Moving to low tax states

Brett Kittredge

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Few people would argue with the beauty of a California sunset. The bright lights of Times Square are tough to compete with. But there is one thing that can top the allure of California or Manhattan: your pocketbook.

Americans are moving to lower tax states where they are able to keep more of the money they earn. Unfortunately, Mississippi is on the wrong side of both taxes and, as a result, in-migration.

Sales, property, and individual income taxes, as a percentage of personal income in Mississippi, are 9.9 percent, according to CATO Institute. That's pretty high. In fact, only 14 states, including traditional high tax states like California, Connecticut, New Jersey, and New York, fared worse. All neighboring states had lower tax burdens than Mississippi.

Mississippi had a net migration loss of over 3,500 in 2016. On a per capita basis, this means Mississippi lost 100 residents for every 88 the state gained. This is parallel with migration loses in Louisiana. Alabama and Arkansas were essentially flat in terms of migration while Tennessee added over 13,000 residents. For every 100 residents that Tennessee lost, they added 119.

Tennessee, a state without an individual income tax, is home to one of the lowest tax rates in the country with a tax burden of 6.5 percent. And they are reaping the benefits of smart fiscal policy. The Wall Street Journal reported in May: "Alliance-Bernstein Holding LP plans to relocate its headquarters, chief executive and most of its New York staff to Nashville, Tenn., in an attempt to cut costs…In a memo to employees, Alliance-Bernstein cited lower state, city and property taxes compared with the New York metropolitan area among the reasons for the relocation. Nashville's affordable cost of living, shorter commutes and ability to draw talent were other factors."

Twenty-six states had a tax burden of 8.5 percent or greater. Of those 26, 25 had a net out-migration. Only Maine was able to buck the trend. And not surprisingly, of the 17 states that had net migration gains in 2016, all but one has a tax burden of less than 8.5 percent. All totaled, more than 500,000 individuals moved from the top 25 highest-tax states to the 25 lowest-tax states in 2016. Those high tax states lost an aggregate income of $33 billion.

So what can we do in Mississippi? We can follow the lead of high-growth, low-tax states in the Southeast that have lower taxes, lighter licensure and regulatory burdens, and a smaller government.

This past session, the legislature debated a bill known as the “Brain Drain” Tax Credit. It would have provided a three-year income-tax exemption to recent college graduates who are Mississippi residents. And there was an additional two-year exemption for those who start a business. It passed the House unanimously but died in the Senate without a vote.

We have succeeded in phasing out the lowest income tax bracket. Instead of eliminating the income tax for just a few, we should work on eliminating the income tax for all taxpayers. And instead of offering incentives to just a few, our goal should be to create the most business-friendly climate in the country – for all types, sizes, and industries.

A public policy based on freedom is the recipe high-growth states have adopted. It’s how we’ll grow our economy in Mississippi, too.