

NATIONAL REVIEW

Fleeing New Jersey, and Its Crushing Taxes, for a Better Life

By Lee Habeeb — July 27, 2015

He lived in New Jersey his entire life. He was born there in 1932, grew up there, and worked his entire adult life there. I'm sure he planned on dying there.

After a few years living in a rental apartment after a stint as an officer in the U.S. Air Force, he took the plunge with his young bride and purchased his first and only home, for \$32,000, back in 1961 in northern New Jersey. A high-school history teacher, he coached varsity basketball and worked night and summer jobs to support his growing family. Twenty-plus years later, he became the superintendent of schools in the same public-school system that gave him his first job.

He didn't remember his first property-tax bill, because it was so low. There was no state income tax in New Jersey back in 1961, and no state sales tax until 1966. The only taxes individuals paid to the state were on gasoline, tobacco, and alcohol.

It was an ideal place to live; drive an hour east, and he was in New York City with his family visiting a museum or going to a Broadway play. Drive an hour south, and they were enjoying a day trip at the Jersey Shore.

He lived a great middle-class life. Rising college costs, health-care costs, and taxes had not yet put the squeeze on working-class New Jersey families. With some part-time work on the kids' part, some modest student loans, and some help from Mom and Dad, college was within reach of almost every family in town. Two of his sons got law degrees; one, an MBA; and his daughter skipped college to become a professional songwriter and composer.

Two years ago, his wife of 56 years died after a struggle with cancer. Retired and living on a pension, he found himself alone. Most of his friends had passed away, and the kids he'd raised left New Jersey years ago. Two of those kids would tell you they'd fled the state.

He called one day not long after his wife died, to let them know he was thinking of selling his house. He didn't say why. He grew up at a time when dads didn't share their every thought with their kids, let alone their feelings or financial concerns.

But his kids knew why. The property taxes on the house their dad purchased for \$32,000 back in 1961 had swelled, from a number so low he couldn't remember it to a number he could not forget: \$12,000 a year.

That number, reduced to a monthly payment, was five times higher than his home's original monthly mortgage payment. Indeed, if you'd told him back when he bought the house that, many years later, three years' worth of property-tax bills added together would exceed the house's cost, he'd have written you off as crazy.

But it was true. The home my father thought he owned outright had a co-owner: the local city council and school board. And it was a co-owner with an appetite for spending. Home ownership may have had its privileges, but it became a burden he could no longer afford.

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The local property-tax bill alone was enough to make him move. On top of that, New Jersey went from having no state income tax to having one of the highest in the country (8.97 percent for the highest earners, and 6.4 percent for the middle class), and from having no sales tax to having one of the highest rates in the country (7 percent, almost as high as California's, which is the highest sales tax in America, at 7.5 percent). It was all too much for him to handle.

Saddled by taxes and worried that future tax increases would eat up his retirement income and his savings, this lifelong New Jersey resident, at age 81, did what so many folks in high-tax states like New Jersey are forced to do: He sold his house and moved.

That guy in this story happens to be my dad, and he's an American refugee. I say "refugee" because the definition of the word in *Merriam-Webster* reads as follows: "someone who has been forced to leave a country because of war or for religious reasons or political reasons."

My dad didn't leave his country, but he left his home state. And he left because leaders there treated its residents like an ATM for several decades running, passing local and state tax

increases that priced him out of his own home. And out of his home state.

Indeed, New Jersey led all 50 states in one tragic category: creating refugees. Last year, the Garden State lost more residents as a percentage of its overall population than any other state in the country, according to a 2014 National Movers Study commissioned by United Van Lines of St. Louis.

New Jersey led its “outbound” list, with 64 percent of all moves being from New Jersey to other states. In case you might think that this past year was some kind of anomaly: New Jersey has been no lower than third in the nation on the United Van Lines survey since 2006 when it comes to the ratio of people moving in to people moving out.

“Who needs a house out in Hackensack?” asked Billy Joel in his hit song “Movin’ Out.” “Is that all you get for your money?” It’s a question New Jersey residents have been asking themselves for decades, especially when they hear stories from friends who’ve escaped to places like North Carolina and Texas.

