



The Key to Attracting Businesses

Earlier this year, Texas Gov. Rick Perry made headlines for a bold advertising strategy aimed at four states with notoriously bad business climates: California, Illinois, New York, and Connecticut. Perry invited businesses there "to hit the emergency exit" and make a break for Texas.[\[1\]](#) While officials in these states dismissed Perry's audacious campaign as little more than a stunt, Texas' incredible success at creating new jobs demonstrates that it is more than just talk. More people and businesses are voting with their feet to go where taxes and regulations are lower.

The success of Texas-which has no income tax-is clearly evident. In 2012 CNBC ranked Texas as the best state for business in the nation-overcome in 2013 by another no income tax state, South Dakota-and in 2013 Forbes placed seven Texas cities in its list of "Best Cities For Future Job Growth" with the top four all being from Texas.[\[2\]](#) In contrast, California, which has the highest income tax in the nation at 13.3 percent, was ranked 47th in CNBC's 2013 poll and only saw one city-Santa Cruz-in the Forbes "Best Cities" list.[\[3\]](#)

Aside from rankings, Texas' success in creating jobs is in the numbers. Despite accounting for only 8.4 percent of the United States' population, Texas accounted for 43 percent of the jobs created between February 2009 and May 2013.[\[4\]](#) Over the past five years, Texas has added 889,685 jobs, including 303,000 in the past year alone, much more than any other state. Compare that to the high tax states of California, New York, and Illinois, as the Golden State-despite a larger population-added only 119,659 in the past five years, and New York and Illinois together lost 568,195 jobs over the same time period.[\[5\]](#) A 2010 article in *The Economist* even noted that the average New Yorker or Californian could take home between 9 and 11 percent more of their income by relocating to Texas.[\[6\]](#)

Additionally, it appears that Gov. Perry's pitch to California businesses was not so much needed to convince businesses to leave, just to adjust where they were going. In 2010, the *Nevada News & Views* noted that dozens of large and medium sized businesses had been fleeing California for the better part of a decade, many setting up shop in the low tax and low regulation environment of Utah, which has a flat individual and corporate income tax of 5 percent and was ranked as the second best state for business behind Texas in 2012. Some of these companies included computer software giant Adobe, internet auctioneers eBay, and the massive computer game designer EA Games.[\[7\]](#)

This phenomenon of low tax/low regulation states seeing more population and job growth is not limited to Texas. From 1995 to 2010, the nine states with no personal income taxes gained

approximately \$146 billion in income, while those with the nine highest lost approximately \$107 billion. To take a broader view over that same time period, the ten states with the lowest per capita tax burden gained roughly \$70 billion, while those ten with the highest per capita tax burden lost \$139 billion. To continue the Texas-California comparison, in this timeframe Texas gained \$22 billion, California lost \$32 billion. In his book *How Money Walks*, which tracked the movement of roughly \$2 trillion in income from 1995 to 2010, Travis Brown, head of a public affairs and advocacy firm, concluded simply "Incomes move where taxes were lower."^[8]

Census data backs up that conclusion. The fastest growing states in the past year were those with low taxes, while high tax states saw corresponding drops in population. In 2012 alone, three of Nebraska's neighbors-South Dakota, Wyoming, both of which have no income tax, and Colorado, which has a 4.63 percent flat rate-saw their populations increase 1.2, 1.6, and 1.4 percent respectively. Other states seeing population booms were the no income tax states of Texas, Florida, and Nevada, and the low tax and low regulation states of Utah and Arizona. Conversely, the high tax states of New Mexico, Illinois, Michigan, New York, Connecticut, Vermont, Rhode Island, Ohio, and New Jersey, all saw population growth slow between 2.8 and 5.9 percent.^[9]

This trend is visible over the long term as well, as the 2010 census showed seven of the nine no income tax states have population growth higher than the national average, and the two of the no income tax states that did not cross that threshold still saw the highest growth in their regions.^[10] To put this all in relation to Nebraska, the Cornhusker state's population growth in the last census was 6.7 percent compared to the national average of 9.7 percent.^[11] However, between 2008 and 2010 the state's average population growth did exceed the national average, and between 2010 and 2012 the growth was much closer, with Nebraska growing 1.6 percent and the national average being 1.7 percent.^[12] These increases are likely the result of Nebraska weathering the economic downturn better than most states did,^[13] emphasizing the point that people will move to where they can make a living. Still, despite this growth Nebraska still has not kept up with the immense growth of other states, particularly those with no income taxes, leading to some speculation that Nebraska may lose a congressional seat in the next census, something that has not happened since 1960.^[14]

If Nebraska wishes to follow Texas' example, and to a lesser extent the examples of its neighbors in South Dakota, Wyoming, and Colorado, then it is clear what must be done. Lowering taxes and regulations are the only way to make Nebraska attractive to businesses and convince them to relocate here. The diametrically opposed policies of Texas and California demonstrate how key taxation and regulation are in determining whether businesses stay or go, and if Nebraska wants people and businesses to come and work here, they need to follow Texas' example rather than California's.

