

Americans Feel the Government Does Not Spend Their Taxes Wisely. New York Has the 3rd Highest Tax Rates in the Country



With Tax Day looming and Americans still figuring out the new tax code, WalletHub released its [2020 Taxpayer Survey](#) as well as its yearly report on the [States with the Highest & Lowest Tax Rates](#) (accompanying [videos](#) included) in order to help people better understand this confusing time of year.

Tax Rates in New York (1=Lowest {Best}; 25=Avg.):

- 49th – Overall Effective State & Local Tax Rate
- 45th – Income Tax
- 43rd – Real-Estate Tax
- 1st – Vehicle Property Tax
- 35th – Sales & Excise Taxes

2020 Taxpayer Survey

- 30% of people say making a math mistake as well as not having enough money are their biggest Tax Day fears edging out identity theft (21%) at the top of the list.
- 37% of people would move to a different country for a tax free future. 26% would get an “IRS” tattoo and 19% would stop talking for 6 months.

- 34% of people think charities would make the best use of their tax dollars outnumbering by nearly 2.5 times people that trust the federal government the most with their taxes.
- The average red state tax rate is 10.67%, just under the average blue state rate of 10.93%.

Democrats vs Republicans

Areas of Agreement:

- Both agree that rich people do not pay their fair share in taxes.
- Both agree that poor and middle class people do pay their fair share in taxes.
- Both agree that their tax rates are too high.

Areas of Disagreement:

- Most Democrats say corporations should pay higher taxes rates than consumers; most Republicans don't agree.
- Democrats say healthcare should be the biggest priority in the 2020 elections, followed by taxes. Republicans vote for national security, healthcare and immigration ahead of taxes.

Q&A with WalletHub CEO Odysseas Papadimitriou

Why do so many Americans feel the government does not spend their taxes wisely?

“There are a variety of reasons why roughly 222 million Americans think the government does not spend their tax dollars wisely, according to a new WalletHub survey. They largely boil down to the accurate perception that government is less efficient with its investments than the private sector.

This reflects the dissonance between what we pay and the benefits we receive in return, and deep seeded distrust of politicians,” said WalletHub CEO Odysseas Papadimitriou.

“We feel the pain of this big outlay of hard earned money like a punch in the gut. Not to mention, every election season, there’s a lot of talk about waste, fraud and abuse costing the country billions. You really can’t blame people for feeling like their money might not be in the right hands after hearing that refrain over and over.”

Where would people prefer to divert their tax dollars?

“A plurality of people would prefer to give their tax dollars to charities than to any level of government. When people have to pay taxes, they’d much rather do so as locally as possible,” said WalletHub CEO Odysseas Papadimitriou.

“Americans would rather pay taxes to their local government than their state, and their state over the federal government. I think this reflects just how much people distrust the federal government and special interests.”

What should taxpayers be worried about on Tax Day?

“Americans’ biggest Tax Day fears are making a math mistake and not having enough money with each receiving about 30% of the vote,” said WalletHub CEO Odysseas Papadimitriou.

“Making a math mistake should be less of a concern than having enough funds to pay the taxes that are legitimately owed. This is true especially for people who give themselves plenty of time to complete their tax return and double check it for errors.

There are lots of free tax prep tools to help make sure the numbers add up. Considering how much debt we owe, a big chunk of cash probably won’t be as easy to come up with, particularly in a hurry.”

What should people do if they can’t pay their taxes?

“If you can’t afford your tax bill, you should file a return anyway in order to avoid penalties while you determine the best course of action for payment. Two of the best options are simply waiting for a bill if you’re dealing with very temporary cash flow issues and requesting a 120-day extension,” said WalletHub CEO Odysseas Papadimitriou.

“If you need more time to come up with the money, there are a [number of other options](#), including paying your taxes with a credit card, entering into an installment agreement with the IRS, or taking out a personal loan.”

New York Has the 3rd Highest Tax Rates in the Country

Tax season can be stressful for the millions of Americans who owe money to Uncle Sam. Every year, the average U.S. household pays more than \$9,000 in federal income taxes, according to the Bureau of Labor Statistics.