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I fled New Jersey many years ago and now live in a beautiful college town in northern Mississippi. The mortgage payment for my home in Oxford would be twice as high, at least, if I lived in New Jersey. And the property taxes would be six times higher, at least. The \$2,000 a year I pay in Oxford, which touts some great public schools, is \$10,000 a year less than the taxes on the house my dad sold in New Jersey two years ago. And the home I live in is bigger, nicer, and has much more land. That adds up to \$20,000-plus a year in savings on housing costs alone.

I fled because I could. To do my job, I need mostly to travel and have access to the Internet, cell service, and a decent airport. Which is increasingly the case for millions of Americans. Where I live doesn’t affect how much money I make, but it does affect how much money I keep.

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The chance for better housing at a much lower cost is a big reason — perhaps the main reason

— that so many New Jersey residents would flee if they had a chance. Other costs, from traffic to tolls to the general quality of life, are nagging and pile up too.

In a poll conducted by Monmouth University a few years ago, 53 percent of New Jersey residents said they would like to move from the state at some point, up from 49 percent in 2007. Among those making more than \$100,000 a year, a whopping 60 percent wanted to move.

Moving is not a pleasant experience by any calculation. It means leaving your friends, family, clubs, churches. It means leaving your *life* behind and, in many respects, starting your life over.

Moving isn't something most adults choose to do, or like to do. It's something we feel *compelled* to do. Moving routinely ranks near the top of any top-ten list of stress events in a person's life.

If moving a family is stressful, imagine the forces at work that would propel an entire business to move. Earlier this year, Daimler's Mercedes-Benz USA announced it was moving its headquarters from Montvale, just miles from where I grew up in New Jersey, to Sandy Springs, Ga. It will bring nearly 1,000 people along with it, at an average annual salary of nearly \$80,000.

“It became apparent that to achieve the sustained, profitable growth and efficiencies we require for the decades ahead, our headquarters would have to be located elsewhere,” Stephen Cannon, president and chief executive of Mercedes-Benz USA, told the press. After all the math is done, and Mercedes-Benz completes its new \$75 million headquarters in 2017, it will have reduced its overhead by a whopping 20 percent a year, according to John Boyd, an adviser on corporate relocations.

That news came on the heels of a series of corporate defections from the Garden State over the past few years. In 2013, Hertz, the car-rental company, moved its headquarters — and its 550 jobs — from New Jersey to Florida. Last summer, Sealed Air Corporation (the bubble-wrap maker) announced plans to move its headquarters from New Jersey to North Carolina.

Those businesses are fleeing New Jersey for the same reason so many residents are fleeing: the high cost of doing business there. Indeed, New Jersey ranked 50th, dead last, in the Tax Foundation's 2015 State Tax Business Climate Index.

Those relocation stories are great news for the people of Georgia, North Carolina, and Florida. But they're terrible news for the people of New Jersey, who are stuck with ever-increasing tax bills and fewer employers and workers to pay them.

It's a vicious cycle, and stopping it is no small task. The country watched in disbelief as one of our great American cities, Detroit, created over a million refugees over five decades, as its population fell from a peak of nearly 1,700,000 in 1960 to its current 680,000. It spent, mismanaged, and shrank itself into bankruptcy.

How states, cities, and nations treat capital — the human kind and the money kind — matters. How leaders think about capital matters too. The ability to manage, nurture, and preserve it, and to grow a healthy tax base (not destroy it), is what will separate winners from losers.

“The correlation is very impressive between taxes and population,” Charles Lieberman, former head of monetary analysis at the Federal Reserve Bank of New York explained to Bloomberg last year. “The tax rates of the 10 slowest-population-growth states are very high, and the fastest growers are among the lowest tax rates.”

There are two roads ahead for state leaders, and a person need not have a Ph.D. in economics or to have served a stint at the Federal Reserve to figure which one to take. Just do a Google search for the 2014 National Movers Survey by United Van Lines and track where the American people are moving from, and where they are moving to, to understand which states are getting things terribly wrong, creating American refugees, and which states are welcoming them.

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