

Americans Keep Moving to States with Lower Taxes

By Sarah Quinlan

Americans continued to migrate from states with more burdensome tax systems to ones with lower taxes in 2018, an analysis by the Tax Foundation states.

The Tax Foundation compared migration patterns to the structure and level of taxes and regulations as revealed by the more than 100 variables in its 2019 *State Business Tax Climate Index*.

The analysis used data from the National Movers Study released annually by United Van Lines, the largest moving company in the United States, which reveals relocations among the 48 contiguous states and the District of Columbia.

Where People Move From

Since 1977, United Van Lines has annually reported migration patterns on a state-by-state basis. The 2018 study is based on household moves handled by United and a survey of the company's clients, states a United Van Lines press release on the 2018 National Movers Study.

The states with the most outbound migration were New Jersey, Illinois, Connecticut, New York, and Kansas, in descending order. Roughly two people

for each person who moved into the state.

In the Northeast, Connecticut, New Jersey, and New York were among the top 10 outbound states for the fourth consecutive year. In the Midwest, Kansas, Illinois, Iowa, and Ohio experienced high outbound relocations as well.

States where inbound migration include Arkansas, Maine, and Mississippi, the study found.

Where People Move To

The states with the most inbound migration as a percentage of interstate household moves were Vermont, Oregon, Idaho, Nevada, and Arizona. Roughly three people moved into Vermont for each person who left the state, the study reports.

States in the Mountain West and Pacific West regions, including Oregon, Idaho, Nevada, Washington, and South Dakota, continue to increase in popularity for inbound moves. Arizona joined the list of top 10 inbound states in 2018.

Several southern states also experienced high percentages of inbound migration, such as North Carolina and South Carolina. United Van Lines determined the top reasons for moving



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KATHERINE LOUGHEAD, POLICY ANALYST, TAX FOUNDATION

south include job change, for nearly half the people moving, and retirement.

Why People Move

The survey showed a leading motivation behind these migration patterns across all regions is career change, the United Van Lines press release states. About half of the people who moved in the past year moved for a new job or company transfer.

Other reasons for the high percentage of moves to Mountain West states in 2018 include retirement, proximity to family, and lifestyle change. Idaho experienced the nation's largest influx of new residents desiring a lifestyle change.

More people flocked to New Mexico for retirement than to any other state. In past decades, the study found California was a popular destination for retirees, but now they are leaving California and moving to other states in the Pacific West and Mountain West.

Young professionals are migrating to vibrant metropolitan economies such as Washington, DC and Seattle, the press release states.

Taxes Play a Role

Taxes are rarely cited as a reason for individual state-to-state moves, but they can certainly factor into relocation

decisions," says Katherine Loughhead, a policy analyst with the Tax Foundation who wrote "Where Did Americans Move in 2018?"

"A state's fiscal landscape, including tax structure and burdens, plays a role in the types of employment opportunities available and whether prospective employees would be willing to move to a particular state for a job," said Loughhead.

Comparing the states with the highest percentage of inbound moves to the states with the best scores on the Tax Foundation's 2019 State Business Tax Climate Index shows significant overlap, says Loughhead.

"Five of the ten worst-performing states on our State Business Tax Climate Index are also among the ten states showing the highest outbound moves on this year's United Van Lines National Movers Study," said Loughhead.

Population and Economic Growth

When it comes to demonstrating the effect of state tax policies, migration patterns provide powerful data to consider, says Loughhead.

"States experiencing prolonged periods of outbound migration ought to evaluate how their fiscal landscape might be playing a role and take steps

to facilitate a fiscal landscape that invites, rather than deters, investment and long-term growth," Loughhead said.

"For example, tens of thousands of individuals work in greater Chicago but live in Indiana, where many interstate commutes are attributable, at least in part, to stark differences in tax landscape," Loughhead noted in her analysis.

'Driving Out the Middle Class'

Some states have natural advantages that outweigh the burden of state taxes, says economist Devon Herrick, a policy advisor to The Heartland Institute, which publishes *Budget & Tax News*.

"California and the southwestern states, and Florida and other southern states, have sunny climates that attract people," said Herrick. "And coastal states with natural harbors, such as New York City and Los Angeles, have advantages as major hubs of international commerce that could allow them to have more burdensome tax regimes but also have higher incomes," Herrick said.

Despite those advantages, the higher cost of living, including tax burdens, in some states makes them less attractive to the middle class and retirees, says Herrick.

"States like California and New York class," said Herrick.