While we’re all faced with that same obligation, there is a significant difference when it comes to state and local taxes. Taxpayers in the most tax expensive states, for instance, pay three times more than those in the cheapest states.

Surprisingly, though, low income taxes don’t always mean low taxes as a whole. For example, while the state of Washington’s citizens don’t pay income tax, they still end up spending over 8% of their annual income on sales and excise taxes.

Texas residents also don’t pay income tax, but spend 1.81% of their income on real estate taxes, one of the highest rates in the country. Compare these to California, where residents owe almost 5% of their income in sales and excise taxes, and just 0.76% in real estate tax.

As this year’s tax filing deadline, April 15, comes closer, it’s fair to wonder which states give their taxpayers more of a break. WalletHub searched for answers by comparing state and local tax rates in the 50 states and the District of Columbia against national medians.

To illustrate, we calculated relative income tax obligations by applying the effective income tax rates in each state and locality to the average American’s income. Scroll down for the complete ranking, commentary from a panel of tax experts and a full description of our methodology.



Overall Rank (1=Lowest)	State	Effective Total State & local Tax Rates on Median U.S. Household*	Annual State & Local Taxes on Median U.S. Household*	% Difference Between State & U.S. Average**	Annual State & Local Taxes on Median State Household***	Adjusted Overall Rank (based on Cost of Living Index)
1	Alaska	5.73%	\$3,473	-46.82%	\$4,474	3
2	Delaware	6.19%	\$3,750	-42.57%	\$4,202	1
3	Montana	7.08%	\$4,290	-34.32%	\$4,115	2
4	Nevada	8.04%	\$4,875	-25.36%	\$4,973	10
5	Wyoming	8.05%	\$4,877	-25.32%	\$5,029	6
6	Florida	8.31%	\$5,037	-22.86%	\$4,598	8
7	Utah	8.37%	\$5,069	-22.37%	\$5,898	9
8	Idaho	8.50%	\$5,151	-21.12%	\$4,626	4
9	Colorado	8.58%	\$5,201	-20.36%	\$6,289	13
10	Tennessee	8.73%	\$5,290	-19.00%	\$4,357	5
11	California	8.94%	\$5,416	-17.07%	\$8,147	35
12	District of Columbia	8.96%	\$5,430	-16.85%	\$9,009	41
13	South Carolina	9.02%	\$5,466	-16.30%	\$4,605	11
14	Oregon	9.05%	\$5,484	-16.03%	\$6,258	20
15	Alabama	9.10%	\$5,518	-15.51%	\$4,343	7
16	Arizona	9.59%	\$5,810	-11.03%	\$5,577	17
17	West Virginia	9.70%	\$5,878	-9.99%	\$4,266	12
18	North Dakota	9.99%	\$6,055	-7.28%	\$6,064	19
19	New Hampshire	10.02%	\$6,070	-7.05%	\$7,378	32
20	New Mexico	10.46%	\$6,336	-2.98%	\$5,067	22
21	Georgia	10.46%	\$6,339	-2.94%	\$5,665	14
22	Louisiana	10.56%	\$6,399	-2.02%	\$5,063	21
23	North Carolina	10.62%	\$6,435	-1.47%	\$5,530	16
24	Hawaii	10.62%	\$6,437	-1.44%	\$9,214	43
25	Virginia	10.73%	\$6,505	-0.39%	\$7,711	27
26	Massachusetts	10.87%	\$6,590	0.91%	\$9,581	42
27	South Dakota	11.11%	\$6,730	3.06%	\$5,872	25
28	Missouri	11.18%	\$6,774	3.72%	\$5,791	18
29	Minnesota	11.27%	\$6,828	4.56%	\$7,466	29
30	Arkansas	11.28%	\$6,836	4.67%	\$5,045	15
31	Oklahoma	11.40%	\$6,906	5.75%	\$5,489	23
32	Maryland	11.44%	\$6,931	6.14%	\$9,701	46
33	Vermont	11.44%	\$6,932	6.14%	\$7,274	40
34	Indiana	11.75%	\$7,120	9.03%	\$6,024	26
35	Maine	11.79%	\$7,144	9.39%	\$6,571	39
36	Mississippi	11.99%	\$7,268	11.29%	\$5,237	24
37	Washington	12.06%	\$7,307	11.88%	\$9,232	44
38	Michigan	12.29%	\$7,450	14.08%	\$6,172	28
39	Kentucky	12.46%	\$7,553	15.65%	\$5,879	30
40	New Jersey	12.62%	\$7,650	17.15%	\$11,510	48
41	Texas	12.71%	\$7,705	17.99%	\$6,881	34
42	Rhode Island	12.89%	\$7,814	19.66%	\$8,738	47
43	Iowa	13.08%	\$7,929	21.41%	\$6,816	33
44	Ohio	13.14%	\$7,962	21.92%	\$6,494	31
45	Wisconsin	13.29%	\$8,055	23.35%	\$7,379	38
46	Nebraska	13.32%	\$8,075	23.65%	\$6,983	37
47	Kansas	13.40%	\$8,121	24.36%	\$7,056	36

