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State Income Taxes Do Not Drive Population Growth

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State Population Growth

On December 21, 2010, the U.S. Census Bureau released the results of the 2010 Census and announced Congressional reapportionment resulting from population shifts. It was announced that Missouri would lose a seat in Congress, going from nine to eight representatives. Proponents of the effort to eliminate Missouri's individual income tax and replace it with a much expanded sales tax are attempting to use these new census results to correlate the income tax with population growth. The following examines closely the census data state population shifts and whether state use of individual income tax correlates with population change. **A careful review shows only a continuation of the U.S. migration patterns that have existed for the last 100 years and no correlation with state individual income taxes.**

State Population Change Versus Income Tax Collections ¹ 2000-2010				
Rank	State	Percent Population ² Change 2000-2010	Individual Income Tax as % of Income 2008	Per Capita Income Tax 2008 ³
1	Nevada	35.1	0.00	\$0
2	Arizona	24.6	1.52	\$524
3	Utah	23.8	2.92	\$951
4	Idaho	21.1	2.86	\$942
5	Texas	20.6	0.00	\$0
6	North Carolina	18.5	3.35	\$1,189
7	Georgia	18.3	2.59	\$912
8	Florida	17.6	0.00	\$0

¹ The table displays two measures of state income tax collections that are designed to show the degree to which the states utilize this revenue source. One measure is "Per Capita State Income Tax Collections." This measure takes total state income tax collections and divides them by state population. The second measure is "State Income Tax Collections as a Percent of State Personal Income." This takes total state income tax collections and divides them by total state personal income. Both measures show substantially similar state rankings.

² <http://2010census.gov/2010census/data/apportionment-pop-text.php>

³ *State Rankings 2010*, CQ Press, Kathleen O'Leary and Scott Morgan, p. 338.

9	Colorado	16.9	2.36	\$1,027
10	South Carolina	15.3	2.25	\$742
11	Delaware	14.6	2.82	\$1,149
12	Washington	14.1	0.00	\$0
13	Wyoming	14.1	0.00	\$0
14	Alaska	13.3	0.00	\$0
15	New Mexico	13.2	1.82	\$611
16	Virginia	13.0	2.90	\$1,298
17	Hawaii	12.3	2.83	\$1,200
18	Oregon	12.0	3.57	\$1,313
19	Tennessee	11.5	0.13	\$47
20	California	10.0	3.46	\$1,524
21	Montana	9.7	2.55	\$899
22	Arkansas	9.1	2.50	\$818
23	Maryland	9.0	2.53	\$1,226
24	Oklahoma	8.7	2.07	\$765
25	South Dakota	7.9	0.00	\$0
26	Minnesota	7.8	3.44	\$1,487
27	Alabama	7.5	1.94	\$658
28	Kentucky	7.4	2.51	\$812
29	Missouri	7.0	2.34	\$859
30	Nebraska	6.7	2.42	\$969
31	Indiana	6.6	2.17	\$757
32	New Hampshire	6.5	0.21	\$89
33	Kansas	6.1	2.62	\$1,053
34	Wisconsin	6.0	3.11	\$1,180
35	Connecticut	4.9	3.49	\$1,998
36	North Dakota	4.7	1.19	\$495
37	New Jersey	4.5	2.82	\$1,455
38	Mississippi	4.3	1.72	\$528
39	Maine	4.2	3.01	\$1,097
40	Iowa	4.1	2.49	\$951
41	Pennsylvania	3.4	2.05	\$828
42	Illinois	3.3	1.86	\$804
43	Massachusetts	3.1	3.74	\$1,910
44	Vermont	2.8	2.55	\$1,003
45	West Virginia	2.5	2.66	\$837
46	New York	2.1	3.90	\$1,878
47	Ohio	1.6	2.37	\$854
48	Louisiana	1.4	1.87	\$712
49	Rhode Island	0.4	2.48	\$1,036
50	Michigan	-0.6	2.03	\$718
	United States	9.7		\$918

Missouri's population increased 7 percent over the decade, or a bit below the national average of 9.7 percent. However, as indicated by the data, the states that do not have a state income tax, or

which levy a limited income tax, had both above and below average population growth. Recent population changes continue the pattern of U.S. migration that has existed over the last century, with a shifting of the population from the Northeast/Midwest regions to the South/West regions.⁴

The U.S. Census Bureau divides the states into four regions: Northeast, Midwest, South and West. Over the last 100 years the nation has consistently moved south and west, independent of tax policy. From 1910 - 2010 the regions have had these aggregate population growth rates:

- Northeast: 113.8 percent
- Midwest: 123.9 percent
- South: 289.8 percent
- West: 915.9 percent

Many factors affect population growth over extended time periods. The South and West regions owe much of their growth to the invention and widespread availability of air conditioning. The seven states with no or limited individual income tax that also had above average population growth from 2000 to 2010 are all in the South or West regions. In addition, several states with well above average state income tax per capita also show robust population growth. These include North Carolina, Colorado, Virginia and Oregon. It is notable that Oregon – with a high per capita individual income tax and no sales tax – had population growth of 12.0 percent, very close to the growth rate in neighboring Washington, which had population growth of 14.1 percent while maintaining a high sales tax but no individual income tax.

Summary

State population growth is impacted by many factors. The relative shift of U.S. population to the South and West regions is part of a long-term trend that continued over the last decade. Both high and low/zero income tax states have been part of this phenomenon. This data shows that this trend is independent of state tax policy. There is no evidence that the absence of a state individual income tax fosters more rapid population growth.

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⁴ “U.S. Energy Demand on the Decline due to Population Migration,” *Cities: The International Journal of Urban Policy and Planning*, Dr. Michael Sivak, University of Michigan, September 2009.