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Are High Tax Rates Forcing Americans To Move? What Does That Mean For Investors?

It seems like there's a correlation between lower taxes and higher migration numbers. How should investors react?



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≡ In this article

Do Americans really vote with their feet, leaving high-tax states in favor of low-tax states?

While most people don't move often—and many never leave their home state—we can look at trends and patterns among those who do move across state lines.

I'm not interested in the politics of it. I'm interested in the actual migration numbers compared to tax rates. Set aside your politics for the next five minutes, and let's focus on the raw population numbers.



Measuring State Tax Burden

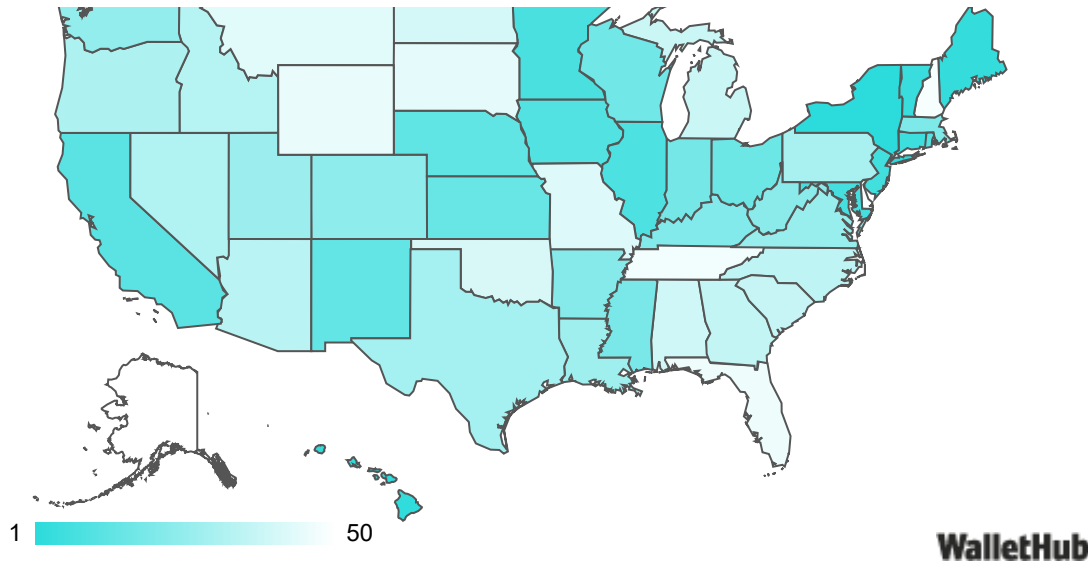
First and foremost, how do we compare taxes between states?

Some states charge high income taxes but no sales taxes, and vice versa. Others go heavy on property taxes but light on sales and income taxes.

Fortunately, [WalletHub](#) already does the heavy lifting of combining state taxes into one total state tax burden number. It includes the typical percentage of income that residents pay toward state income taxes, property taxes, and sales and excise taxes. If you're not familiar with excise taxes, they're additional taxes on items such as alcohol, tobacco, or gasoline.

Mapped: Tax burden by state

You can see how every state ranks on tax burden in the interactive map below:



Source: [WalletHub](#)

We’re mostly interested in comparing the highest-taxed states to the lowest-taxed states, however, to see whether more residents are moving in or fleeing. Without further ado, here are the 10 highest-taxed states:

Rank	State	Total Tax Burden	Property Tax Burden	Income Tax Burden	Sales & Excise Tax Burden
1	New York	12.47%	4.36%	4.72%	3.39%
2	Hawaii	12.31%	2.74%	2.86%	6.71%
3	Maine	11.14%	5.33%	2.52%	3.29%
4	Vermont	10.28%	4.98%	2.07%	3.23%



5	Connecticut	9.83%	4.24%	2.92%	2.67%
6	New Jersey	9.76%	4.88%	2.36%	2.52%
7	Maryland	9.44%	2.66%	4.21%	2.57%
8	Minnesota	9.41%	2.89%	3.11%	3.41%
9	Illinois	9.38%	3.66%	2.27%	3.45%
10	Iowa	9.15%	3.40%	2.41%	3.34%

Likewise, check out the 10 lowest-taxed states:

Rank	State	Total Tax Burden	Property Tax Burden	Income Tax Burden	Sales & Excise Tax Burden
41	Oklahoma	7.12%	1.76%	1.69%	3.67%
42	Missouri	7.11%	2.16%	1.99%	2.96%
43	Montana	6.93%	3.40%	2.32%	1.21%
44	South Dakota	6.69%	2.69%	0.00%	4.00%
45	Wyoming	6.42%	3.47%	0.00%	2.95%
46	Florida	6.33%	2.75%	0.00%	3.58%
48	Tennessee	6.22%	1.66%	0.02%	4.54%



47	New Hampshire	6.14%	4.94%	0.13%	1.07%
49	Delaware	6.12%	1.88%	3.15%	1.09%
50	Alaska	5.06%	3.59%	0.00%	1.47%

As an additional perk for real estate investors, two of those states—Wyoming and Delaware—top MarketWatch’s list of [best states for forming an LLC](#).

Population Growth and Migration Patterns

It’s worth pausing for a moment to separate two concepts: population growth and interstate migration.

While inbound or outbound migration does, of course, impact a state’s population, it’s not the only factor. One state could have a higher birth rate, or it could have more immigrants arrive from other countries. Population is easy to track through [Census data](#), despite the delay in the government actually releasing it.

When we talk about “migration,” we only refer to U.S. residents [moving from one state to another](#). It’s harder to measure but potentially more relevant to whether taxes impact Americans’ decisions about where to live.

