PIONEER PUBLIC

Back to Taxachusetts? Lessons from Connecticut

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PIONEER PUBLIC

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Executive Summary

A coalition of labor unions, community groups, and social advocacy organizations is pushing for an amendment to the Massachusetts state constitution to impose a surcharge on annual incomes of $1 million and up. Massachusetts lawmakers voted in June to place Proposition 80, the Massachusetts Income Tax for Education and Transportation initiative petition, on the 2018 ballot. The so-called Fair Share amendment would effectively create a top state tax rate of 9.1 percent for all earnings above $1 million, slapping a 4 percent surcharge atop the state's 5.1 percent income tax.

The Massachusetts Department of Revenue estimates that Proposition 80 would raise roughly $1.9 billion a year in annual revenue. The ballot proposal stipulates that all revenues derived from the 4 percent surcharge must be expended "for quality public education and affordable public colleges and universities, and for the repair and maintenance of roads, bridges and public transportation, subject to appropriation by the legislature." Supporters argue that it would all be relatively painless, targeting a small group of business owners, entrepreneurs, and corporate executives who have reaped the greatest gains from the Massachusetts economy over the past few decades.

Yet in both substance and tone, the constitutional change would mark a major shift in the Massachusetts tax climate and in the state's attitude towards business, growth, and economic development. The magnitude and scope of the proposed tax increase would establish Massachusetts' top marginal combined federal/state short term capital gains tax rate as highest in the country and its top marginal tax rate on long term capital gains and on income from LLCs, partnerships, and Sub-chapter S corporations among the highest in the country and in the world.

Massachusetts voters and political leaders should think twice before making a hard-to-reverse change that would once again make the state synonymous with high taxes. Far from the surgical tax hike fancied by supporters, Proposition 80 would cause widespread collateral damage, with the potential to halt or even reverse the economic gains the Bay State has experienced over the last two to three decades. While far from perfect, Massachusetts has worked hard to shed its old image as Taxachusetts, opening the door for the strong growth in recent years in New Economy sectors like tech and biotech. A step back towards the higher and more punitive tax environment of the 1970s and 1980s threatens to unravel this progress and encourage other states with more competitive tax rates to poach its major employers. Still, there is no need to time travel back to the Massachusetts of the late 1980s to get a look at how a combination of tax hikes and budget turmoil can help derail a state's economy. Connecticut, which has seen an exodus of iconic employers and wealthy families over the past few years amid a barrage of tax hikes, provides the perfect case study.

Long the wealthiest state in the country in terms of per capita income, Connecticut today is suffering from a corporate revolt that has seen mainstays like General Electric and Aetna move valuable headquarters operations out of state. Less visible but still very real has been a steady outflow of wealth to other states, with high earners increasingly moving to low tax states like Florida and North Carolina and now even Massachusetts. Connecticut's economic performance, in terms of the growth of the number of millionaires in the Nutmeg State, is far below the national average.[1] Other economic indicators also point to trouble, including a stubbornly higher than average jobless rate. The state's billions of dollars of unfunded public employee pension obligations likewise illustrate the dire fiscal issues facing the state.

There are a number of factors that are contributing to the growing unease and turbulence that afflicts the Connecticut economy, generating headlines like the *Atlantic's* "What on Earth is Wrong with Connecticut?" and *Governing's* "The Fiscal Mess in America's Richest State." The Nutmeg State has lost 34,833 manufacturing jobs over the past decade, according to the federal Bureau of Labor Statistics—a drop of 18.2 percent, far greater than the U.S. drop of 11.1 percent over the same period.[2] Connecticut ranked 49th among the states and D.C. in private sector wage gains and 45th in private sector employment gains between 2007 and 2016. It is one of only six states that have not recovered to its pre-recession employment level in seasonally-adjusted non-farm employment, with the largest job recovery deficit of all states. The state's once vaunted regional casino gambling monopoly is also eroding amid new competition from Massachusetts, Rhode Island and New York.

Connecticut's embrace of an aggressive tax policy to pay for ballooning government debt – including a sharp hike in the rate corporations pay – has been a major driver in the loss of a number of bedrock employers. And higher corporate tax rates, combined with hikes in the income tax and especially the estate tax, also appear to be a factor driving away a growing number of the state's wealthiest residents.

The roots of Connecticut's tax crisis

Like the rest of the country, Connecticut has undergone some dramatic changes during the past quarter century.

The changes, which have led to loss of major businesses and, over a 10-year timeframe, an actual decline in jobs, are alarming for our neighboring state. The insurance and financial services sectors—pillars of the Connecticut economy—have taken a hit as companies merge and consolidate, or as in the case

of Aetna, move to what they perceive to be greener pastures.[3] Over the past few years alone, in addition to Aetna moving to New York City, Connecticut has lost General Electric and Alexion Pharmaceuticals to Massachusetts.

In recent decades, Connecticut has seen chronic instability and turmoil when it comes to state government spending and taxes. The last 26 years have been punctuated by a cycle of budget showdowns in Hartford between various governors and legislative leaders. While the faces and names change, the results have typically been the same: sharp tax increases to cover the rising cost of a host of government services, with ballooning public employee pension obligations and health care costs leading the way.[4]

That's not the way it was supposed to work out when Connecticut adopted the state's first income tax in 1991. Back in the 1980s, Connecticut had more in common with income tax-free New Hampshire, offering a lower-cost alternative to businesses and families than much heavier tax-and-spend states like New York, and, at that time, Massachusetts as well.[5]

Connecticut had largely relied on a combination of a sales tax with corporate and capital gains levies to pay its bills, but revenue from all three plunged with the 1990/1991 recession, creating one of the worst state budget meltdowns in the country. When liberal Republican-turned-third-party Gov. Lowell P. Weicker Jr., with help from Assembly and Senate Democrats, pushed through Connecticut's first income tax more than a quarter century ago, one aim was to provide a more solid base for state finances. Critics warned the new tax would beget more spending, but Weicker and other supporters of the income tax argued that plans for a constitutional cap on spending would provide the needed check.[6]

In the years since, the spending cap has fallen by the wayside while Connecticut lawmakers have voted to raise the income tax four times in the last 14 years, in 2003, 2009, 2011, and again in 2015. The top rate has shot up 77 percent since 1991, from 4.5 percent to 6.99 percent.[7] Behind the increases have been escalating public employee pension obligations and health benefits, and payments on Connecticut's large debt load, which has now reached into the tens of billions. These government expenditures increased by 174 percent above the rate of inflation from 1991 to 2016.[8]

Connecticut's budget and tax woes have intensified in the last few years. And Gov. Dannel Malloy and state lawmakers have increasingly targeted high earners and big companies to shoulder more of the burden. Faced with a $3.3 billion budget shortfall in 2011, the state turned to an array of tax hikes to help cover the gap, with a particular emphasis on high earners and big companies. Along with raising the income tax, Gov. Malloy and state lawmakers doubled the surcharge tax for larger firms from 10 to 20 percent; rolled out a 7 percent luxury goods tax on yachts, jewelry, cars and clothes; and lowered the threshold for the estate tax from $3.5 million to $2 million.[9]

Gov. Malloy and lawmakers went back to the tax well in 2015 when they were again faced with a massive budget deficit, tapping the state's major corporations and the wealthy to close the gap. That year's budget hiked the top rate for individuals making over $250,000 and couples more than $500,000 from 6.7 to 6.9 percent, rising to 6.99 percent for single filers earning more than $500,000 and couples pulling down more than $1 million. Connecticut resident trusts and estates saw their taxes jump to 6.99 percent as well.[10] There was also an increase in the relatively new luxury goods tax—covering everything from cars worth more than $50,000 to clothing valued at over $1,000 and up—from 7 percent to 7.75 percent.[11]

Corporations didn't get off any easier. The 20 percent corporate surcharge was extended through 2017, while companies were prohibited from reducing their taxes by more than 50 percent through the use of tax credits, down from 70 percent previously. New restrictions were also imposed on the amount of losses companies could carry forward to defray their taxes while tax reporting requirements were tightened.[12] A decision to move towards a unitary reporting system in which major companies would have to pay taxes on operations beyond Connecticut's borders, drew stern warnings from GE and Aetna, among other companies.

After years of increases, Connecticut's state and local tax burden topped 12.6 percent by 2012, second in the country only to New York and from a low of 9.9 percent in 1980.[13] By 2017, Connecticut was dead last in the nation when it comes to "Tax Freedom" day, which arrived on May 21, more than a month later than Florida and eight days later than in 2015.[14] The state's escalating array of tax hikes has not gone unnoticed by those at the top end of the income ladder.

According to the Tax Foundation rankings published in 2016 (Fig. 1), based on an analysis of 2012 fiscal year data, Connecticut ranked highest in total state/local tax burden per capita nationwide and ranked second highest in state-local tax burden as a percent of state income. Massachusetts, by comparison, ranked 6th and 12th highest, respectively.[15]

While a budget showdown in Hartford again grabbed headlines this year, proposals for yet another income tax hike and for a levy on hedge funds went nowhere amid increasing pushback by the business community. Faced with escalating taxes on multiple fronts, Connecticut's major employers and some of its wealthiest families and individuals as well have been heading for the exits.

Figure 1. State local tax burden ranking by the Tax Foundation - 2012, published in 2016.