Overall Rank (1=Lowest)	State	Effective Total State & Local Tax Rates on Median U.S. Household*	Annual State & Local Taxes on Median U.S. Household*	% Difference Between State & U.S. Average**	Annual State & Local Taxes on Median State Household***	Adjusted Overall Rank (based on Cost of Living Index)
48	Pennsylvania	13.90%	\$8,421	28.95%	\$7,861	45
49	New York	13.92%	\$8,434	29.15%	\$10,532	51
50	Connecticut	14.64%	\$8,869	35.81%	\$11,325	50
51	Illinois	14.96%	\$9,064	38.79%	\$8,902	49

*Assumes "Median U.S. Household" has an annual income of \$60,602 (mean third quintile U.S. income); owns a home valued at \$204,900 (median U.S. home value); owns a car valued at \$24,970 (the highest-selling car of 2019); and spends annually an amount equal to the spending of a household earning the median U.S. income.

**National Average of State and Local Tax Rates = 10.78%

***Assumes "Median State Household" has an annual income equal to the mean third quintile income of the state; owns a home at a value equal to the median of the state; owns a car valued at \$24,970 (the highest-selling car of 2019); and spends annually an amount equal to the spending of a household earning the median state income.

Lowest Gas Taxes

(per gallon)

1. Alaska
2. Missouri
3. Mississippi
4. New Mexico
5. Arizona



Best State vs. Worst State

Highest Gas Taxes

(per gallon)

47. Hawaii
48. Washington
49. Illinois
50. Pennsylvania
51. California

4x Difference

Lowest State Cigarette Tax Rates*

(per pack of 20 cigarettes)

1. Missouri
2. Virginia
3. Georgia
4. North Dakota
5. North Carolina



Best State vs. Worst State

Highest State Cigarette Tax Rates*

(per pack of 20 cigarettes)

47. Massachusetts
48. Rhode Island
- T- 49. Connecticut
- T- 49. New York
51. District of Columbia

27x Difference

*Note: Local Taxes are not included and can be substantial.

Food Tax Rates

Worst States

47. Louisiana
48. Idaho
49. Tennessee
50. Kansas
51. Mississippi

35 States with NO Food Tax



VS

Red States VS Blue States



Red States Impose
Lower Taxes Than Blue States

*The smaller the number, the lower the taxes in that state are.

States are designated as Red or Blue based on how they voted in the 2016 presidential election.

State & Local Tax Breakdown

All effective tax rates shown below were calculated as a percentage of the mean third quintile U.S. income of \$60,602 and based on the characteristics of the Median U.S. Household*.

