

REPORT: LOWER TAXES PROMPTING CALIFORNIANS TO MOVE TO ARIZONA

May 24, 2004

Associated Press

Lower taxes and strong business climate in Arizona are attracting a record number of Californians, according to a report released on Monday.

Besides being attracted by the enticing weather and affordable cost of living, many of the nearly 200,000 Californians who moved to Arizona between 1995 and 2000 were seeking lower taxes and better business opportunities, according to the report by the Goldwater Institute, a conservative Phoenix-based think tank.

The institute examined US Census Bureau data from 1995 to 2000 and found 10 states with the lowest overall tax burdens had a net gain of more than 1.3 million people. The district of Columbia and nine states with the highest total tax burdens suffered a total net loss of more than 1.7 million residents as a result of migration.

"The evidence is clear that Americans prefer to live and do business in states where taxes are low and relatively simple," said Matthew Ladner, senior fellow of the Goldwater Institute.

More than 25 percent of the companies that contact the Arizona Department of Commerce looking to relocate or expand their businesses here are from California, said Joe Yuhas, the department's deputy director. The number continues to climb, Yuhas added.

"It's such a ripe market," he said.

Arizona gained almost 800,000 residents between 1995 and 2000, while California lost 755,000 in that time period.

But the growth trend in Arizona will be in jeopardy if lawmakers raise taxes here, said Andrea Woodmansee of Goldwater Institute.

"Every time you raise taxes you are risking lessening growth or you flat line population growth," Woodmansee said. "In other states that has proven detrimental to their long term fiscal health."

Lawmakers sent Gov. Janet Napolitano a budget on Monday for the 2004-2005 fiscal year, which starts July 1. The \$7.35 billion budget is 13.2 percent higher from the \$6.5 billion budget for the current fiscal year.

It does not include tax hikes, but Woodmansee said the institute is concerned

Arizonans will eventually see the bill.

“At some point the budget has to be funded,” she said. “They can use accounting gimmicks and various other methods, but at some point we have to pay for those increases.”

Taxes are just one of many factors drawing people and business to Arizona.

“It is clear that taxes aren’t the key issue,” said Tom Rex, research manager for the Center for Business Research at Arizona State University.

The endless summer, cheaper real estate prices, safe schools and neighborhoods and lots of space for expansion also top the list, said Kim Horn, president of the Arizona Association of Realtors.

“In general, they want to get out of the rat race of California,” Horn said.

Rex said the state needs to start focusing on attracting high-tech businesses that pay better wages and are generally less concerned about taxes.

“Attracting everybody and anybody is not what needs to be done,” Rex said. “It is an outdated economic philosophy.”