State	State-Local Tax Burden as % of State Income	Rank	State-Local Tax Burden per Capita	Rank
Connecticut	12.60%	2	$7,869	1
DC	10.60%	10	$7,541	2
New York	12.70%	1	$6,993	3
New Jersey	12.20%	3	$6,926	4
Maryland	10.90%	7	$5,920	5
Massachusetts	10.30%	12	$5,872	6
California	11.00%	6	$5,237	7
Illinois	11.00%	5	$5,235	8
Minnesota	10.80%	8	$5,185	9
Rhode Island	10.80%	9	$4,998	10
North Dakota	9.00%	33	$4,867	11
Wisconsin	11.00%	4	$4,734	12
Virginia	9.30%	27	$4,623	13
Pennsylvania	10.20%	15	$4,589	14
Hawaii	10.20%	14	$4,576	15
Vermont	10.30%	11	$4,557	16
Washington	9.30%	28	$4,541	17
Delaware	10.20%	16	$4,412	18
Wyoming	7.10%	48	$4,407	19
Colorado	8.90%	35	$4,304	20
Nebraska	9.20%	30	$4,197	21
Kansas	9.50%	23	$4,131	22
Oregon	10.30%	10	$4,095	23
Iowa	9.20%	31	$4,037	24
Maine	10.20%	13	$3,997	25
New Hampshire	7.90%	44	$3,961	26
Ohio	9.80%	19	$3,924	27
Florida	8.90%	34	$3,738	28
North Carolina	9.80%	20	$3,659	29
Michigan	9.40%	25	$3,631	30
Missouri	9.30%	29	$3,591	31
Indiana	9.50%	22	$3,585	32
Utah	9.60%	21	$3,556	33
Arkansas	10.10%	17	$3,519	34
Oklahoma	8.60%	40	$3,515	35
Georgia	9.10%	32	$3,426	36
Montana	8.70%	38	$3,389	37
Nevada	8.10%	43	$3,349	38
Texas	7.60%	46	$3,340	39
West Virginia	9.80%	18	$3,331	40
Idaho	9.30%	26	$3,318	41
South Dakota	7.10%	49	$3,318	41
Kentucky	9.50%	24	$3,298	43
Arizona	8.80%	36	$3,276	44
Alaska	6.50%	50	$3,229	45
New Mexico	8.70%	37	$3,141	46
Alabama	8.70%	39	$3,067	47
Louisiana	7.60%	45	$2,950	48
South Carolina	8.40%	42	$2,936	49
Tennessee	7.30%	47	$2,805	50
Mississippi	8.60%	41	$2,742	51
U.S. Average	**9.90%**		**$4,420**	

Source: 2016 Tax Foundation ranking (based on FY 2012 data)

Stagnant economy

Like many states in the Northeast, Connecticut has been impacted by some larger and not always positive economic trends. The Nutmeg State has seen a steady drop in manufacturing jobs amid growth in lower-paid sectors like health, education and tourism. It is an expensive state to live in, with some of the highest housing costs in the country.

And at a time when larger metropolitan areas like Boston and New York have become magnets for millennials, Connecticut lacks a comparably dominant metropolis to act as a beacon, with its mid-sized cities mired in a decades-long rut.[16]

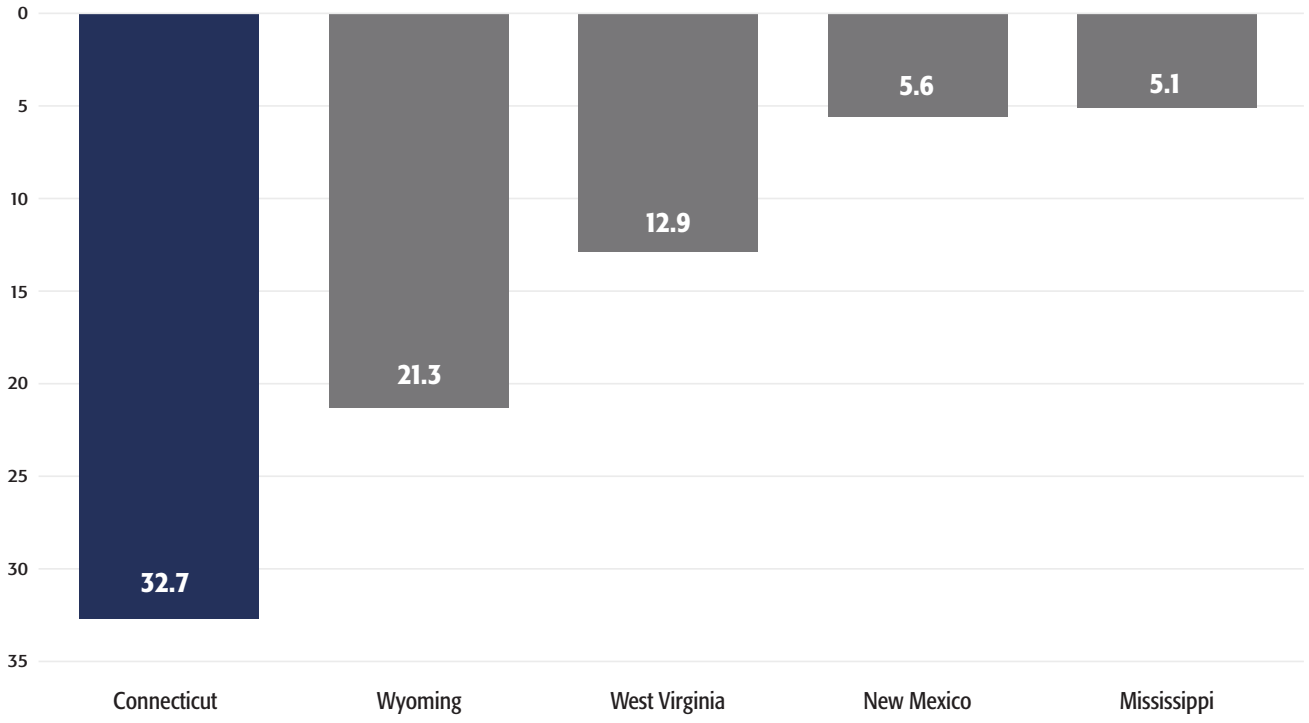
Connecticut's economy has dramatically underperformed the nation and New England over the past decade, a period of near constant state budget emergencies in Hartford followed by sharp tax hikes. It is part of a larger trend, with Connecticut's recovery from the Great Recession markedly slower than the country as a whole or, for that matter, slower than its more economically dynamic neighbor to the north, Massachusetts.

Data retrieved through the federal Bureau of Labor Statistics (BLS) offers useful perspective on these macro-level trends in Connecticut *vis a vis* other states. The BLS's North American Industry Classification System (NAICS) groups establishments into 1,170 industries based on their primary economic activity. The following analysis is based on data from these NAICS groupings that are instructive in state-to-state comparisons.

Since the beginning of the economic downturn in March 2008 through October 2017, only five states have failed to restore employment to pre-recession levels: Connecticut, Mississippi, New Mexico, West Virginia, and Wyoming.[17] Of these, Connecticut has the largest remaining employment deficit, as shown in Figure 2. Connecticut had 32,700 fewer seasonally-adjusted jobs in October 2017 than it had had in March 2008.

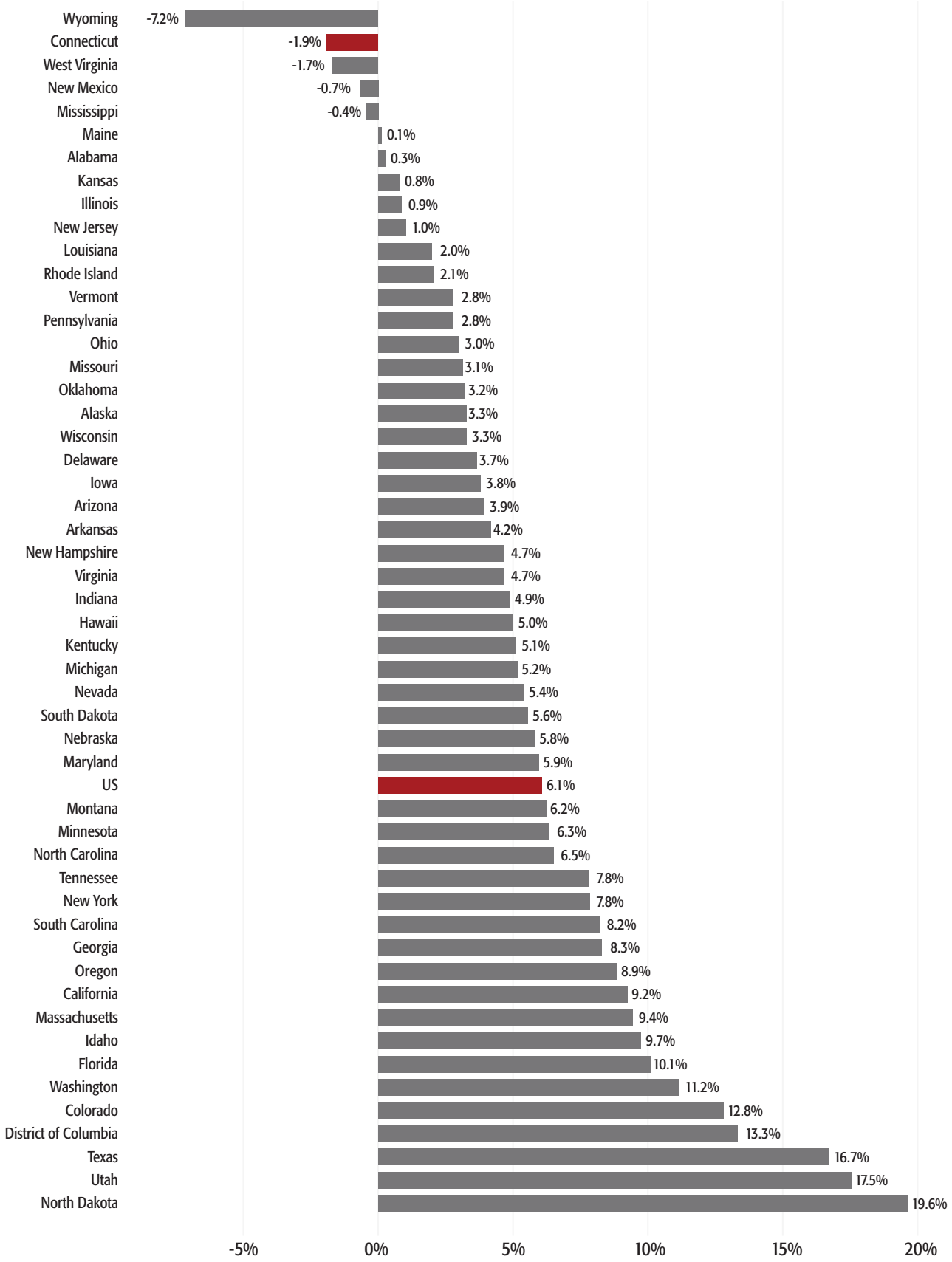
When compared on a percentage basis, Connecticut ranks second worst among the states for job losses incurred from March 2008 to October 2017 (Fig. 3). Connecticut had 1.9 percent fewer non-farm employees in October 2017 than it did prior to the recession in March 2008. Connecticut's weak recovery is trailed only by Wyoming, which has 7.2 percent fewer employees.