^[1] Adam Edelman, "Texas Gov. Rick Perry touring New York, Connecticut to convince employers to move to Lone Star State," *New York Daily News*, June 17, 2013. Accessed August 12, 2013, <http://www.nydailynews.com/news/politics/texas-gov-perry-touring-new-york->

[connecticut-convince-employers-move-texas-article-1.1375111](#); Kathy Bergen, "Texas Gov. Rick Perry comin' for Illinois jobs," *Chicago Tribune*, April 17, 2013. Accessed August 12, 2013, http://articles.chicagotribune.com/2013-04-17/business/chi-texas-gov-rick-perry-takes-aim-at-illinois-jobs-20130417_1_rick-perry-texas-gov-illinois-gov; Kathleen Miles, "Rick Perry Slams California's Business Climate In Ads Airing Across State," *Huffington Post* February 7, 2013. Accessed August 12, 2013, http://www.huffingtonpost.com/2013/02/04/rick-perry-california-business-ads_n_2618171.html.

[2] CNBC, "America's Top States For Business 2012." Accessed August 12, 2013, <http://www.cnbc.com/id/100016697>; CNBC, "America's Top State For Business 2013." Accessed August 12, 2013, <http://www.cnbc.com/id/100824779>; Texas on the Potomac, "TexMessage: Texas Dominates Forbes list of 'Best Cities for Future Job Growth,'" August 8, 2013. Accessed August 12, 2013, <http://blog.chron.com/txpotomac/2013/08/texmessage-texas-dominates-forbes-list-of-best-cities-for-future-job-growth/>.

[3] Forbes "Best Cities For Future Job Growth." Accessed August 12, 2013, <http://blog.chron.com/txpotomac/2013/08/texmessage-texas-dominates-forbes-list-of-best-cities-for-future-job-growth/>; CNBC, "America's Top State For Business 2013." Accessed August 12, 2013, <http://www.cnbc.com/id/100824779>.

[4] Yossi Gestetner, "43% Net Job Growth Under Obama is in Rick Perry's Texas!" July 8, 2013. Accessed August 12, 2013, <http://jpupdates.com/2013/07/08/43-net-job-growth-under-obama-is-in-rick-perrys-texas/>.

[5] Robert Romano, "Texas' job miracle," *NetRight Daily*, August 19, 2013. Accessed August 20, 2013, <http://netrightdaily.com/2013/08/texas-job-miracle/>.

[6] *The Economist*, "Texas, here we come," June 16, 2010. Accessed August 12, 2013, <http://www.economist.com/blogs/freeexchange/2010/06/migration>.

[7] Warner Todd Huston, "Companies Fleeing California For Utah Over Confiscatory Tax Rate," *Nevada News & Views*, August 25, 2010. Accessed August 12, 2013, <http://nevadanewsandviews.com/archives/6334>. Tax Foundation, "Utah." Accessed August 12, 2013, <http://taxfoundation.org/state-tax-climate/utah>; CNBC, "America's Top States For Business 2012." Accessed August 12, 2013, <http://www.cnbc.com/id/100016697>.

[8] James Pethokoukis, "State taxes and the Great Income Migration," American Enterprise Institute, February 12, 2013. Accessed August 12, 2013, <http://www.aei-ideas.org/2013/02/states-taxes-and-the-great-income-migration/>.

[9] Nina Golgowski, "Revealed: The fastest growing states in the U.S. as population flocks to warmer weather, lower taxes and even an oil rush," *Daily Mail*, December 22, 2012. Accessed August 12, 2013, <http://www.dailymail.co.uk/news/article-2252398/Fastest-growing-states-U-S-Census-warmer-weather-low-taxes-oil-rush.html>.

[10] Michael Barone, "Census: Fast Growth in States With No Income Tax," *Real Clear Politics*, December 23, 2010. Accessed August 12,

2013, http://www.realclearpolitics.com/articles/2010/12/23/census_fast_growth_in_states_with_no_income_tax_108332.html.

[11] United States Census Bureau, "State & County QuickFacts: Nebraska." Accessed August 12, 2013, <http://quickfacts.census.gov/qfd/states/31000.html>.

[12] Associated Press, "Nebraska population growth beats U.S. growth rate again," *Lincoln Journal Star*, September 29, 2011. Accessed August 20, 2013, http://journalstar.com/news/local/nebraska-population-growth-beats-u-s-growth-rate-again/article_27e7dc80-276a-50ce-96ca-09cb5111ea6a.html; United States Census Bureau, "State & County QuickFacts: Nebraska." Accessed August 12, 2013, <http://quickfacts.census.gov/qfd/states/31000.html>.

[13] Associated Press, "Nebraska population growth beats U.S. growth rate again," *Lincoln Journal Star*, September 29, 2011. Accessed August 20, 2013, http://journalstar.com/news/local/nebraska-population-growth-beats-u-s-growth-rate-again/article_27e7dc80-276a-50ce-96ca-09cb5111ea6a.html.

[14] Harold Reuter, "Census may mean loss of congressional seat in Nebraska," *Grand Island Independent*, March 20, 2009. Accessed August 12, 2013, http://www.theindependent.com/news/state/census-may-mean-loss-of-congressional-seat-in-nebraska/article_4f47cf7b-5c77-522f-8745-afb8e4d45ca6.html.