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INTERNET INFO

Katherine Loughhead, "Where Did Americans Move in 2018?" Tax Foundation, January 3, 2019: <https://taxfoundation.org/where-did-americans-move-in-2018/>

"United Van Lines' National Movers Study Reveals Americans Are Moving West and South," press release, United Van Lines, January 2, 2019: <https://www.heartland.org/publications-resources/publications/2018-national-movers-study>

Jared Walczak, Scott Drenkard, and Joseph Bishop-Hinchman, "2019 State Business Tax Climate Index," Tax Foundation, September 2018: <https://www.heartland.org/publications-resources/publications/tax-foundation-2019-state-business-tax-climate-index>

Table 1. Fiscal Impact of Social Security Benefit (SSB) Tax Policy Changes

Simulation	Number of Returns Affected	Social Security Benefit (SSB) Subtraction	Fiscal Impact*
Allowing SSB Subtraction for Married Filing Jointly with FAGI < \$150K	43,514	\$1,020,560,679	(\$51,488,090)
Allowing SSB Subtraction for All Taxpayers (No income Threshold)	71,772	\$1,672,167,676	(\$87,769,006)

(\$51,488,090)-Additional fiscal impact if legislation allowed MFJ with FAGI of \$150,000 or less to claim a subtraction modification of SSB
 (\$87,769,006)-Additional fiscal impact if legislation allowed all filers to claim a subtraction modification of SSB with no FAGI limitation

Table 2: Income Sources of KS Social Security Receipters

	Count	Average Amount	Median Amount
Social Security Benefits	271,152	\$22,453	\$20,676
Pensions	73,049	\$52,343	\$27,592
Capital Gains	72,798	\$21,200	\$3,781
Business Income	25,216	\$15,102	\$4,119
Farm Income	8,912	\$20,204	\$5,596

KS resident taxpayers that are receiving SSB and other income

Table 3: Current Social Security Income Exemptions by Filing Status

	Number of KS Returns Reporting SSB Subtraction Modification	Social Security Benefit (SSB) Subtraction	Tax Impact*
Married Filing Jointly	60,674	\$589,098,020	(\$22,247,567)
Married Filing Separately	2,452	\$32,176,626	(\$1,383,735)
Single	60,734	\$411,886,495	(\$19,800,819)
Head of Household	2,417	\$16,673,095	(\$744,127)
Total	116,277	\$1,049,835,136	(\$44,176,248)

Note:

* Fiscal/Tax impact was computed by applying the 2019 Kansas income tax rates.

Sources:

1. Kansas Department of Revenue, Tax Year 2017 K40 tax returns.
2. Internal Revenue Services, Tax Year 2017 1040 tax returns

Number of Retirees and Monthly Retirement Benefits

KP&F Retirees Only

Calendar Year 2017

State	Number of KP&F Retirees	Percent of KP&F Retirees	Total Monthly KP&F Retirement Benefits	Percent of Total Monthly KP&F Retirement Benefits
Alabama	2	0.0%	\$5,844	0.0%
Alaska	2	0.0%	\$2,061	0.0%
Arizona	22	0.5%	\$69,462	0.5%
Arkansas	23	0.6%	\$55,046	0.4%
California	7	0.2%	\$17,564	0.1%
Colorado	26	0.6%	\$72,484	0.6%
Connecticut	1	0.0%	\$1,338	0.0%
Delaware	-	0.0%	\$0	0.0%
District of Columbia	-	0.0%	\$0	0.0%
Florida	48	1.2%	\$144,121	1.1%
Georgia	8	0.2%	\$23,375	0.2%
Hawaii	-	0.0%	\$0	0.0%
Idaho	2	0.0%	\$3,581	0.0%
Illinois	5	0.1%	\$10,005	0.1%
Indiana	1	0.0%	\$3,716	0.0%
Iowa	2	0.0%	\$5,823	0.0%
Kansas	3,610	88.3%	\$11,622,805	89.8%
Kentucky	1	0.0%	\$6,942	0.1%
Louisiana	-	0.0%	\$0	0.0%
Maine	1	0.0%	\$4,078	0.0%
Maryland	1	0.0%	\$3,202	0.0%
Massachusetts	-	0.0%	\$0	0.0%
Michigan	1	0.0%	\$2,000	0.0%
Minnesota	2	0.0%	\$6,025	0.0%
Mississippi	2	0.0%	\$3,109	0.0%
Missouri	174	4.2%	\$482,416	3.7%
Montana	1	0.0%	\$1,335	0.0%
Nebraska	3	0.1%	\$11,349	0.1%
Nevada	11	0.3%	\$30,733	0.2%
New Hampshire	1	0.0%	\$4,067	0.0%
New Jersey	1	0.0%	\$1,188	0.0%
New Mexico	5	0.1%	\$13,502	0.1%
New York	2	0.0%	\$5,702	0.0%
North Carolina	4	0.1%	\$11,599	0.1%
North Dakota	-	0.0%	\$0	0.0%
Ohio	2	0.0%	\$4,931	0.0%
Oklahoma	35	0.9%	\$82,129	0.6%
Oregon	4	0.1%	\$6,410	0.0%
Pennsylvania	1	0.0%	\$4,184	0.0%
Puerto Rico	-	0.0%	\$0	0.0%
Rhode Island	-	0.0%	\$0	0.0%
South Carolina	7	0.2%	\$26,318	0.2%
South Dakota	9	0.2%	\$35,411	0.3%
Tennessee	8	0.2%	\$24,132	0.2%
Texas	39	1.0%	\$92,007	0.7%
Utah	-	0.0%	\$0	0.0%
Vermont	1	0.0%	\$3,654	0.0%
Virginia	4	0.1%	\$13,205	0.1%
Washington	9	0.2%	\$20,582	0.2%
West Virginia	-	0.0%	\$0	0.0%
Wisconsin	1	0.0%	\$2,547	0.0%
Wyoming	2	0.0%	\$4,065	0.0%
US Military Overseas	1	0.0%	\$5,254	0.0%
Outside of the United States	-	0.0%	\$0	0.0%
Total	4,089	100.0%	\$12,949,302	100.0%