State	Effective Real Estate Tax Rate	Real Estate Tax Rank(\$)	Effective Vehicle Property Tax Rate	Vehicle Property Tax Rank (\$)	Effective Income Tax Rate	Income Tax Rank (\$)	Effective Sales & Excise Tax Rate	Sales & Excise Tax Rank (\$)	Effective Total State & Local Tax on Median Household
Alaska	4.00%	33 (\$2,423)	0.00%	1 (\$0)	0.00%	1 (\$0)	1.73%	5 (\$1,050)	5.73%
Delaware	1.90%	6 (\$1,153)	0.00%	1 (\$0)	2.89%	38 (\$1,752)	1.39%	4 (\$845)	6.19%
Montana	2.83%	20 (\$1,712)	0.51%	33 (\$311)	2.58%	31 (\$1,564)	1.16%	2 (\$702)	7.08%
Nevada	2.15%	11 (\$1,303)	0.74%	40 (\$448)	1.00%	11 (\$607)	4.15%	20 (\$2,515)	8.04%
Wyoming	2.06%	9 (\$1,247)	0.74%	41 (\$449)	0.00%	1 (\$0)	5.25%	39 (\$3,181)	8.05%
Florida	3.14%	26 (\$1,902)	0.00%	1 (\$0)	0.00%	1 (\$0)	5.17%	38 (\$3,135)	8.31%
Utah	2.18%	12 (\$1,319)	0.00%	1 (\$0)	2.44%	27 (\$1,478)	3.75%	10 (\$2,272)	8.37%
Idaho	2.43%	14 (\$1,473)	0.00%	1 (\$0)	1.84%	17 (\$1,117)	4.23%	24 (\$2,562)	8.50%
Colorado	1.78%	3 (\$1,076)	0.74%	39 (\$446)	1.92%	18 (\$1,162)	4.15%	21 (\$2,516)	8.58%
Tennessee	2.46%	15 (\$1,490)	0.00%	1 (\$0)	0.10%	7 (\$61)	6.17%	45 (\$3,740)	8.73%
California	2.57%	16 (\$1,557)	0.27%	27 (\$162)	1.36%	13 (\$825)	4.74%	33 (\$2,871)	8.94%
District of Columbia	1.85%	5 (\$1,122)	0.00%	1 (\$0)	2.45%	28 (\$1,483)	4.66%	31 (\$2,825)	8.96%
South Carolina	1.94%	7 (\$1,174)	0.99%	46 (\$600)	2.29%	23 (\$1,389)	3.80%	13 (\$2,303)	9.02%
Oregon	3.40%	29 (\$2,061)	0.00%	1 (\$0)	4.55%	50 (\$2,757)	1.10%	1 (\$665)	9.05%
Alabama	1.41%	2 (\$854)	0.28%	28 (\$170)	2.49%	30 (\$1,508)	4.93%	36 (\$2,985)	9.10%
Arizona	2.32%	13 (\$1,408)	0.69%	38 (\$419)	1.46%	14 (\$887)	5.11%	37 (\$3,096)	9.59%
West Virginia	1.99%	8 (\$1,208)	0.68%	37 (\$415)	3.04%	43 (\$1,842)	3.98%	16 (\$2,413)	9.70%
North Dakota	3.34%	28 (\$2,025)	0.00%	1 (\$0)	0.59%	9 (\$358)	6.06%	43 (\$3,672)	9.99%
New Hampshire	7.42%	49 (\$4,498)	0.74%	41 (\$449)	0.50%	8 (\$304)	1.35%	3 (\$818)	10.02%
New Mexico	2.67%	17 (\$1,617)	0.00%	1 (\$0)	1.56%	15 (\$943)	6.23%	46 (\$3,776)	10.46%
Georgia	3.06%	25 (\$1,855)	0.00%	1 (\$0)	3.00%	42 (\$1,821)	4.39%	28 (\$2,663)	10.46%
Louisiana	1.80%	4 (\$1,091)	0.04%	25 (\$25)	2.10%	20 (\$1,275)	6.61%	49 (\$4,008)	10.56%
North Carolina	2.87%	21 (\$1,741)	0.51%	32 (\$308)	2.87%	36 (\$1,742)	4.36%	27 (\$2,643)	10.62%
Hawaii	0.92%	1 (\$560)	0.00%	1 (\$0)	3.74%	47 (\$2,265)	5.96%	42 (\$3,612)	10.62%

