes are too high or take state and local taxes into account in deciding where to live. But those cases are so rare compared to other reasons people move that they shouldn't drive state tax policy decisions.

2 Tax cuts make it harder for a state to invest in good schools, transportation networks, and other services that can make a state more attractive to people and businesses.

3 Many real-world examples contradict the claims of tax-cut proponents.

For example, using IRS data covering 1993-2011:

Almost 70,000 more households moved from no-income-tax Florida to Georgia (which has an income tax) than moved the other way.

More people moved from New Hampshire (which has no income or sales tax) to Maine (which has both) than moved the other way.

Almost as many people moved from other states to Arizona (which has an income tax) than Texas (which doesn't) though Texas is much larger and thus offers more jobs.

Source: IRS interstate migration database and Michael Mazerov, "State Taxes Have a Negligible Impact on Americans' Interstate Moves," Center on Budget and Policy Priorities, Revised May 21, 2014.