Notes:

This table reflects payments to retired KP&F members who received at least one retirement payment during CY 2017. No payments to beneficiaries are included.

Monthly retirement benefits reflects the sum of the monthly benefit amount for each KP&F retiree that received a payment in CY 2017. It is not a sum of total KP&F benefits paid in CY 2017.

Number of Retirees and Monthly Retirement Benefits

Calendar Year 2017

State	Number of Retirees	Percent of Retirees	Total Monthly Retirement Benefits	Percent of Total Monthly Retirement Benefits
Alabama	69	0.1%	\$60,693	0.0%
Alaska	22	0.0%	\$20,140	0.0%
Arizona	641	0.7%	\$739,369	0.6%
Arkansas	484	0.5%	\$562,859	0.4%
California	337	0.4%	\$335,883	0.3%
Colorado	941	1.0%	\$1,072,589	0.9%
Connecticut	15	0.0%	\$17,720	0.0%
Delaware	10	0.0%	\$13,191	0.0%
District of Columbia	7	0.0%	\$17,414	0.0%
Florida	840	0.9%	\$1,155,338	0.9%
Georgia	172	0.2%	\$172,561	0.1%
Hawaii	14	0.0%	\$16,288	0.0%
Idaho	65	0.1%	\$59,314	0.0%
Illinois	160	0.2%	\$143,609	0.1%
Indiana	111	0.1%	\$104,236	0.1%
Iowa	207	0.2%	\$204,256	0.2%
Kansas	82,041	86.1%	\$110,099,743	87.9%
Kentucky	61	0.1%	\$57,287	0.0%
Louisiana	65	0.1%	\$61,223	0.0%
Maine	31	0.0%	\$35,321	0.0%
Maryland	45	0.0%	\$47,998	0.0%
Massachusetts	21	0.0%	\$28,017	0.0%
Michigan	70	0.1%	\$61,633	0.0%
Minnesota	125	0.1%	\$121,391	0.1%
Mississippi	44	0.0%	\$37,306	0.0%
Missouri	3,690	3.9%	\$4,670,013	3.7%
Montana	40	0.0%	\$31,382	0.0%
Nebraska	361	0.4%	\$336,670	0.3%
Nevada	157	0.2%	\$178,939	0.1%
New Hampshire	14	0.0%	\$11,063	0.0%
New Jersey	29	0.0%	\$29,753	0.0%
New Mexico	164	0.2%	\$162,215	0.1%
New York	63	0.1%	\$64,537	0.1%
North Carolina	136	0.1%	\$155,004	0.1%
North Dakota	20	0.0%	\$22,525	0.0%
Ohio	74	0.1%	\$73,554	0.1%
Oklahoma	1,447	1.5%	\$1,540,249	1.2%
Oregon	109	0.1%	\$117,253	0.1%
Pennsylvania	62	0.1%	\$85,894	0.1%
Puerto Rico	2	0.0%	\$702	0.0%
Rhode Island	7	0.0%	\$5,123	0.0%
South Carolina	109	0.1%	\$141,181	0.1%
South Dakota	86	0.1%	\$114,195	0.1%
Tennessee	136	0.1%	\$150,624	0.1%
Texas	1,368	1.4%	\$1,488,728	1.2%
Utah	44	0.0%	\$40,819	0.0%
Vermont	11	0.0%	\$16,926	0.0%
Virginia	110	0.1%	\$123,925	0.1%
Washington	192	0.2%	\$228,081	0.2%
West Virginia	17	0.0%	\$13,469	0.0%
Wisconsin	77	0.1%	\$66,844	0.1%
Wyoming	62	0.1%	\$76,504	0.1%
US Military Overseas	3	0.0%	\$7,404	0.0%
Outside of the United States	31	0.0%	\$25,604	0.0%
Total	95,239	100.0%	\$125,224,552	100.0%

Notes:

This table reflects payments to retired members who received at least one retirement payment during CY 2017. No payments to beneficiaries are included.

Monthly retirement benefits reflects the sum of the monthly benefit amount for each retiree that received a payment in CY 2017. It is not a sum of total benefits paid in CY 2017.