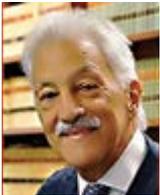
State	Effective Real Estate Tax Rate	Real Estate Tax Rank(\$)	Effective Vehicle Property Tax Rate	Vehicle Property Tax Rank (\$)	Effective Income Tax Rate	Income Tax Rank (\$)	Effective Sales & Excise Tax Rate	Sales & Excise Tax Rank (\$)	Effective Total State & Local Tax on Median Household
Virginia	2.75%	19 (\$1,667)	1.67%	51 (\$1,011)	2.77%	34 (\$1,681)	3.54%	8 (\$2,146)	10.73%
Massachusetts	4.16%	34 (\$2,518)	0.93%	44 (\$562)	2.83%	35 (\$1,718)	2.96%	6 (\$1,792)	10.87%
South Dakota	4.46%	35 (\$2,706)	0.00%	1 (\$0)	0.00%	1 (\$0)	6.64%	50 (\$4,025)	11.11%
Missouri	3.28%	27 (\$1,987)	1.03%	47 (\$623)	2.71%	32 (\$1,641)	4.16%	22 (\$2,522)	11.18%
Minnesota	3.81%	32 (\$2,310)	0.53%	34 (\$321)	2.75%	33 (\$1,668)	4.17%	23 (\$2,529)	11.27%
Arkansas	2.13%	10 (\$1,290)	0.42%	30 (\$252)	2.44%	26 (\$1,477)	6.30%	47 (\$3,817)	11.28%
Oklahoma	3.04%	24 (\$1,842)	0.00%	1 (\$0)	2.28%	22 (\$1,384)	6.07%	44 (\$3,679)	11.40%
Maryland	3.70%	31 (\$2,243)	0.00%	1 (\$0)	4.05%	48 (\$2,452)	3.69%	9 (\$2,237)	11.44%
Vermont	6.36%	46 (\$3,853)	0.00%	1 (\$0)	1.32%	12 (\$799)	3.76%	12 (\$2,281)	11.44%
Indiana	2.91%	22 (\$1,761)	0.50%	31 (\$300)	3.56%	46 (\$2,159)	4.78%	34 (\$2,900)	11.75%
Maine	4.61%	36 (\$2,793)	0.99%	45 (\$599)	2.13%	21 (\$1,293)	4.06%	18 (\$2,458)	11.79%
Mississippi	2.73%	18 (\$1,654)	1.44%	50 (\$875)	2.47%	29 (\$1,498)	5.35%	40 (\$3,241)	11.99%
Washington	3.41%	30 (\$2,065)	0.00%	1 (\$0)	0.00%	1 (\$0)	8.65%	51 (\$5,241)	12.06%
Michigan	5.35%	40 (\$3,240)	0.24%	26 (\$148)	2.95%	40 (\$1,788)	3.75%	11 (\$2,274)	12.29%
Kentucky	2.91%	23 (\$1,766)	0.60%	35 (\$361)	5.01%	51 (\$3,037)	3.94%	15 (\$2,389)	12.46%
New Jersey	8.36%	51 (\$5,064)	0.00%	1 (\$0)	0.78%	10 (\$476)	3.48%	7 (\$2,111)	12.62%
Texas	6.11%	45 (\$3,703)	0.00%	1 (\$0)	0.00%	1 (\$0)	6.60%	48 (\$4,003)	12.71%
Rhode Island	5.62%	42 (\$3,407)	1.43%	49 (\$864)	1.83%	16 (\$1,108)	4.02%	17 (\$2,435)	12.89%
Iowa	5.27%	38 (\$3,195)	0.41%	29 (\$250)	2.89%	37 (\$1,752)	4.51%	29 (\$2,732)	13.08%
Ohio	5.33%	39 (\$3,227)	0.00%	1 (\$0)	3.14%	44 (\$1,901)	4.67%	32 (\$2,833)	13.14%
Wisconsin	6.44%	47 (\$3,904)	0.00%	1 (\$0)	2.96%	41 (\$1,797)	3.88%	14 (\$2,354)	13.29%
Nebraska	6.00%	44 (\$3,634)	0.63%	36 (\$382)	2.08%	19 (\$1,261)	4.62%	30 (\$2,798)	13.32%
Kansas	4.76%	37 (\$2,882)	0.83%	43 (\$502)	2.33%	25 (\$1,410)	5.49%	41 (\$3,328)	13.40%
Pennsylvania	5.37%	41 (\$3,257)	0.00%	1 (\$0)	4.21%	45 (\$2,020)	4.31%	26 (\$2,612)	13.90%
New York	5.77%	43 (\$3,497)	0.00%	1 (\$0)	3.33%	24 (\$1,391)	4.14%	19 (\$2,511)	14.64%
Connecticut	7.12%	48 (\$4,317)	1.07%	48 (\$650)	2.30%	39 (\$1,758)	4.29%	25 (\$2,600)	14.96%

