

What Happens When Rich People Leave California?

By Andy Caldwell

Long before Phil Mickelson wondered out loud if higher taxes will force him to leave the State of California, Tiger Woods did just that! Moving to another desirable coastal state, in Tiger's case, Florida, saved him millions of dollars per year, as he escaped California's ridiculously high income tax. The fact that California has since raised the top tax rate again, this time to 13%, more top earners are leaving and they are taking their money and all it represents with them.

Mickelson's example tells the story of somebody who was not only earning money in this state, but a man who wanted to reinvest his earnings here. People who make a lot of money invest their excess earnings in a number of ways in order to diversify and protect their assets. In the meantime, their investments morph into jobs for other people. So, the people leaving the state because of high taxes will now be investing elsewhere for the same reason.

We all spend money as consumers, buying cars, houses, and the like. But now these people fleeing California will also consume elsewhere because most states do not have our high sales tax rates either!

California's once solid gold reputation is now just a cracked gold patina revealing a rust to the core of our former world-class economy. The industries who are still left here were started when taxes and regulations were more favorable. They are now referred to as legacy industries. The truth of the matter is there are no new industry clusters being created in California. Once a start up is ready to grow, they locate the manufacturing headquarters out of state or in another country altogether.

I personally know a half-dozen people here on the Central Coast who have already moved or are in the course of moving to avoid the government taking most all of their profit in the form of taxes. One friend has already moved to Washington. Another to Florida. They will be able to save tens of thousands of dollars each year, and at the same time, move into a bigger house for less money than what they have here. Higher quality of life at a lower cost, what is not to love?

The problem with tax and spend democrats, like the ones who now constitute a super-majority in Sacramento, is that they think they can make changes in the tax and regulatory codes and business will continue as usual. But, people make changes in their lifestyle to adapt to changes in their environment all the time. If it becomes too expensive to live here, well then, those that can will simply move elsewhere.

If you are one of the people whose class-envy has been stoked by President Obama and Governor Brown, well, what goes around comes around. You were part of the majority who decided to stick it to the rich guy, but the rich guy has other options! You will now not have as many job opportunities available for yourself, and the burdens of our high tax state and huge welfare class will now disproportionately fall on you!

The very rich know a trick that is not available to you! They can afford to maintain more than one residence. They will claim their main domicile in a State with no income tax, and only visit their California abode for a limited time each year. They avoid paying state income tax and now you will be paying their bill at the end of the year! They did not get rich by being stupid and they won't stay rich by being timid.

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