Figure 2. Seasonally adjusted employment gains, CT-WY-WV-NM-MS, 03/2008–09/2017



Source: Bureau of Labor Statistics

Figure 3. State rankings by non-farm total employment percentage gains/losses, 01/2008–01/2017



Source: Bureau of Labor Statistics

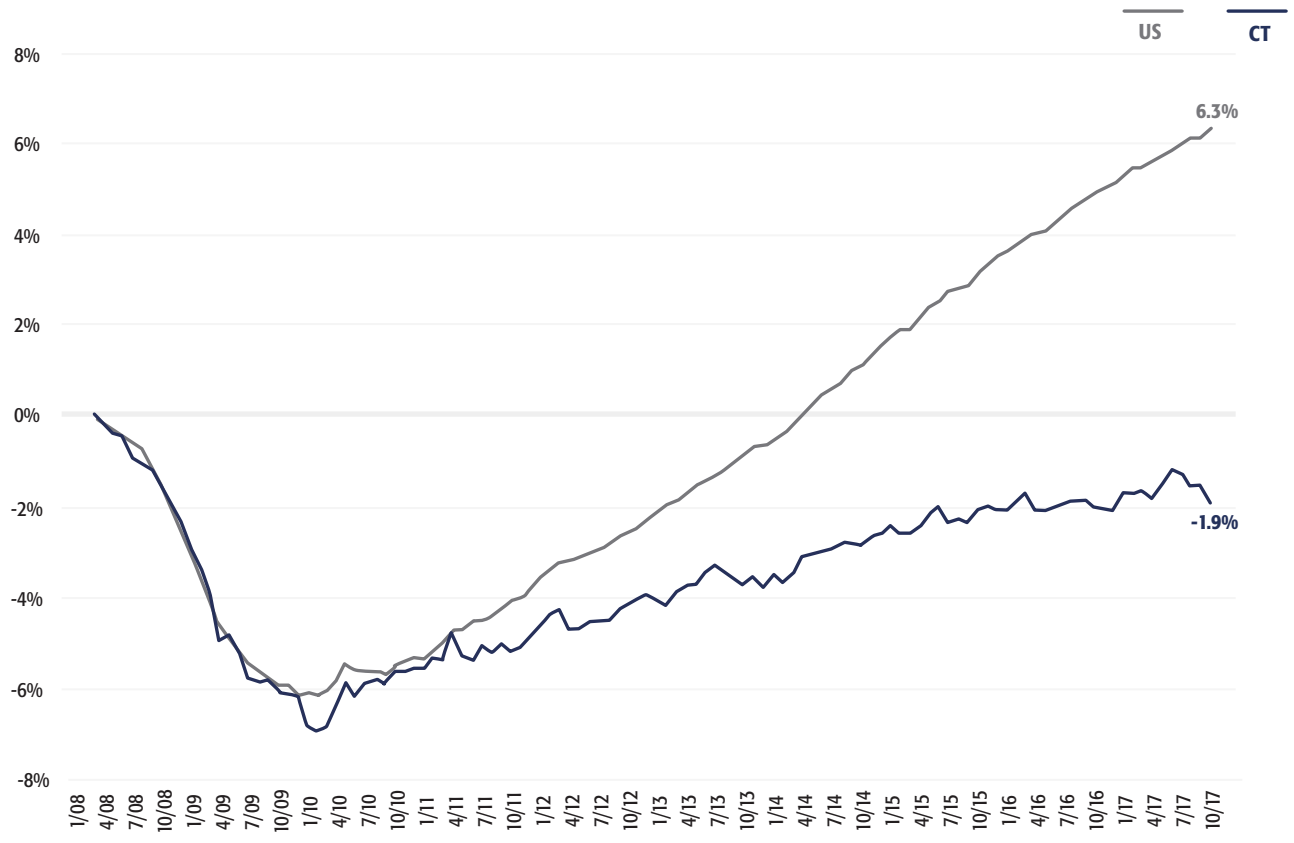
Data since 2008 show that Connecticut has yet to fully recover jobs lost due to the recession. A July 2017 report from Connecticut state comptroller Kevin Lembo outlines some of the state's progress in economic recovery, noting monthly job increases and other labor statistics reflective of improvement.

> Connecticut has now recovered 79.0 percent (94,100, or an average of 1,082 jobs per month) of the 119,100 seasonally adjusted jobs lost in the Great Recession (3/08–2/10). The job recovery is into its 87th month and the state needs an additional 25,000 jobs to reach an employment expansion. At the current job pace this will take over two years.[18]

According to BLS data through October 2017, Connecticut has lost jobs since issuance of the comptroller's report. As of October, 2017, Connecticut has recovered 86,400 of the 119,100 jobs lost by the state from March 2008 to February 2010, or 72.5 percent.

How has Connecticut's job recovery fared relative to the U.S. since the start of the recession? To put this in national perspective, U.S. employment dropped by 8.54 million between March 2008 and February 2010; but from February 2010 to October 2017, the U.S. recovered by adding 17.28 million jobs. This surpassed pre-recession job levels, representing 202.4 percent of jobs lost during the recession. Figure 4 compares recession job recovery in Connecticut to the U.S. as a whole, showing that in October 2017 the U.S. had 6.3 percent more seasonally-adjusted non-farm jobs than it did at the start of the recession in March 2008, while Connecticut had 1.9 percent fewer jobs.[19]

Figure 4. Seasonally-adjusted non-farm employment, U.S. and CT, 03/2008–10/2017



Source: Bureau of Labor Statistics

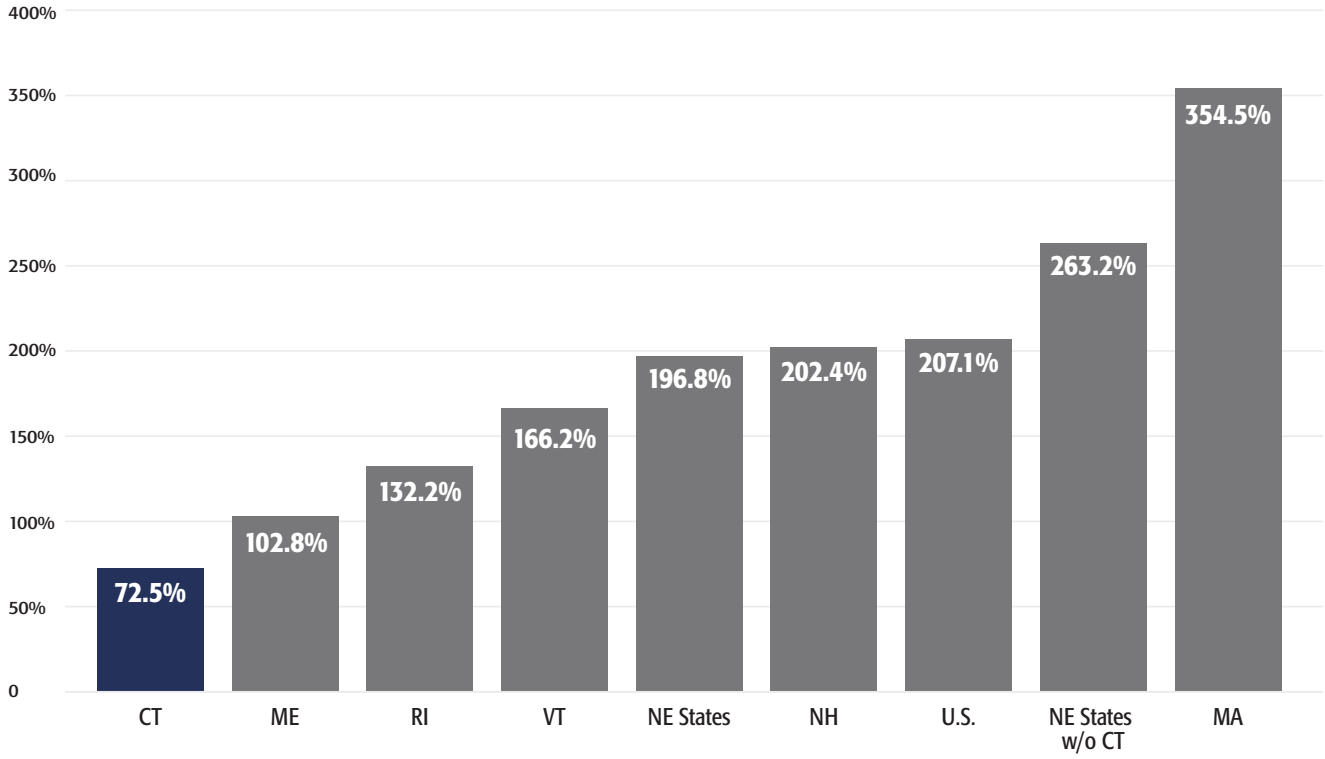
As mentioned above, Connecticut's seasonally adjusted non-farm employment declined by 119,100 during the recession from March 2008 to February 2010 and increased by 86,400 from February 2010 to October 2017, representing a recovery of 72.5 percent of jobs lost during the recession. This makes Connecticut the only New England state that has not regained its pre-recession seasonally adjusted non-farm employment level (Fig. 5).[20] All other states have regained pre-recession job levels and on average. Between February 2010 and October 2017, Maine recovered 102.8 percent of employment losses experienced between March 2008 and February 2010. Massachusetts has restored 354.5 percent of its recession job loss. As a whole, New England underperformed the U.S. in job recovery (N.E. 196.8 percent versus U.S. 202.4 percent) but if Connecticut is excluded from the analysis, New England outperformed the U.S. (N.E. 263.2 percent versus U.S. 202.4 percent).

