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## **Rich Oregonians Stay Put After Tax Increases**

### **National report debunks Oregon corporate lobby-funded study**

Using Oregon as one of its case studies, a report published today by a national think tank finds that higher state taxes don't drive wealthy residents to move, but do raise much-needed revenue to invest in states' economic future.

The report by the Center on Budget and Policy Priorities (CBPP) takes to task a widely-cited study commissioned by the Oregon Business Council (OBC), calling the study "deeply flawed."

The OBC study, prepared by the consulting firm ECONorthwest, claimed that a marginal tax increase on wealthy Oregonians would cause a substantial number of the wealthy to leave. OBC, which lobbies on behalf of more than three dozen corporations, released the report in 2009 as part of its effort to defeat the legislation that ultimately became Measures 66 and 67, approved by voters in January 2010. The measures raised taxes on the wealthiest Oregonians and corporations in order to avert deeper cuts to public services at the onset of the Great Recession.

"The CBPP study confirms that taxes matter very little, if at all, for where people choose to live," said Chuck Sheketoff, executive director of the Oregon Center for Public Policy, who reviewed the CBPP report. "The CBPP report shows that the ECONorthwest-OBC study — part of a 'don't-tax-the-rich, don't tax corporations' lobbying agenda — is not worth the paper it's printed on."

The CBPP report concludes that few Americans move between states, and the little interstate migration that does occur is far more frequently due to job opportunities and housing prices than to tax rates.

The impact of housing prices received no mention in the ECONorthwest's analysis, CBPP notes. ECONorthwest argued that higher-income residents of the Portland metro area moved to Clark County, Washington, because

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Oregon has an income tax and Washington doesn't. OBC has often repeated the claim.

"ECONorthwest failed to consider non-tax reasons for the migration," CBPP reports, noting that during the period examined by ECONorthwest, housing prices were higher in the Portland-metro area than in Clark County.

The number of Oregon taxpayers moving to Clark County, moreover, "was hardly enormous" and the net fiscal impact on Oregon was even less significant, because those who kept their jobs in Oregon continued paying Oregon income taxes, CBPP notes.

According to CBPP, ECONorthwest also erred in claiming that a temporary income tax imposed by Multnomah County from 2003 to 2005 to help finance schools caused the wealthy to leave the county. The consulting firm failed to take into account that the dot com bust hit Multnomah County harder than the rest of the state, reducing the income of county residents.

"[A]ffluent families in the county simply became less affluent relative to those in the rest of the state" because of the recession, CBPP explains.

CBPP's report says that other, well-designed studies have found that taxes have little or no impact on where people choose to live. For example, researchers at Princeton University concluded that a higher tax in New Jersey on those making above \$500,000 a year did not drive residents away from NJ. The report said that the tax increase had "close to zero" effect on whether people stayed or left.

The CBPP analysis debunking the ECONorthwest study holds several lessons for Oregon lawmakers and voters. "The CBPP analysis undermines the key argument of the corporations and CEOs lobbying for a capital gains tax cut that would mostly benefit the richest of the rich," Sheketoff said.

The report also shows that raising the marginal income tax for high-income individuals — as Oregon did with Measure 66 — is a responsible way to confront a state's fiscal challenges.

"Wealthy Oregonians are staying put, and the additional revenue for the state has avoided deeper cuts to schools, universities, health services and the many other public structures that create economic opportunity," said Sheketoff.

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The Oregon Center for Public Policy is a non-partisan research institute that does in-depth research and analysis on budget, tax and economic issues. The Center's goal is to improve decision making and generate more opportunities for all Oregonians.

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