*Assumes "Median U.S. Household" has an income equal to \$60,602 (mean third quintile U.S. income); owns a home valued at \$204,900 (median U.S. home value); owns a car valued at \$24,970 (the highest-selling car of 2019); and spends annually an amount equal to the spending of a household earning the median U.S. income.

Ask the Experts

For more insight into the impact state and local taxes have on migration and public policy, we turned to a panel of leading tax and policy experts.

- **Do people usually consider taxes when deciding where to live? Should they?**
- **How can state and local tax policy be used to attract new residents and stimulate growth?**
- **Which states have particularly complicated tax rules for families?**
- **Which states have the best mix of taxes and government services?**
- **Should people pay taxes based on where they live or where they work?**



Eugene R. Boffa

*Adjunct Lecturer, Saint Peter's University,
Attorney at Schumann Hanlon Margulies*

Do people usually consider taxes when deciding where to live? Should they?

Yes and no, depending upon which taxes you are talking about. If you're talking about state income tax the answer is no. Most people live where they work.

If state income taxes were the deciding reason where to live then New York, New Jersey, and California wouldn't be so populous. When people retire, they consider state income taxes and that's one of the reasons that so many people move to Florida, about 900 a day.

If you're talking about local real estate taxes the answer is yes. The tax rates in municipalities differ greatly and it pays to check the rates out before you purchase a home.

How can state/local tax policy be used to attract new residents and stimulate growth?

Low tax state income tax will attract retirees and businesses to move to a different state. Lower real estate taxes will encourage people to purchase homes in those municipalities.



Thomas W. Miller Jr.

Professor of Finance, Jack R. Lee Chair of Financial Institutions and Consumer Finance, Jack R. Lee Chair of Financial Institutions and Consumer Finance, Mississippi State University

Do people usually consider taxes when deciding where to live? Should they?

I think this question is difficult to answer because we do not know how each person decides on where to live. But we can look at migration and tax regimes to see where people tend to move.

However, when more families move in then more children are attending schools and the school budget is usually the greatest part of the local tax.

Working people don't look at a state to live because of taxes, they look for a job and that's where they live. However low tax or tax incentive breaks will attract businesses that offer employment opportunities and that will grow the population.

At our law firm, for example, we worked on a transaction that created 250 new jobs and the local community grew. Local, State, and now Federal Enterprise Zone incentives appear to have been successful in attracting investment and promoting development to blighted or otherwise underdeveloped urban area.

Which states have particularly complicated tax rules for families?

I can't answer this as I am not familiar with all the states. However, in New Jersey and New York, the tax rules are not particularly complex for families. The income tax forms are relatively simple, much easier than the federal.

As to local real estate tax, you receive a bill and you pay it sometimes annually, sometimes quarterly or monthly but there's not much you can do about it. Most municipalities have a process where you can appeal the assessment if you feel it is an unreasonable amount.

Which states have the best mix of taxes and government services?

I can't answer this as I am not an expert in all the states. New Jersey and New York have great services, but we sure pay for them. I don't want to sound like an advertisement for Florida, but they have great services and no income tax and a "homestead" exemption for your residence which limits the amount of increase that a municipality can raise the local property tax.