Another useful measure of the dissonance between Connecticut and the rest of the country in terms of economic performance is private sector compensation growth. Connecticut ranked 49th among the states and D.C. in private sector wage gains from 2007 to 2016 (based on annual averages for both years), with private sector paychecks increasing just 12.2 percent compared to the U.S. average of 27.5 percent (Fig. 6). By comparison, Massachusetts added 32.3 percent, beating the national average. Connecticut also trailed its fellow New England states in this key measure; in fact, if not for Connecticut's relatively weak wage gains, the region would have outperformed the national average.[21] The Nutmeg State also underperformed the U.S. in percentage increase in private sector wages in all 18 NAICS sectors in the period from 2007 to 2016, and its wage growth ranked 41st or worse among the states and D.C. in 14 of 18 of those sectors.[22]

In terms of private job growth, another indicator of labor market health, Connecticut underperformed the U.S. in 16 of 18 NAICS sectors in the period from 2007 to 2016 and ranked 45th overall among the states and DC by percentage increase. Connecticut lost 0.24 percent of private sector jobs over this period while the U.S. gained 5.69 percent. Massachusetts by comparison exceeded the national average in job growth in 11 sectors over this period and exceeded the U.S. average (8.42 percent growth in Massachusetts versus 5.69 percent in the U.S.).

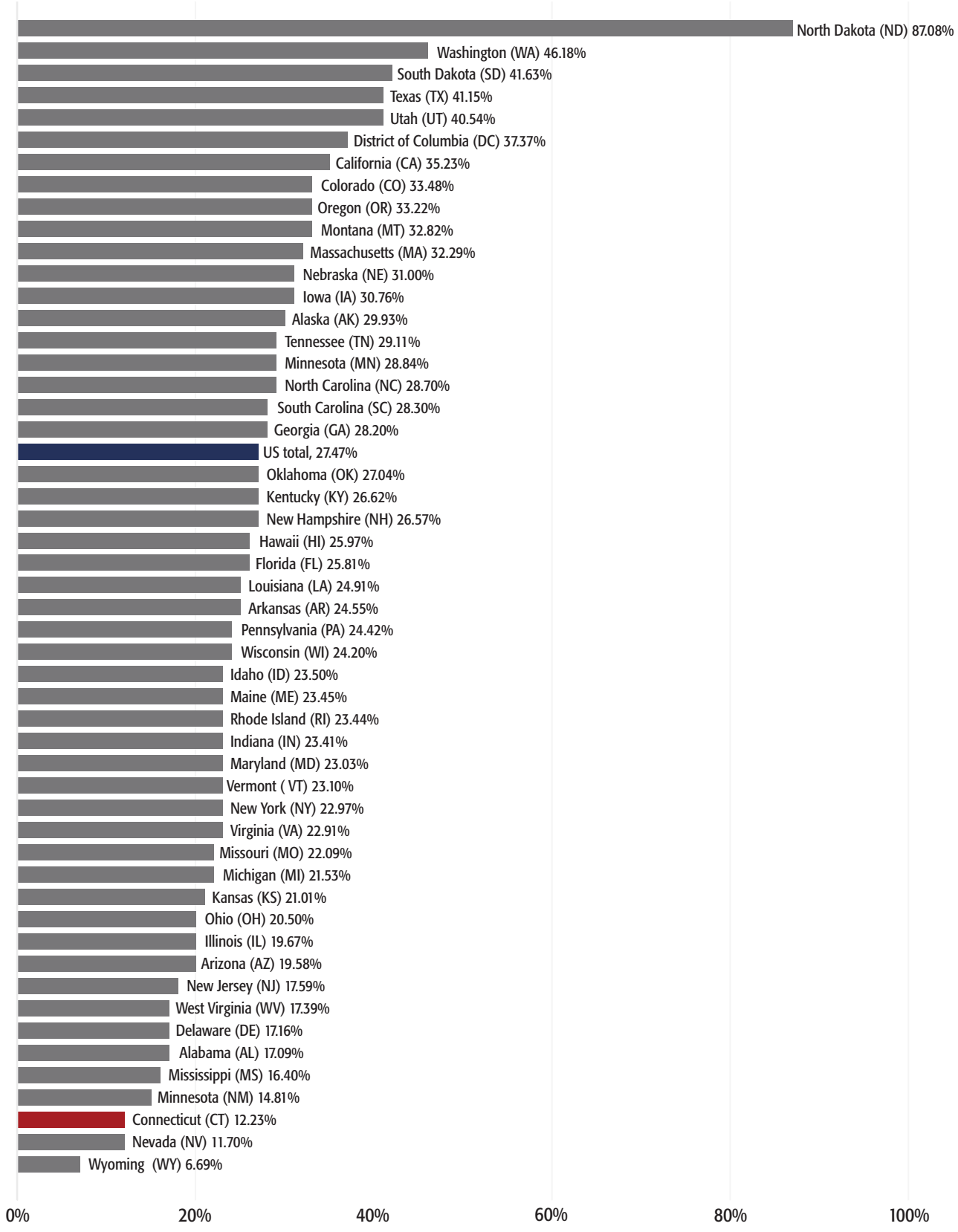
Connecticut was hit especially hard in specific industries over this period, suffering double-digit job losses in finance and insurance (-12.70 percent), manufacturing (-18.21 percent), construction (-13.92 percent), and utilities (-15.41 percent), among other sectors.

Figure 5. Recovery of jobs lost during the recession by New England states and U.S., by percentage.



Source: Bureau of Labor Statistics

Figure 6. Percentage increase in private sector wages by state, 2007–2016



Source: Bureau of Labor Statistics

Connecticut underperformed the U.S. in percentage private sector wage growth in all 18 NAICS sectors in the period from 2007 to 2016 (Fig. 7). Overall, Connecticut ranked 49th among the states and D.C. in private sector wage gains between 2007 and 2016. Its wage growth ranked 41st or worse among the states and Washington D.C. in 14 of 18 of those sectors. Overall, Connecticut's increase in private sector wage growth was less than half that of U.S. growth (12.23 percent growth in Connecticut versus 27.47 percent in the U.S.) Massachusetts by comparison, exceeded the national average in wage growth in 12 sectors over this period and exceeded the national average (32.29 percent growth in Massachusetts compared to 27.47 percent in all fifty states and DC.)

Connecticut underperformed the U.S. in private sector job growth in 16 of 18 NAICS sectors in the period from 2007 to 2016 and ranked 45th overall among the states and DC by percentage increase (Fig. 8). Connecticut's lost 0.24 percent of private sector jobs over this period while the U.S. gained 5.69 percent. Massachusetts by comparison exceeded the national average in job growth in 11 sectors over this period and exceeded the U.S. average (8.42 percent growth in Massachusetts versus 5.69 percent in the U.S.)

Connecticut suffered double-digit job losses in finance and insurance (-12.70 percent), manufacturing (-18.21 percent), construction (-13.92 percent), and utilities (-15.41 percent), among other sectors.

Figure 7. Private Sector Wage Gains/Loss by Percentage, by NAICS Sector (2007 to 2016)

Private Sector Wage Gains/Loss (%) - 2007 to 2016							
NAICS SECTOR	US	CT	CT +/- from US	CT state rank	MA	MA +/- from US	MA rank
Accommodation and food services	43.33%	35.46%	-7.9%	36	47.32%	4.0%	18
Administrative and waste services	31.29%	19.83%	-11.5%	43	25.07%	-6.2%	40
Agriculture, forestry, fishing and hunting	42.70%	18.87%	-23.8%	43	52.14%	9.4%	17
Arts, entertainment, and recreation	36.13%	12.87%	-23.3%	42	35.68%	-0.4%	25
Construction	10.78%	2.34%	-8.4%	34	30.84%	20.1%	9
Educational services	49.54%	49.21%	-0.3%	24	48.84%	-0.7%	25
Finance and insurance	15.81%	-1.36%	-17.2%	49	16.70%	0.9%	38
Health care and social assistance	46.94%	31.72%	-15.2%	47	51.83%	4.9%	14
Information	31.36%	25.44%	-5.9%	10	34.36%	3.0%	8
Management of companies and enterprises	46.05%	27.75%	-18.3%	41	39.98%	-6.1%	32
Manufacturing	7.78%	-6.30%	-14.1%	46	3.27%	-4.5%	35
Mining, quarrying, and oil and gas extraction	16.54%	-8.51%	-25.1%	35	-16.27%	-32.8%	41
Other services, except public administration	26.91%	20.64%	-6.3%	41	22.32%	-4.6%	35
Professional and technical services	46.14%	27.65%	-18.5%	43	60.62%	14.5%	8
Real estate and rental and leasing	24.89%	24.80%	-0.1%	19	36.93%	12.0%	6
Retail trade	18.33%	6.39%	-11.9%	51	19.19%	0.9%	18
Transportation and warehousing	31.41%	8.45%	-23.0%	50	32.95%	1.5%	16
Utilities	25.81%	-10.19%	-36.0%	50	29.00%	3.2%	19
Wholesale trade	18.79%	7.99%	-10.8%	43	13.50%	-5.3%	34
Total, all industries	27.47%	12.23%	-15.2%	49	32.29%	4.8%	11

