



Is the Tax Burden Driving People Out of Iowa?

by Amy K. Frantz

Iowa's state income taxes are due at the end of this month. As we fill out the forms each year, I'm sure many of us think, *I wish I lived in one of those states without an income tax*. However, most of us don't act on that thought — I'm still here, and you probably are, too. But some people do move to reduce their tax burden according to a report from Goldwater Institute, and policymakers should take care not to increase the tax burden on the citizens of this state.

One of the goals of every state is to grow their economy, and a vital part of that is ensuring there is an adequate workforce. Between 1995 and 2000, Iowa's population did grow, from 2,842,000 to 2,926,324.¹ This is an increase, but a relatively small one.

In addition to economic woes, Iowa also may face a decline in influence in Washington, D.C. if this population trend continues. In 1910, Iowa held 11 seats in the U.S. House of Representatives, but by 2010, will very likely only have four, down one from the current number of five. Using the 2004 population estimates released by the Census, Iowa is projected to lose a seat in the next Congressional reapportionment.² This will also reduce the number of electoral votes in the state, further reducing our influence in future presidential elections.

In *The Tax Man and the Moving Van: Fiscal Policy and State Population Shifts*, a recent policy report from Goldwater Institute, Dr. Matthew Ladner examined the Census data to determine whether people "vote with their feet" by moving from one state to another in response to state government policies that impact a state's tax burden and business climate. As you can see in the table on page two, Iowa is one of the states that had a net loss of residents to other states between 1995 and 2000.

While other factors such as weather, which is beyond the control of the government, contribute to the decision to move from one state to another, Dr. Ladner found that "the relative amount of economic opportunity is a constant factor is drawing people from areas of low opportunity to areas of greater opportunity."³

Using the Tax Foundation's *State Business Climate Index* rankings, the ten states with the lowest overall tax burdens gained a net total of more than 1,300,000 residents resulting from across state migration between 1995 and 2000. The nine states with the highest overall tax burdens, plus the District of Columbia, suffered a total net loss of more than 1,700,000 residents to other states in that same period.

In his policy report Dr. Ladner highlights two attempts by the state of Iowa to increase our state's population — a letter from the state government to recent college graduates encouraging them to

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return to the state that educated them and efforts to recruit skilled workers from overseas. However, it seems that neither of these efforts was highly successful.

Our elected officials must keep in mind the impact that the tax burden can have on influencing people to move to and remain in our state. Recent tax proposals, such as eliminating the income tax for those under 30 or providing additional options for individuals living near the state's border at least show a willingness to think outside the box and come up with innovative ways to increase our state's population.

ENDNOTES:

¹Kathleen O'Leary Morgan and Scott Morgan (eds.), *State Rankings 2005: A Statistical View of the 50 United States*, Morgan Quitno Press, Lawrence, Kansas, 2005, p. 430; and Kathleen O'Leary Morgan, Scott Morgan, and Neal Quitno (eds.), *State Rankings 1996: A Statistical View of the 50 United States*, Morgan Quitno Press, Lawrence, Kansas, 1996, p. 406.

²G. Scott Thomas, "GOP-leaning states to gain seats in Congress," *American City Business Journals*, MSNBC News online, December 22, 2004 <<http://msnbc.msn.com/id/6746875/>> (March 8, 2005).

³Dr. Matthew Ladner, *Tax Man and the Moving Van: Fiscal Policy and State Population Shifts*, Goldwater Institute Policy Report, May 24, 2004, p. 4.

Table 1. Population Gain (Loss) Per 1,000 Residents, 1995-2000

State	Change	State	Change	State	Change
Nevada	151.5	Kentucky	9.2	Michigan	-10.0
Arizona	74.3	Missouri	9.0	Ohio	-11.0
Georgia	48.6	Texas	8.1	Pennsylvania	-11.4
North Carolina	48.4	Minnesota	6.5	Iowa	-12.1
Florida	44.0	Alabama	6.3	South Dakota	-17.6
Colorado	43.8	Oklahoma	5.4	New Mexico	-17.8
South Carolina	37.2	Vermont	4.0	Louisiana	-18.1
Idaho	29.6	Indiana	3.9	Connecticut	-20.5
Tennessee	28.7	Rhode Island	3.4	New Jersey	-23.7
New Hampshire	25.0	Maine	3.1	California	-24.6
Delaware	24.9	Wisconsin	1.5	Wyoming	-26.6
Oregon	24.6	Kansas	-3.2	Illinois	-29.7
Arkansas	17.4	Maryland	-4.1	North Dakota	-40.6
Washington	14.3	Montana	-6.1	New York	-48.8
Utah	13.1	West Virginia	-6.3	Alaska	-51.0
Virginia	11.9	Massachusetts	-9.4	Hawaii	-65.4
Mississippi	10.4	Nebraska	-9.7	District of Columbia	-81.7

Source: Dr. Matthew Ladner, *Tax Man and the Moving Van: Fiscal Policy and State Population Shifts*, Goldwater Institute Policy Report, May 24, 2004, p. 5.

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