Should people pay taxes based on where they live or where they work?

You received services in both states so to some degree you should pay for them. Many states have tax "treaties" and your state of residence usually gives you credit for taxes paid where you work.

My colleague at Cato, Chris Edwards, has an interesting [article](#) on tax reform and interstate migration. He cites data that shows 24 of the 25 high tax states had net out-migration, and 17 of the 25 low tax states had net in-migration.

Of course, there may be other reasons that some states have a net inflow of residents and others have a net outflow of residents. But, moving to a state with no state income tax from one with a state income tax is an increase in income. Who wouldn't like a 5-10 percent raise?

How can state/local tax policy be used to attract new residents and stimulate growth?

Lowering taxes attracts new residents. It also puts more money into the hands of the citizens of the state. If people have more money to spend, they will spend a portion of it, and save a portion of it.

State legislatures and local governments have to decide whether they want more money in the hands of the citizens, or whether money taken from citizens (i.e., taxed) can be efficiently spent to improve social welfare.

It is not at all clear to me that government decisions on how to spend money are better than the decisions made by individuals.

Which states have particularly complicated tax rules for families?

I will say that the states without state income taxes certainly have an uncomplicated, (i.e., non-existent) income tax form.



Dan Lehmann
Senior Lecturer, Hamline University

Do people usually consider taxes when deciding where to live? Should they?

Not in early careers but usually at retirement. Just look at what states are adding population, especially with folks over 65.

How can state/local tax policy be used to attract new residents and stimulate growth?

Eliminate all state and local income taxes like Texas and Florida and seven or eight other states. If not eliminate, reduce to a low flat rate.



Angel Carrete
Assistant Professor of Finance, Offutt School of Business, Concordia College

Do people usually consider taxes when deciding where to live? Should they?

I do not think people generally consider taxes when deciding where they live. Most of the time other factors weigh more than taxes e.g., housing costs, city size, proximity to family and friends, or climate. Nonetheless, taxes are an important component of any cost of living analysis.

I was lucky enough to have the choice when relocating for my current job between different states and I definitely considered taxes when I made my choice. The largest after tax difference in income was around 10%. In other words, all else equal, living in the lowest tax state vs the highest tax state where I had a job offer would have increased my income by around 10%.

How can state/local tax policy be used to attract new residents and stimulate growth?

I believe that it tends to work the other way around. Instead of tax policy attracting residents, high taxes can push people

Which states have the best mix of taxes and government services?

To me, states with no income taxes start with a good mix of taxes and government services. There are property taxes, investment taxes, and sales taxes that vary by state. It's difficult to know which mix of these taxes and the services offered by state governments is the best.

Should people pay taxes based on where they live or where they work?

I favor simplicity in tax codes whenever possible. If income is taxed, I believe it simply should be based on where the taxpayer has their primary residence. I wish I had the salary of an NBA player, but I am thankful that I do not have to file the tax returns that they do!

Which states have particularly complicated tax rules for families?

Usually Nevada and California.

Which states have the best mix of taxes and government services?

Tax rates are key, not so much gov't services. I've lived in five states and did not notice any differences in services. Well, Illinois has terrible roads, unlike North Carolina. Schools are different but these are generally funded with property taxes.

Should people pay taxes based on where they live or where they work?

Where they live. IRS does this now.

away. Once people decide to leave high tax states then they can choose to live in low tax states.

There is anecdotal evidence of this effect happening, especially with the very wealthy. For example, several news articles have appeared in the last two years detailing how multiple billionaires/companies are leaving New York, New Jersey, Connecticut, or California, for low tax states like Florida or Washington.

Which states have particularly complicated tax rules for families?

I do not think complicated state specific tax rules have any impact at all. Nowadays, the vast majority of families that file their taxes on their own use filing software that eliminates any complications.

Should people pay taxes based on where they live or where they work?

It depends on where you live. Some states have reciprocity agreements with neighboring states, and they give you the option to choose in which state you pay your taxes.

Other states require you to file in state taxes even if you are only a part time resident regardless of where you work. In that case, you would have to file taxes where you live and where you work.