Source: Bureau of Labor Statistics

Figure 8. Private Sector Job Gains/Loss by Percentage, by NAICS Sector (2007 to 2016)

Private Sector Job Gains/Loss (%) - 2007 to 2016							
NAICS SECTOR	US	CT	CT +/- from US	CT state rank	MA	MA +/- from US	MA rank
Accommodation and food services	17.09%	13.48%	-3.6%	24	18.92%	1.8%	8
Administrative and waste services	6.75%	-0.51%	-7.3%	44	3.90%	-2.9%	28
Agriculture, forestry, fishing and hunting	7.92%	-4.86%	-12.8%	41	22.09%	14.2%	18
Arts, entertainment, and recreation	14.56%	12.79%	-1.8%	26	22.92%	8.4%	8
Construction	-11.62%	-13.92%	-2.3%	32	6.24%	17.9%	4
Educational services	21.09%	15.46%	-5.6%	36	12.60%	-8.5%	8
Finance and insurance	-2.76%	-12.70%	-9.9%	49	-6.44%	-3.7%	45
Health care and social assistance	24.67%	14.40%	-10.3%	42	31.67%	7.0%	5
Information	-7.77%	-15.40%	-7.6%	27	1.52%	9.3%	6
Management of companies and enterprises	21.20%	23.40%	2.2%	26	6.77%	-14.4%	25
Manufacturing	-11.11%	-18.21%	-7.1%	42	-16.82%	-5.7%	43
Mining, quarrying, and oil and gas extraction	-7.11%	-22.24%	-15.1%	34	-32.84%	-25.7%	27
Other services, except public administration	-1.18%	7.48%	8.7%	13	-6.87%	-5.7%	49
Professional and technical services	15.74%	5.16%	-10.6%	39	23.07%	7.3%	5
Real estate and rental and leasing	-1.27%	-5.24%	-4.0%	24	3.91%	5.2%	6
Retail trade	2.03%	-3.44%	-5.5%	42	1.77%	-0.3%	12
Transportation and warehousing	11.02%	6.38%	-4.6%	33	13.90%	2.9%	14
Utilities	0.62%	-15.41%	-16.0%	46	9.08%	8.5%	8
Wholesale trade	-2.14%	-7.87%	-5.7%	38	-9.24%	-7.1%	44
Total, all industries	5.69%	-0.24%	-5.9%	45	8.42%	2.7%	6

Source: Bureau of Labor Statistics

It is important to note that the new jobs being created in the Nutmeg State are also not as high-paying as the ones it has been losing. A 2016 report by the Connecticut Commission for Economic Competitiveness found that jobs added by the state's new growth industries – health care, food service and education – average annual pay of $54,018. More remunerative fields, like IT, manufacturing and construction, where wages weigh in at $75,246, are shedding jobs.[23]

According to the State Economic Competitiveness Index series published by the American Legislative Exchange Commission (ALEC), Connecticut's economic outlook ranked 32nd among the states in 2009 (with 1 being best and 50th being worst.)[24] By 2016, its rank had slipped to 46th. The state's drop of 14 places in economic outlook rank was the second worst of all states between 2009 and 2016, with only the state of Washington declining more (from a rank of 22nd to 40th). In its most recent report, ALEC cited Connecticut's GDP growth of 20.3 percent from 2005–2015, 47th worst in the nation, as well as Connecticut's trouble in hanging onto its residents, with the loss of 165,000 people over the 10 years.[25]

Impact on homeowners

Repeated budget crises and tax hikes don't just result in a sluggish economy and job losses. Homeowners are also taking a hit. Connecticut ranked dead last among the 50 states and Washington, D.C. in house price appreciation for the five year period ending March 31, 2017 – by a lot (Fig. 9).[26]

The economic damage done by Connecticut's perennial budget deficits have apparently been compounded by the state's decision to deal with them by repeatedly hiking taxes, according to economist Nicholas Perna. "Deficits are not just corrosive to confidence in the business climate, but eliminating them through taxes or spending cuts is a drag on the economy," Perna noted in an interview with the *CT Mirror*.[27]

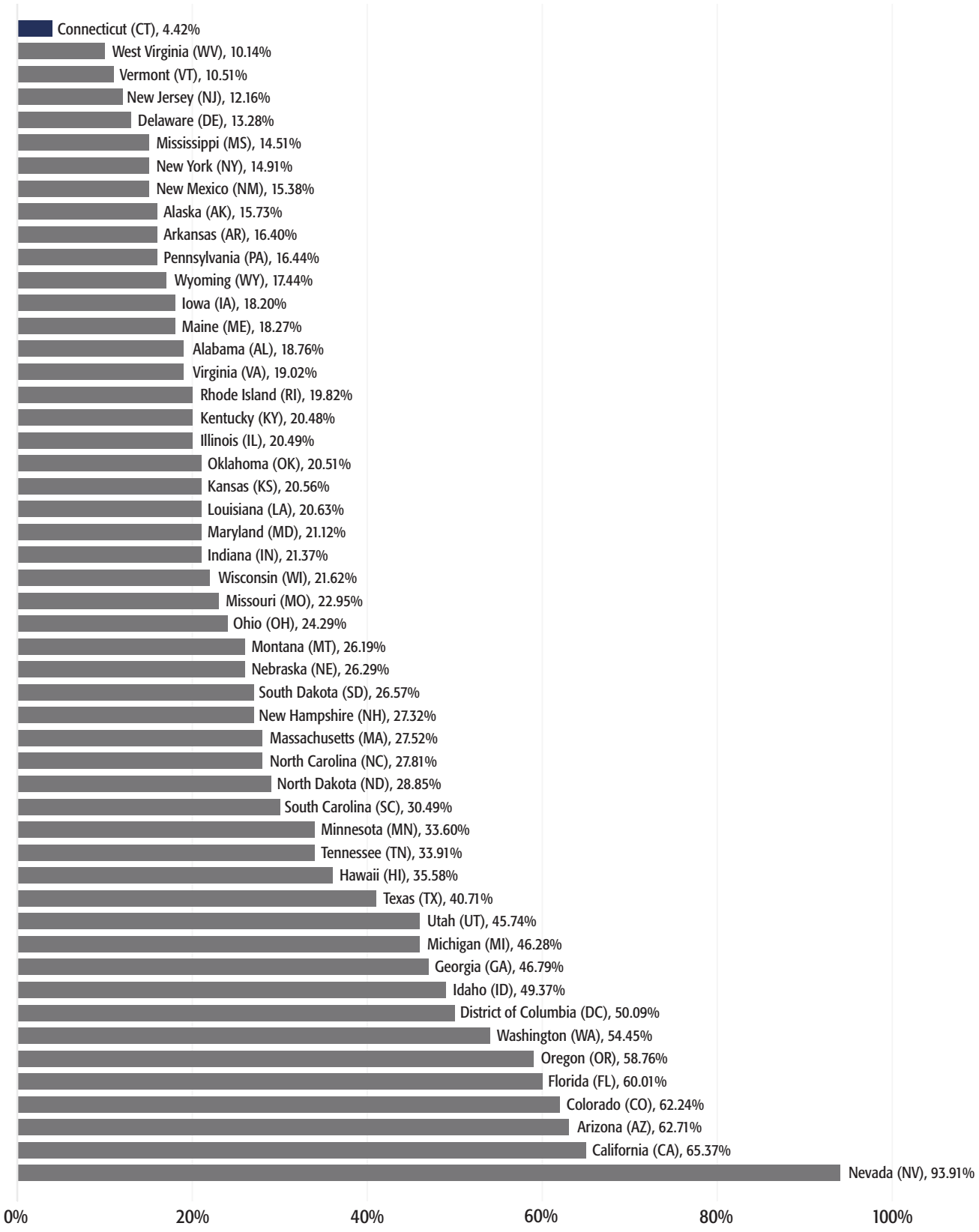
Looking ahead, Connecticut's outlook is clouded by high taxes and high debt. At 9 percent, Connecticut is the 42nd of 50 states in terms of the highest corporate tax rate; the state ranks 34th in income tax, and 43rd in local property taxes. The Nutmeg State is dead last in estate taxes and 47th when it comes to recent tax hikes, which have taken an additional $3.51 bite out of every $1,000 of income earned by its residents.[28]

Corporate exodus

Faced with a sluggish economy and constant turmoil over the state budget and taxes, some of Connecticut's top companies are now packing up and moving to other states and cities. And this corporate exodus threatens to further exacerbate the state's already serious tax and budget woes.

