



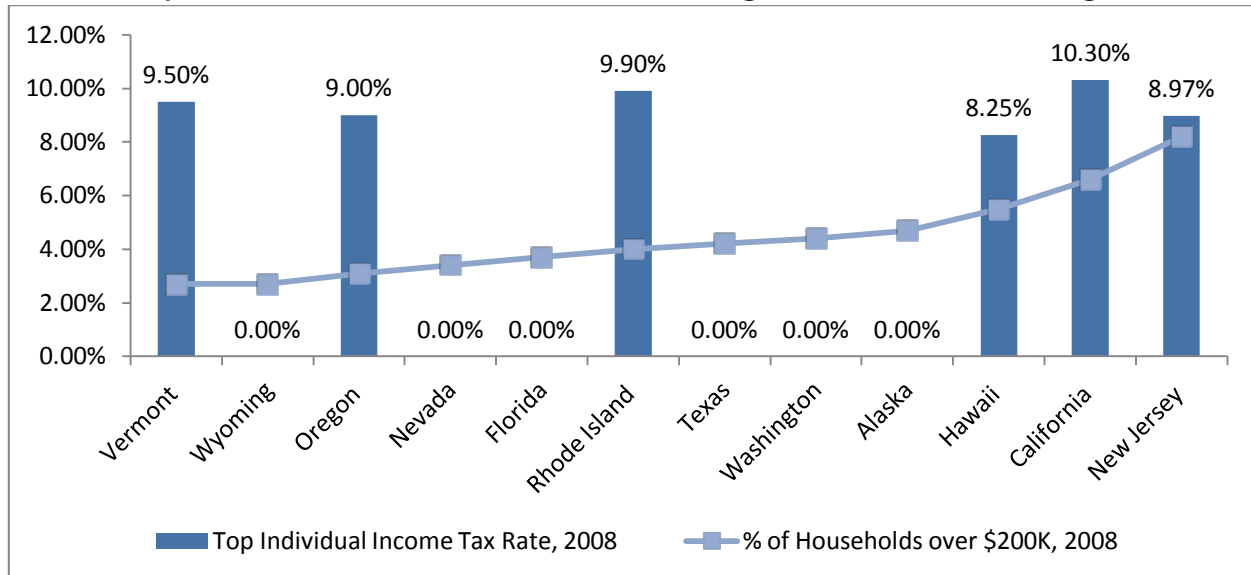
Initiative 1098: Do state income taxes affect where the wealthy live?

Short Answer: There is no correlation between a state’s income tax rate and the percentage of wealthy households living there. Since 43 out of 50 states have a state income tax, most Americans accept it as the norm.

Background: People choose where to live based on multiple factors, including jobs, proximity to family, and lifestyle preferences. The fear sometimes expressed that a state income tax on high income households will drive wealthy people from the state is not supported by the evidence. In fact:

- 3 of the states with the highest top marginal income tax rates (New Jersey, California, and Hawaii) have higher percentages of households with incomes above \$200,000 and higher mean incomes for the top 5% than any of the 7 states with no income tax.
- Those 3 high-income-tax states also have both a higher percentage of well-to-do households and higher top incomes than the U.S. average.
- 5 of the 7 states with no income tax have fewer households with incomes over \$200,000 than the U.S. average.
- The average income of the top 5% of households is lower than the U.S. average in all the states with no income tax.

State’s Top Individual Income Tax vs. the Percentage of Households Earning over \$200K



Comparison of high-income households: States with and without an income tax

	Top Individual Income Tax Rate 2010	Top Individual Income Tax Rate 2008	% of Households over \$200,000 2008	Avg. Income of Top 5% of Households
States with highest income tax rates				
New Jersey	10.75%	8.97%	8.2%	\$412,476
California	10.55%	10.3%	6.6%	\$381,005
Hawaii	11%	8.25%	5.5%	\$324,490
Rhode Island	9.9%	9.9%	4.0%	\$307,552
Oregon	11%	9%	3.1%	\$271,675
Vermont	8.95%	9.5%	2.7%	\$277,559
States with no income tax				
Alaska	0	0	4.7%	\$312,214
Washington	0	0	4.4%	\$313,906
Texas	0	0	4.2%	\$315,888
Florida	0	0	3.7%	\$312,338
Nevada	0	0	3.4%	\$301,009
Wyoming	0	0	2.7%	\$306,157
South Dakota	0	0	2.4%	\$268,252
U.S. Average				
			4.3%	\$322,881

Sources: Federation of Tax Administrators; U.S. Census, American Community Survey 2008.