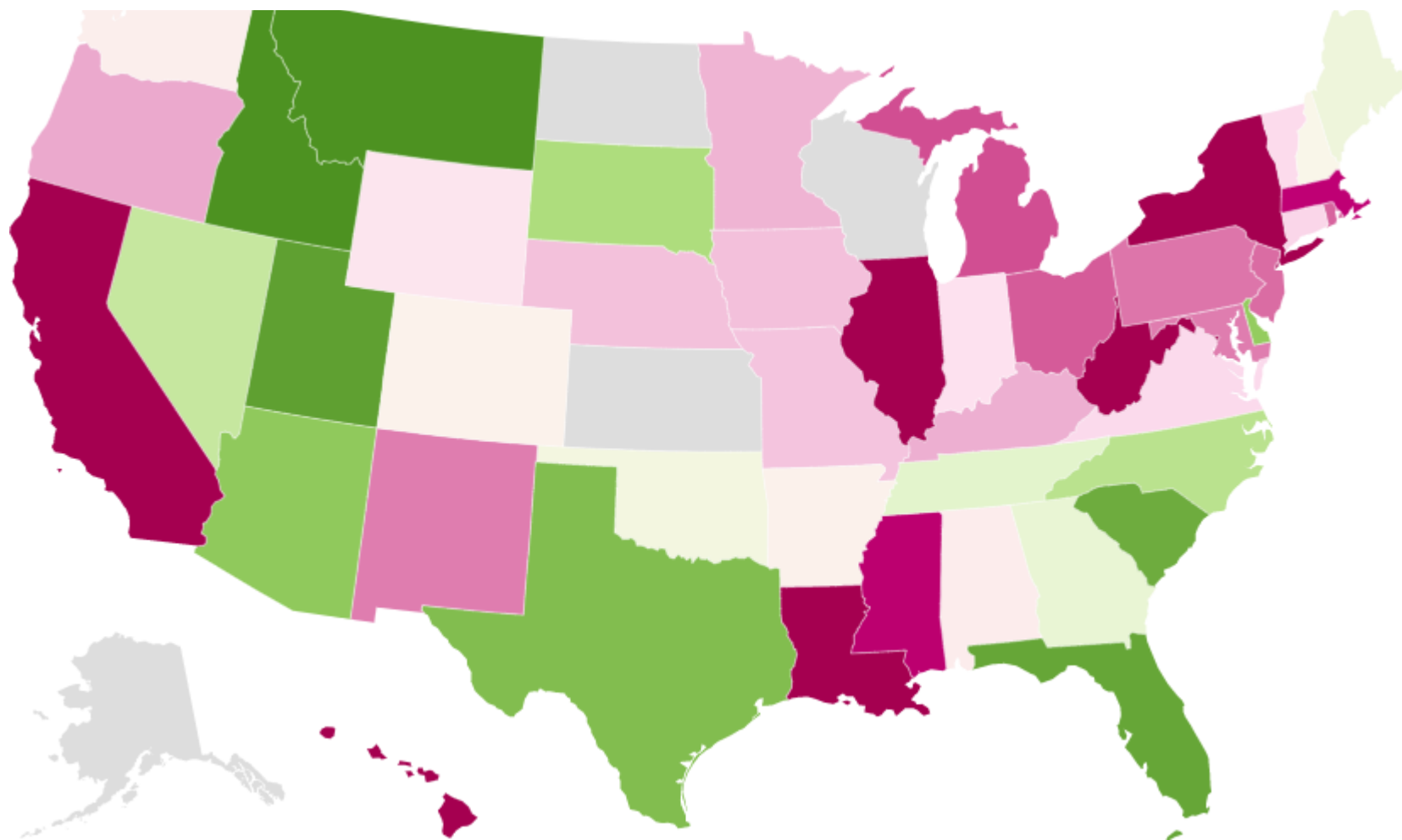
Population changes

One look at the map and you can certainly see similarities between state taxation and population changes:

Population Change 2020-2022



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Map: G. Brian Davis, SparkRental • Source: [Census Bureau](#) • [Embed](#) • Created with [Datawrapper](#)

Low-tax states like Delaware, Florida, Tennessee, Wyoming, South Dakota, and New Hampshire all saw significant population gains. High-tax states like New York, New Jersey, Hawaii, Maryland, and Illinois all saw population declines.



Still, the 10 highest-taxed states saw their populations drop by an average of -0.25% over the last two years. The 10 lowest-taxed states saw their populations jump by an average of 1.83%.

Interstate migration

Where did Americans move last year?

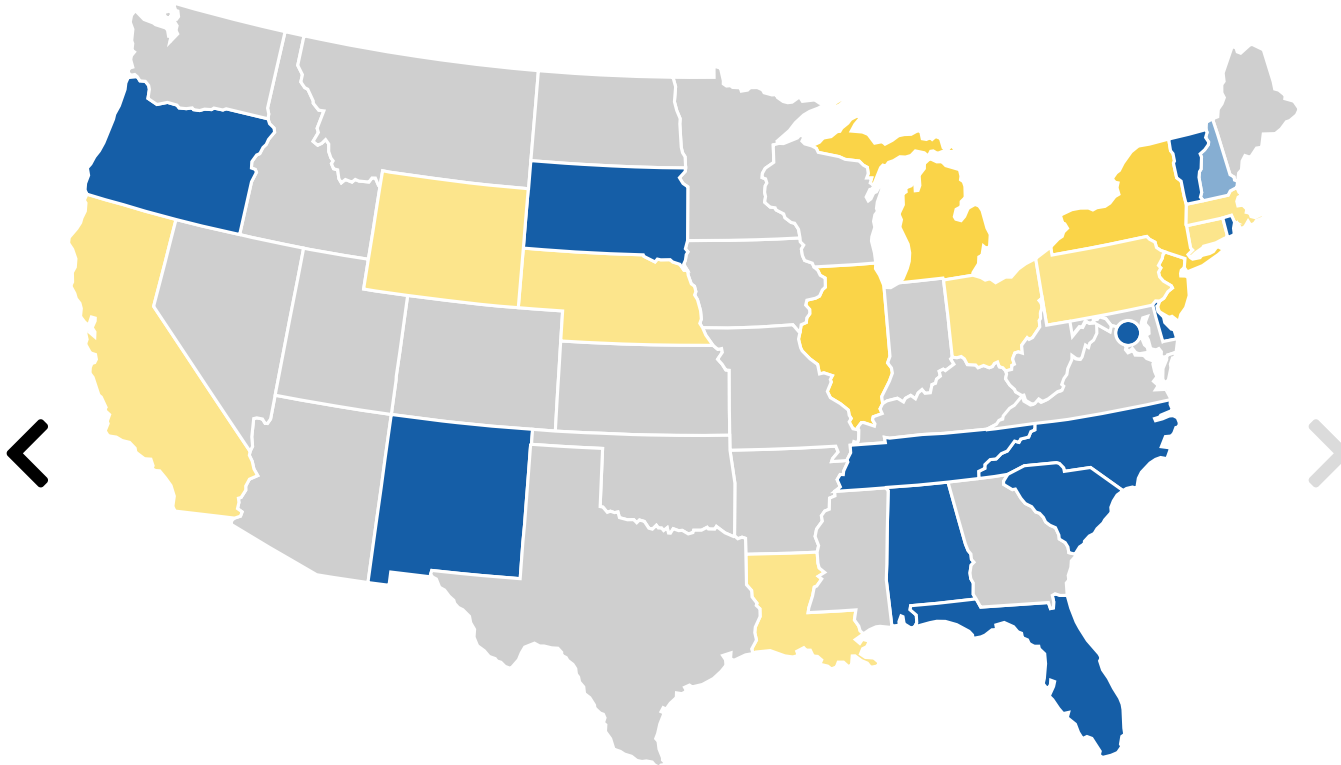
Every year, [United Van Lines releases a report](#) answering that very question. Check out the map for where Americans moved in 2022:



2022



Select State



Legend +

Embed this Map

Data courtesy of [United Van Lines Movers Study](#) © 2023
Demographic data only available for 2014 through present.





1. Vermont
2. Oregon
3. Rhode Island
4. South Carolina
5. Delaware
6. North Carolina
7. Washington, D.C.
8. South Dakota
9. New Mexico
10. Alabama

The 10 states with the most outbound migration are:

1. New Jersey
2. Illinois
3. New York
4. Michigan
5. Wyoming
6. Pennsylvania
7. Massachusetts



10. California

The 10 states with the most inbound moves charge an average total state tax rate of 7.91% (that excludes Washington, D.C., as WalletHub provides no tax data for D.C.). The 10 states people are fleeing the fastest charge an average total tax burden of 8.76%.

Again, there's a link, but it's not a perfect one. People keep moving to Vermont, despite the high taxes. And leaving Wyoming, despite the low taxes.

That said, the data from United Van Lines is much more limited than the actual Census Bureau population data. United Van Lines says people are leaving Wyoming in droves, but the state has seen population growth nearly 33% faster than the national average over the last two years. Take the United Van Lines study with a proverbial grain of salt.

Are Americans Leaving High-Tax States?

While I have no doubt that taxes factor into where people decide to move, it's certainly not the only factor. Climate, amenities, job availability, cost of living, and proximity to family all play a role as well.

In other words, don't run out and buy up tundra in Alaska just because it charges the lowest tax burden in the U.S.

But don't dismiss state tax burden as a factor, either. Sure, people like the warm weather in Florida, but they also love that Florida charges no income taxes.



Impact on Real Estate Markets

The impact of taxes on population change is all well and good as an intellectual exercise, but what does this have to do with real estate?

As a real estate investor, I was curious whether state tax burden had any correlation with real estate appreciation over the last few years. The population change data suggests that it would, but there's nothing like rolling up your sleeves and looking at the actual numbers.

So, I compared the average three-year home price appreciation (using [Zillow data](#)) in the 10 highest-taxed states to the 10 lowest-taxed states. Sure enough, there was a difference:

Highest-Taxed States	3-Year Appreciation	Lowest-Taxed States	3-Year Appreciation
New York	27.62%	Oklahoma	43.32%
Hawaii	35.36%	Missouri	40.54%
Maine	50.98%	Montana	57.24%
Vermont	42.73%	South Dakota	40.10%
Connecticut	34.20%	Wyoming	29.73%
Average	33.59%	Average	40.86%



New Jersey	32.93%	Florida	53.36%
Maryland	24.59%	Tennessee	49.38%
Minnesota	27.30%	New Hampshire	45.92%
Illinois	28.98%	Delaware	35.44%
Iowa	31.18%	Alaska	13.58%
Average	33.59%	Average	40.86%

Between the end of February 2020 through the end of February 2023 (the latest data available), the 10 highest-taxed states saw an average home price change of 33.59%. The 10 lowest-tax states saw an average home price jump of 40.86%.

I'm no public policy expert and have no intention of debating tax policies or politics. Looking at this data, I believe taxes are one of many factors that Americans consider when moving. These migration and population trends impact where I invest in real estate, and while taxes don't tell the whole story, they certainly play a role in it.

Ignore taxes, population changes, and migration patterns at your own peril as a real estate investor.

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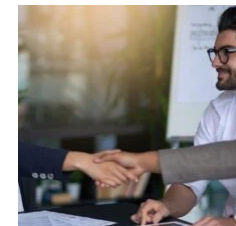


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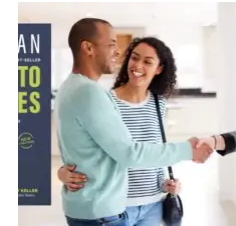




What Does The Department Of Housing And Urban Development (HUD) Do?



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