General Electric has been at the forefront of this outmigration after its 2016 decision to move its headquarters to Boston's booming waterfront. GE is investing millions in a new Boston

Figure 9. Home value appreciation by state, Q1-2012 to Q1-2017



Source: Federal Housing Finance Agency (FHFA) House Price Index (HPI)

headquarters that will eventually employ up to 800 people, including many highly paid top executives.[29]

GE's departure certainly has been bad news for Connecticut's public finances. The amount GE has been paying in state taxes has been a subject of debate. But Fairfield has lost one of its largest taxpayers—roughly $1.9 million a year—while hundreds of well-paid GE executives will no longer be paying Connecticut income taxes.[30]

But for Connecticut, the biggest damage has been to its once solid reputation as a good place to do business. Connecticut's failure to hang onto the crown jewel of its corporate community—or at least to make a reasonable show of responding to GE's concerns—has helped make the Nutmeg State a poster child for states seemingly hostile or indifferent to the concerns of business, sparking negative business press coverage.

GE's move has also paved the way for defections by other companies that are unhappy about the direction of Connecticut's tax and budget policies. Aetna's recent decision to move its headquarters to Manhattan may have been even more unsettling given the company's roots in Connecticut that go back to 1853. While insurer says it will leave most of its employees in Hartford, the loss of its top executives to New York will still mean millions in lost income taxes.[31]

Even so, Aetna offered a warning, tying the issue of whether it will keep a substantial force of employees in Connecticut over the long term to the state's economic health and the ability of political leaders to put the state's finances on a "sound financial footing."[32]

Alexion Pharmaceuticals recently joined the exodus, announcing plans to move to Boston by mid-2018, despite having to pay back a $20 million loan from the state of Connecticut and a $6 million grant.[33]

It would be hard to argue that no one saw this corporate rebellion brewing. GE and Aetna were out front in warning Connecticut's political establishment about the potential consequences of its seemingly endless cycle of budget crises followed by tax hikes. With a $700 million tax hike in the works, Aetna, Travelers and GE all released statements on the same June day in 2015 warning Gov. Malloy and legislators of the potential consequences of moving forward. GE warned it would "seriously consider whether it makes any sense to" to remain in Connecticut, while Aetna made clear "such an action will result in Aetna looking to reconsider the viability of continuing major operations in the state."[34]

Connecticut lawmakers passed the tax package anyway. One senator argued that the increases, which supporters argued would be used to pay for overhauls to the state's transportation system, signaled "a brighter day" ahead.[35]

The plan included a "unitary tax" requiring companies to pay taxes on their subsidiaries and operations in other jurisdictions, not just Connecticut. With its global footprint, GE had been particularly vocal about its concerns about that part of the tax increase package.[36]

Voting with their feet

It is not just Connecticut's leading corporations that are reconsidering whether to stay in the Nutmeg State. Some of the state's wealthiest families and individuals have also been voting with their feet.

Most wealthy individuals don't have the megaphone of a large, corporate organization from which to broadcast their displeasure over state budget and tax policy changes. For myriad reasons, high net worth individuals may also be loath to take actions that draw attention to their status or inject themselves into volatile and contentious public debates.

However, in 2014, the IRS for the first time began to report "Gross-Migration file" data, which tracks changes in address reported on income tax returns. The data tracks both "inflows"—taxpayers moving into a particular state or county—and "outflows," or those leaving. The returns are also grouped by age and adjusted group income in tiers ranging from $0 – $10,000 to $200,000 and up.

The data affords researchers the opportunity to study the inward and outward state migration of individuals with relatively high incomes. It does, however, have its critics, who note that just because someone moves out of state doesn't mean the job and taxable income they are leaving behind is lost, arguing that someone else will be hired to fill the position.

Critics have also taken aim at studies arguing that state tax rates are the primary reason why some states are losing population, especially among wealthier residents. There are obviously many factors driving migration from some states and towards others, including a preference for the sunnier climes of Florida and Texas by retirees from the chillier Northeast. Housing costs and economic factors are also important, especially if opportunities for advancement and profit are more abundant elsewhere.

Yet it would be disingenuous to say that tax rates and additional levies like estate and inheritance taxes play no role in why some states are losing population at the expense of others without income or estate taxes. That is especially true in the case of Connecticut, which has lost a significant number of its wealthiest citizens during a time of rising tax rates combined with one of the most lackluster economic performances in the country.

The impact of this outmigration of high-earning residents has been significant. In total, 12,954 of Connecticut's high-income out-migrants—i.e. those with AGI of $200,000 or more—had

an average AGI of $886,315 from 2011–12 to 2014–15, larger than that of any other state and 31.3 percent higher than that of the second place state, California. Though this cohort of residents represented only 7 percent of Connecticut's total out-migrants over this period, they represented 57 percent of out-migrant AGI. This group of high earners had average adjusted gross income of $838,968, collectively earning $10.87 billion.

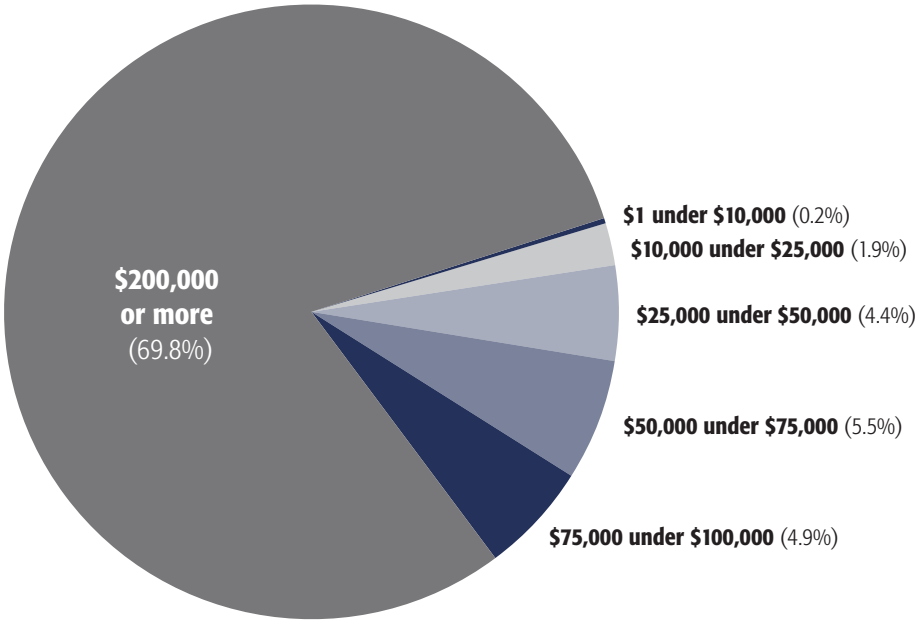
While Connecticut gained 9,827 high-income taxpayers through in-migration during the same period (defined as earning $200,000 and up), the average earnings of the state's high-income out-migrants was 27.6 percent higher than that of its in-migrants ($838,968 versus $657,539), and Connecticut had 31.8 percent more high-income out-migrants than in-migrants. The net result was a net loss $4.41 billion in adjusted gross income among taxpayers with AGO of $200,000 or more. Across all income groups, Connecticut had net out-migration of $6.32 billion in AGI over the four year period from 2011–12 to 2014–15, with 69.8 percent of that net AGI out-migration attributable to taxpayers with incomes of $200,000 or more (Fig.10).

Connecticut's net migration of AGI of high income taxpayers was second-worst in the country when measured against the number of high-income tax returns filed in each respective state over the four year period. Connecticut on average received 105,436 tax returns per year with AGI of $200,000 or more over the period from 2011–12 to 2014–15. Its net out-migration of AGI of taxpayers in this income category was $4.41 billion, representing an average AGI loss of $41,792 per high income taxpayer. Connecticut's net loss of high income AGI per taxpayer trailed only that of Washington, D.C.[37] While Connecticut and D.C. were losing net AGI due to out-migration of high income taxpayers, many states, led by Florida, had net positive gains of AGI per high-income taxpayer due to substantial in-migration of high-income taxpayers (Fig. 11). Over this period, 59,311 taxpayers in this category (i.e. AGI of more than $200,000) moved to Florida with an average AGI of more than $775,767.

The decision by some of the state's wealthiest families to move elsewhere has contributed to a decline in tax revenue that has only helped deepen the Nutmeg State's latest budget crisis. And state officials in Connecticut have announced pubic recognition of this issue. Taxes paid by the state's top 100 taxpayers plunged by 45 percent from 2015 to 2016, state revenue officials have reported, adding up to a $200 million hit.[38] Connecticut relies heavily on the taxes paid by its wealthiest 357 families, who account for 11.7 percent of income tax revenue, a 2014 study by the Connecticut Department of Revenue Services found.[39]

