



CALIFORNIA BUDGET PROJECT

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Statement: The California Budget Project on New Research Showing That the Wealthy Did Not Leave the State After Income Tax Rate Increase

The California Budget Project, a nonpartisan public policy research group, released the following statement from Executive Director Chris Hoene in response to new research showing that an increase in the state's personal income tax rate did not cause wealthy taxpayers to leave California. This research was presented by Charles Varner, doctoral candidate, Princeton University, and Cristobal Young, Ph.D., assistant professor of sociology, Stanford University, earlier today at an event hosted by the University of California Center Sacramento.

"This new research dispels one of the most persistent myths about state tax policy: that wealthy Californians will leave the state to avoid having to pay a slightly higher tax rate on personal income.

"Using a highly rigorous study design that makes it possible to examine how state tax rates affect relocation over time, Varner and Young looked at the impact of the 'millionaire tax' that California voters approved in 2004. Their findings show that a higher personal income tax rate didn't cause the rich to leave the state and also suggest that the risk of so-called 'tax flight' is outweighed by other factors, such as existing ties to family, friends, and career.

"With California voters turning their attention to the November ballot, this new research undercuts the claim by opponents of Proposition 30 that this measure's personal income tax increase, which would largely affect the top 1 percent, will drive high earners out of the state."

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The California Budget Project (CBP) engages in independent fiscal and policy analysis and public education with the goal of improving public policies affecting the economic and social well-being of low- and middle-income Californians. Support for the CBP comes from foundation grants, subscriptions, and individual contributions. Please visit the CBP's website at www.cbp.org.

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