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New Report Shows that Capital Gains Tax Has Little Impact on Migration to Clark County

(Silverton, Oregon) A flood of Oregonians are not moving across the Columbia River to avoid Oregon's income tax on capital gains, according to a new report released today by the Oregon Center for Public Policy. The report finds that Oregon's tax on capital gains income does not influence migration to Clark County, Washington by Oregon's wealthiest taxpayers.

"Too often we hear opponents of the capital gains tax claim that the tax drives people to leave the state and head to Clark County," said Jeff Thompson, economist and policy analyst with the OCPP and the report's author. "It is nothing more than a myth cooked up by those seeking a huge tax cut for Oregon's wealthiest residents."

"The data reveal that anecdotes about mass exodus across the Columbia River to avoid Oregon's income tax on capital gains are another urban legend that needs to be retired from circulation," he added.

The report shows that Oregon residents, with capital gains income, who moved to Clark County, were 0.03 percent of all full-year residents and 0.16 percent of full-year residents with any capital gains income. Between 1993 and 2001 an average of 357 households with any capital gains moved to Clark County each year.

Thompson noted that people also move in the other direction. Between 1998 and 2000 over 60 percent of total migration from Oregon to Clark County was offset by those moving into Oregon. Oregon grew rapidly through in-migration during the 1990s, bringing in 421,500 more people than left the state between 1990 and 2000.

According to the study only four percent of Oregon households that moved went to Clark County, Washington. Most migratory households move to a different county in Oregon, with nearly 40 percent of all moving households going to Multnomah, Washington, and Clackamas Counties.

“The data do not support the claim that this is a flight of the rich to Washington,” said Thompson. “Those who leave for Clark County are typical families.” The median income of households moving to Clark County was no different from the median income in the Oregon counties they left. While an average of 16.5 percent of Oregon’s full-year residents had capital gains income between 1993 and 2001, just 10 percent of households moving to Clark County had any.

“If there are factors attracting households out of Oregon and to Clark County, they are likely school quality and housing affordability,” said Thompson.

The study demonstrates that reducing Oregon’s tax on income from capital gains, as proposed by several bills introduced in the Oregon legislature, would be costly. For example, lowering the tax from the current rate of 9 percent, like all other income, to 4 percent would reduce general fund revenue by \$319 million by the 2005-07 budget cycle.

“Most Oregonians would not get any benefit if the legislature cut the tax on capital gains income. They would see their government services suffer, while the rich would make out like bandits,” said Thompson.

“Oregon already tried a capital gains tax incentive program. It didn’t reduce migration to Clark County, or create jobs or investment. It was rejected as a failure,” Thompson said.

In Oregon the top one percent of households had 57 percent of all capital gains income in 2000, while 80 percent of households had none. The average capital gains income among the richest one percent of Oregonians was \$243,000 in 2000. The richest 0.4 percent of households averaged \$524,000 in capital gains income.

“The fact that Oregon’s richest one percent of households had \$3.5 billion in capital gains income, and stayed in Oregon, suggests that the tax is simply not a significant factor behind people’s relocation decisions,” Thompson said.

“Reducing taxes on this income, held by the very affluent, while taxing the income of those who work for a living at a higher rate is not just unfair, it would be foolish,” Thompson added.

The Oregon Center for Public Policy uses research and analysis to advance policies and practices that improve the economic and social prospects of low- and moderate income Oregonians, the majority of Oregonians.

NOTE TO EDITORS AND REPORTERS: The full text of the report is available at the OCPP website, <http://www.ocpp.org>.