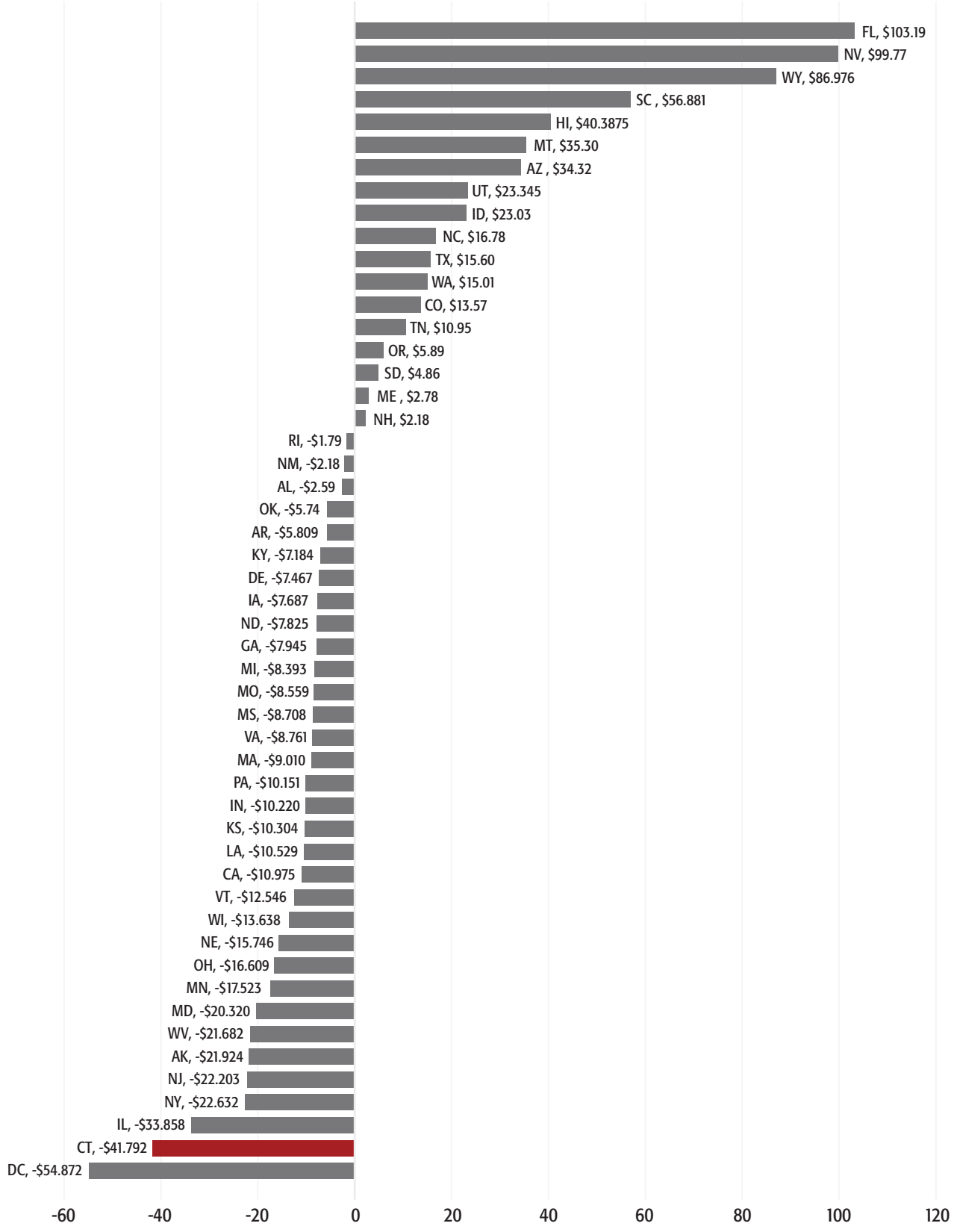
Beyond out-migration of high income residents, a number of additional factors may be fueling the drop off in taxes paid

Figure 10. Net out-migration of AGI by income group, CT, 2011–2012 to 2014–2015



Source: Bureau of Labor Statistics

Figure 11. Net AGI loss due to out-migration of high income taxpayers by state, 2011–2012 to 2014–2015



Source: Bureau of Labor Statistics

by Connecticut's wealthiest residents. State revenue officials point to a decline in the hedge fund industry and say that fewer than five members of the top 100 payers have dropped off the list by moving out of state or for other reasons since 2014. Still, it may only take a few hedge fund titans to leave for the impact to be felt in state coffers. Edward Lampert and Paul Tudor Jones, two high-profile Greenwich hedge fund owners, both fled to Florida for tax reasons, the Connecticut Hedge Fund Association told state lawmakers at a finance committee hearing. Florida has no income tax or estate tax.[40]

Moreover, Connecticut's wealthiest families may be taking other measures short of completely relocating to protect their income as the state repeatedly increases rates. The amount of taxes paid by the top 100 jumped after rate hikes in 2011 and 2015, only to fall again the following years, state revenue officials have said.[41]

Connecticut is also faring well below average in another measure: the number of millionaires who either made their money in the state or have moved to it. Of the 10 states with the most millionaires, Connecticut ranks dead last in the number of new members of this exclusive class added from 2010 to 2015. Nationally, the number of millionaires jumped 55 percent over the first half of the decade, to 438,370.[42]

By contrast, Connecticut saw just 27 percent growth in those earning $1 million and up, falling behind other high-tax states like New York and Illinois, which saw its millionaire class grow by 40 percent, and New Jersey, which, at 42.7 percent, experienced even greater growth in those earning seven figures.[43]

Florida and Texas, both of which don't have an income tax, came in at 69 percent and 58 percent respectively, while California, home to Silicon Valley, topped 72 percent, with the highest growth in millionaires.[44]

It's not just about the income tax. The wealthiest taxpayers also pay close attention to estate and gift taxes, which can fall heavily on those in the highest tax brackets. Connecticut is one of a dwindling number of jurisdictions with an estate tax and the only state with a gift tax.

Fourteen states still tax have an estate tax, down from 20 a few years ago after Tennessee, Indiana, Kansas, Oklahoma and North Carolina all abolished the levy.[45] Several other states have decided to raise their thresholds for applying the tax, with New York notably upping it to $5.25 million.[46]

But under pressure to meet the rising cost of ever-growing public employee pension obligations, Connecticut has moved in the opposite direction. During the 2011 budget crisis, the state lowered the threshold for its estate tax, which tops out at 12 percent, from $3.5 million to $2 million.[47] Four years later, amid another budget showdown, state lawmakers lifted a $12,500 cap on probate fees, while estates over $2 million had court fees raised to 0.5 percent, enough so that probate costs topped $1 million for some large estates.[48]

Connecticut's decision to double down on the estate tax, along with its income tax hike, has arguably been a significant factor contributing to the outflow of wealthy families and their assets since 2013. A 2007 study by Connecticut revenue and budget officials zeroed in on the reasons why residents and retirees were leaving the Nutmeg State. More than half the estate planners surveyed for the study reported having clients who changed their main residence from Connecticut or moved to another state altogether "primarily" due to the estate tax.[49]

The average estate of those who left Connecticut was $7.5 million, which would have equated to $705,200 in potential estate taxes, while their average taxable income was $446,000. This resulted in a loss to the Connecticut treasury of nearly $22,000 in income taxes from each family who left.[50] The top four destinations were Florida, New Hampshire, Arizona and North Caråolina, none of which have estate taxes. The top four concerns of clients who moved out of Connecticut were the state's income tax, its estate tax, the New England climate, and already spending part of the year out of state.[51]

The study by Connecticut revenue officials also noted it's not that hard to change your principal address for tax purposes given the options opened up by modern travel and the personal computer and the internet. It can be as simple as listing a second home as a main residence.

The ease with which Connecticut's highest earners are able to side-step estate taxes and the state's 12 percent gift tax, another levy unpopular with the wealthy, were highlighted in an op-ed by David DeLucia, a retired executive living in Darien who became "rich" after a long and successful career on Wall Street.[52] DeLucia notes that all but one of his "super wealthy" friends in Connecticut have since moved to Florida. He is particularly irked by Connecticut's gift tax, noting it is the only state with such a fee. After a lifetime of paying taxes, DeLucia feels he has paid his fair share and then some. "Wealthy people have options, especially mobility," DeLucia writes. "If I sell my Connecticut home, move to any other state and then make gifts of my wealth to my heirs, I save them millions of dollars. My super wealthy friends call this the 'free move.' You can move out of Connecticut and the gift tax savings more than offsets the cost of the move and the new home purchase. Why wouldn't anyone do this?"

When the wealthy leave, the state doesn't just lose out on the income taxes they would have paid. Their spending on "expensive cars, big homes, expensive jewelry … fancy restaurants" also moves with them, not to mention wages paid to "landscapers, plumbers, electricians, etc.," DeLucia argues.

"Connecticut politicians seem wedded to their simple strategy of, "Let's keep raising taxes on the remaining corporations and the wealthy so they can all pay their fair share," DeLucia writes. "This one-trick pony only works for so long and, I might add, when you put on too much weight, even a strong pony collapses."

This outmigration of the wealthy is part of a national trend that is seeing the wealthy move out of New York, New Jersey and other states to escape estate taxes.

Nor is it necessarily required to actually move anywhere for the affluent to avoid estate taxes.

In some cases, the highest earners aren't going anywhere, just moving assets into trusts in states like Delaware and Alaska without estate taxes. William Lipkind, a New Jersey lawyer, told Bloomberg News he routinely moves clients' assets out of state to avoid estate taxes, with the amount ranging from several hundred thousand dollars to hundreds of millions. "I can't sit with a client who has a substantial portfolio or is contemplating selling his business without putting the strategy on the table," Lipkind said. "You scratch your head and say, 'Why pay if we don't have to?'"[53]

Connecticut's experience with its estate tax illustrates the law of diminishing returns. The tax brought in just 1 percent of state revenue in 2014, or $168 million, down from 2.5 percent in 2001.[54]

No longer Taxachusetts

Defenders of Connecticut's tax policies point to the fact that the Nutmeg State has lost a considerable amount of wealth over the last few years to Massachusetts. Given the commonwealth's old Taxachusetts label, they claim this demonstrates that Connecticut's tax policies are not a major factor in the exodus of wealthy taxpayers from the state.

But this argument is rooted in an outdated view of the Bay State's tax and budget policies, ignoring the state's quarter century shift away from high public spending and high taxes to a more moderate approach. Since 1991, when Connecticut rolled out its own income tax, the paths of the two states have diverged. The Nutmeg state has hiked its income tax four times since 2003 compared to just once for the Bay State in the last 25 years.

