THE DAILY CALLER

OPINION: Wealthy Taxpayers Are Fleeing These States In Droves

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Both parties can be faulted on tax policy. The Republicans are inconsistent; they support large tax cuts but don't match them with spending cuts, as we saw with the 2017 Tax Cuts and Jobs Act. With Democrats, the problem is incoherence. They claim that the 2017 act was a giveaway to the rich, even though it made the tax code more progressive. And they claim that the rich don't pay their fair share, even though the top 10 percent pay 71 percent of all federal income taxes.

Democrats complain that the rich are rampant tax avoiders. But then they push to raise tax rates on the rich, which will just prompt more of the avoidance they dislike. You can see this at the state level with the ongoing exodus of high earners from high-tax states such as California, Connecticut, New Jersey and New York to low-tax states such as Florida.

New Jersey's richest person, David Tepper, moved with his hedge fund business to Florida in 2016. That single move cost the state of New Jersey up to $100 million a year in lost income taxes. Yet, this year, New Jersey's Democratic governor Phil Murphy hiked the top income tax rate from 8.97 to 10.75 percent. Murphy wanted to raise revenue, but the hike won't do that if it prompts more of the rich to leave. The top 1 percent in New Jersey pay 37 percent of the state's income taxes.

Connecticut is also losing its wealthiest residents after tax hikes by Democratic governor Dan Malloy. In recent years, the state has lost stock trading entrepreneur Thomas Peterffy (worth $20 billion), executive C. Dean Metropoulos ($2 billion), and hedge fund managers Paul Tudor Jones ($4 billion) and Edward Lampert ($3 billion).

Those folks all fled to Florida, which has no income tax or estate tax. Barry Sternlicht, who runs Starwood Capital Group, said that he was also part of the "massive exodus" from Connecticut to Florida to save on taxes.

The Democratic governor of New York, Andrew Cuomo, recently said that people are moving from his state to Florida for the nice weather. But wealthy movers themselves say that taxes are the reason. Thomas Golisano, founder of Paychex business services, moved from New York to Florida after complaining about high state taxes. He said that he would save $5 million a year from the move.

High taxes are driving the wealthy out of California. Ken Fisher moved Fisher Investments from California to Washington state, which also has no income tax. The billionaire said he wanted a lower-tax location for his 2,000 employees. Mark Spitznagel moved his Universal Investments from California to Florida, saying that “Florida’s business-friendly policies, which are so different from California’s, offer the perfect environment for this.”

The “tax freedom exodus” will accelerate in the wake of the 2017 federal tax law. The law capped the deduction for state and local taxes, which subjected 25 million mainly higher-income households to the full tax burden imposed in high-tax states.

Look at Tennessee, which is another state that has no income tax and is booming. Financial firm Alliance Bernstein, with 3,400 employees, recently announced its move from New York to Nashville, citing the tax savings in its decision.

The tax freedom exodus can be quantified by looking at interstate migration between the 25 highest-tax states and 25 lowest-tax states. In 2016, almost 600,000 people moved, on net, from the former to the latter. These net flows toward low-tax states have been ongoing for years.

High earners dominate the exodus in terms of economic impact. Households with incomes above $200,000 are 5 percent of all interstate movers but account for 36 percent of the income of all interstate movers.

The Democrats who dominate high-tax states need to rethink their policies. It does not advance their progressive goals to push out the wealthy because those are the folks who create jobs and grow the economy. The wealthy also make large contributions to health and educational charities in their states. Individuals gave $280 billion to charity in 2016, with the top 1 percent responsible for about one-third of the giving. States that scare away the wealthy are scaring away philanthropy.

High-tax states are losing their most productive residents. If those states want to prosper in today’s competitive economy, they need to deliver more efficient services at lower costs and cut their high tax rates.

Chris Edwards is director of tax policy studies and editor of www.downsizinggovernment.org at the Cato Institute. His new study “Tax Reform and Interstate Migration” is at cato.org