Analytics

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RE: Rising tax burden driving wealthy from Delaware

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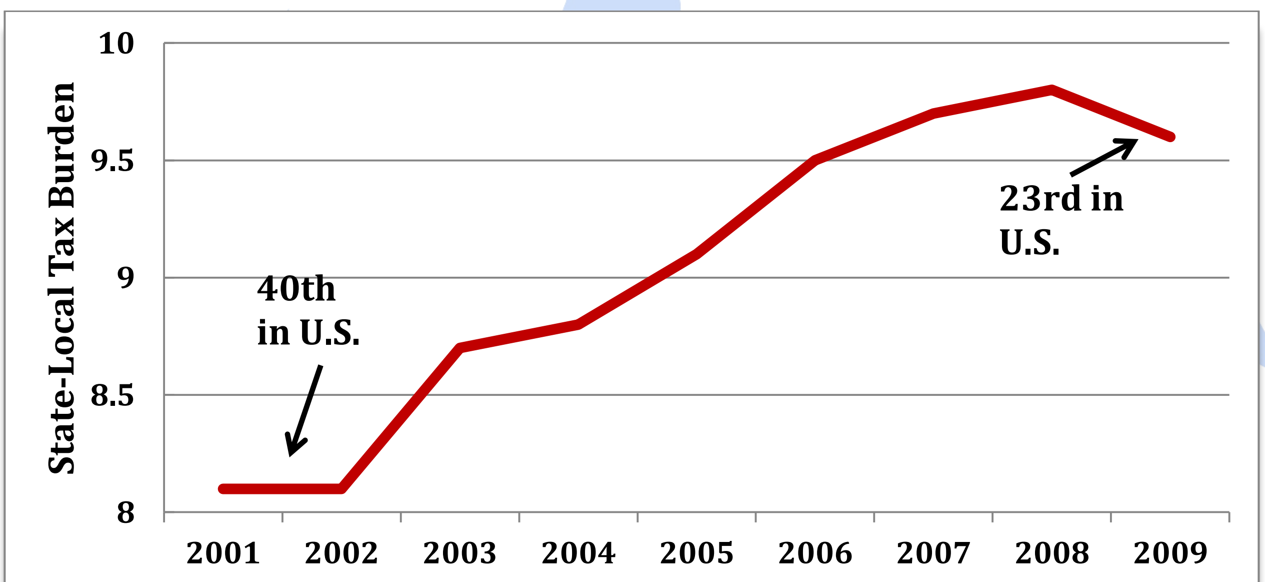
The most recent data from the Tax Foundation shows that Delaware is driving out wealthy residents by raising its state and local tax burden.

Every year the Tax Foundation calculates each state-local tax burden as a percentage of the state's per capita income. Since 2001 Delaware's tax burden has risen from 8.1% (40th lowest among the states) to 9.6% in 2009 (23rd among the states). Since the research literature shows that over time households vote with their feet, a rising tax burden is a good incentive to leave a state.



Source: Tax Foundation

The Tax Foundation has also compiled the % change in the number of Federal tax return for households with AGI greater than $200,000 net of the % change in to household returns between 1999 and 2009 for each state. Delaware ranked 26th from the top in the net % change of wealthy households. Being in the Federal government commuter shed, Virginia and Maryland ranked in the top, as did states with no income tax (e.g., Wyoming).

In terms of the absolute number of wealthy households picked up over the decade, Texas was the clear winner with a net gain of almost 151,000. Texas far out stripped all the other states and so is gaining in its market share of U.S. wealthy households. This seems to be the trend for right-to-work states with no income tax.

Analysis of the Tax Foundation by the Caesar Rodney Institute shows that a 1% increase in a state's tax burden increases the growth rate of wealthy households. The inverse relationship between the tax burden and the growth of wealthy households is statistically significant at the highest level.

If it wishes to keep wealthy households as part of the First State's tax base, Delaware needs to get serious about holding the line on state and local taxes.

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