In the midst of a dire budget crisis amid the 1990–1991 recession, Massachusetts lawmakers voted to hike the income tax to 6.25 percent and then drop it down again in 1992 to 5.95 percent.[55] Nearly a decade later, Massachusetts approved a ballot question to bring the income tax rate back down to 5 percent. State lawmakers later attached a series of conditions designed to make the decline in the income tax rate a gradual process, with a .05 percent drop each year in which certain revenue markers are met. By 2017, the rate had fallen to 5.1 percent.[56]

State lawmakers roundly rejected a proposal by Gov. Deval Patrick in 2013 to hike the income tax rate back to 6.25 percent to spend more on transportation and infrastructure projects.[57] While Massachusetts adopted a combined tax reporting system of the type GE protested so vehemently in Connecticut, it also knocked its corporate tax rate down from 9.5 percent to 8 percent.[58]

From 1977 to 2012, Massachusetts saw one of the largest tax reductions in the country, with residents' local and state tax burden dropping from 12.3 percent to 10.3 percent. Only Alaska and North and South Dakota saw bigger drops.[59]Once one of the worst performers, Massachusetts is now solidly in the middle ranks of Tax Foundation's Business Tax Climate Index.

The Bay State's relative restraint on taxes and spending helped set the stage for a quarter century of strong growth following the state budget battles and crises of 1988–1991. Massachusetts has created more and better jobs than Connecticut and other states across the Northeast, with per capita income rising 11.6 percent from 1980 to 2016.[60]

Overall, Massachusetts gained a total of 237,850 net jobs from 2007 to 2016 for an increase of 8.4 percent, according to Pioneer's research. The commonwealth outperformed the rest of the country in 10 of the 20 key employment sectors, including professional and technical services and construction. The state's biggest employment gains came in the health care and assistance sector, with an increase of 148,182 jobs.[61]

The state has recovered all the jobs lost during the recession and then some, with 3.3 million people now working in Massachusetts, compared to 3.2 million in October, 2009.[62] The state unemployment rate is 3.9 percent, better than its pre-recession level of 4.6 percent and down from 8.8 percent at the height of the downturn.[63]

The Bay State's lower taxes and more vibrant economy are attracting millionaires at more than twice the rate of Connecticut. Massachusetts saw the number of filers with adjusted gross incomes of $1 million or more increase by 57.3 percent from 2010 to 2015, a couple of percentage points above the national average and just below Texas.[64] That's also well above Connecticut's 27.2 percent rate.[65]

From 1993 to 2015, Connecticut lost $1.4 billion in wealth as high-income residents left for Massachusetts, the third most popular destination behind California ($8.8 billion) and North Carolina ($1.5 billion).[66]

Conclusion

Supporters say that Proposition 80 would be a relatively painless way to raise billions in revenue for new state spending in education and transportation. After all, the tax would target a tiny subset of the Massachusetts population, the 19,565 who make $1 million or more a year. That's just 0.5 percent of all taxpayers.[67]

Warnings that a millionaire's tax could push some of the state's top earners to move to friendlier tax climes are waived off by supporters as so much hot air from the business community. The state's wealthiest taxpayers are effectively a captive audience, with hundreds of millions in new revenue just waiting to be tapped, supporters of the Fair Share amendment contend.

It's an interesting argument given that financial advisors and lawyers who work with wealthy "family office" clients in Massachusetts are ramping up their marketing on the issue, offering their services to those seeking to relocate or simply cushion the blow.

But Massachusetts would be well advised to look closely at Connecticut, a state that has turned repeatedly to its wealthiest taxpayers to cover spending increases and is now reaping some of the consequences. Connecticut's governor and top legislative leaders were equally optimistic before the state's last major tax hike in 2015, with a spokesman for Gov. Malloy calling it an "historic investment" financed by tapping the state's richest families and companies. At the time, Mark Bergman, a spokesman for the governor, said "We are asking our wealthiest and our corporate community to help pay for a transformational transportation and infrastructure system that will benefit Connecticut's economy for decades to come."[68]

As it considered yet another tax hike in 2015, Connecticut's Legislature and governor shrugged off warnings from major employers like GE and Aetna that they would consider moving out of state if potentially damaging provisions like a unitary tax reporting system were passed. Years of red flags and other signs that the Nutmeg's state wealthiest families were also unhappy with the state's tax policies also went unheeded.

However, the state's third tax increase in six years failed to usher in a new era of balanced prosperity or even solve Connecticut's persistent budget woes. Instead, Connecticut's economic growth practically ground to a halt in 2016, with a drop in income tax revenue from the state's wealthiest taxpayers triggering another budget crisis in 2017.

This time, legislative leaders rejected plans to boost the state income tax for couples making more than $1 million annually to 7.49 percent.[69] Malloy, who just two years before had led the charge for higher taxes on corporations and the wealthy, talked lawmakers down from plans to impose a special tax on hedge funds, siding with Republicans who argued it would drive millionaires from the state.[70]

While the Massachusetts economy has proven far more resilient and dynamic in recent years, there's no reason to think a similar scenario couldn't repeat itself here. Like Connecticut, the commonwealth is reliant on a relatively small number of wealthy taxpayers, who foot a sizable chunk of the state's bills.[71] According to data promulgated by the Massachusetts Department of Revenue, more than half of Proposition 80 tax revenue is expected to come from 897 of the 19,565 taxpayers who would be subject to the tax increase, those with incomes of $10 million or more, who would be on the hook for an additional $1.002 billion in taxes. These 897 taxpayers represent only 4.6 percent of taxpayers subject to the new tax but would be obligated to pay 53.2 percent of total Proposition 80 tax revenue. If a third of these taxpayers opted to move, i.e., 299 taxpayers constituting 1.5 percent of all taxpayer subject to the tax, Proposition 80 revenue would drop by as much as $334,009 million, accompanied by a loss of as much as $441.110 million in regular state income tax paid by these taxpayers.[72]

There are many reasons wealthy families and corporations opt to leave one state for another, from weather to the business climate. While taxes are not the sole factor, they are nevertheless a consideration for companies and wealthy families alike, who routinely draw upon sophisticated advice from financial planners, accountants and tax lawyers. Moreover, taxes are a factor that can become more important as rates escalate.

For those with the means to relocate, mobility has never been easier. The rise of instant communications and the ability to do business anywhere and anytime makes it fairly easy to change one's permanent address and effectively move income to a state with lower income taxes, or none at all.

Connecticut provides a real world, sobering example of how a seemingly attractive tax-the-rich scheme can backfire badly on a state, turning rosy projections of revenue gains to real-life losses, and damaging business confidence in the process.

Appendix

Figure 4-A. U.S. Non-Farm Employment, Seasonally-Adjusted 2008–2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	138,430	138,346	138,268	138,058	137,872	137,710	137,497	137,230	136,780	136,306	135,540	134,846
2009	134,053	133,351	132,528	131,841	131,492	131,021	130,692	130,479	130,259	130,055	130,053	129,778
2010	129,801	129,733	129,897	130,140	130,664	130,527	130,459	130,423	130,371	130,633	130,752	130,839
2011	130,882	131,071	131,296	131,642	131,719	131,944	132,013	132,123	132,371	132,580	132,721	132,930
2012	133,288	133,525	133,758	133,836	133,951	134,027	134,170	134,347	134,550	134,696	134,828	135,072
2013	135,283	135,569	135,699	135,896	136,122	136,284	136,406	136,667	136,857	137,069	137,327	137,374
2014	137,564	137,715	137,987	138,316	138,562	138,866	139,068	139,298	139,578	139,805	140,117	140,372
2015	140,606	140,844	140,930	141,192	141,536	141,742	141,996	142,153	142,253	142,574	142,846	143,085
2016	143,211	143,448	143,673	143,826	143,869	144,166	144,457	144,633	144,882	145,006	145,170	145,325
2017	145,541	145,773	145,823	146,030	146,175	146,385	146,523	146,731	146,749(P)	147,010(P)		
Net +/-											**8,580**	**6.2%**

Source: Bureau of Labor Statistics

Figure 4-A. Connecticut Non-Farm Employment, Seasonally-Adjusted 2008–2017

Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2008	1,712.3	1,712.2	1,713.3	1,710.4	1,707.3	1,705.7	1,697.9	1,695.9	1,693.2	1,686.7	1,680.9	1,673.0
2009	1,663.5	1,656.8	1,646.8	1,628.8	1,629.8	1,624.5	1,614.4	1,612.7	1,613.7	1,609.3	1,608.7	1,606.9
2010	1,596.4	1,594.2	1,595.5	1,602.5	1,611.9	1,607.4	1,612.0	1,613.3	1,611.9	1,616.3	1,616.1	1,617.8
2011	1,618.2	1,621.7	1,620.6	1,630.5	1,622.9	1,620.7	1,626.7	1,623.9	1,626.9	1,624.2	1,625.6	1,630.0
2012	1,633.6	1,638.0	1,640.3	1,632.5	1,632.7	1,635.1	1,635.7	1,635.6	1,639.7	1,641.6	1,642.9	1,644.9
2013	1,644.0	1,642.2	1,646.8	1,649.1	1,649.7	1,654.6	1,656.7	1,654.1	1,651.6	1,649.7	1,652.7	1,649.1
2014	1,653.1	1,651.1	1,654.0	1,659.8	1,661.2	1,661.8	1,662.4	1,664.4	1,665.1	1,664.3	1,667.7	1,669.1
2015	1,671.5	1,668.8	1,669.1	1,671.2	1,675.5	1,678.1	1,673.6	1,674.2	1,673.5	1,677.6	1,678.7	1,677.7
2016	1,677.8	1,680.3	1,683.8	1,677.7	1,677.3	1,678.8	1,680.6	1,681.2	1,681.4	1,679.2	1,678.2	1,677.5
2017	1,684.0	1,684.1	1,684.7	1,681.6	1,687.2	1,692.8	1,691.1	1,686.9	1684.9(P)			
Net +/-											**(27.400)**	**-1.6%**

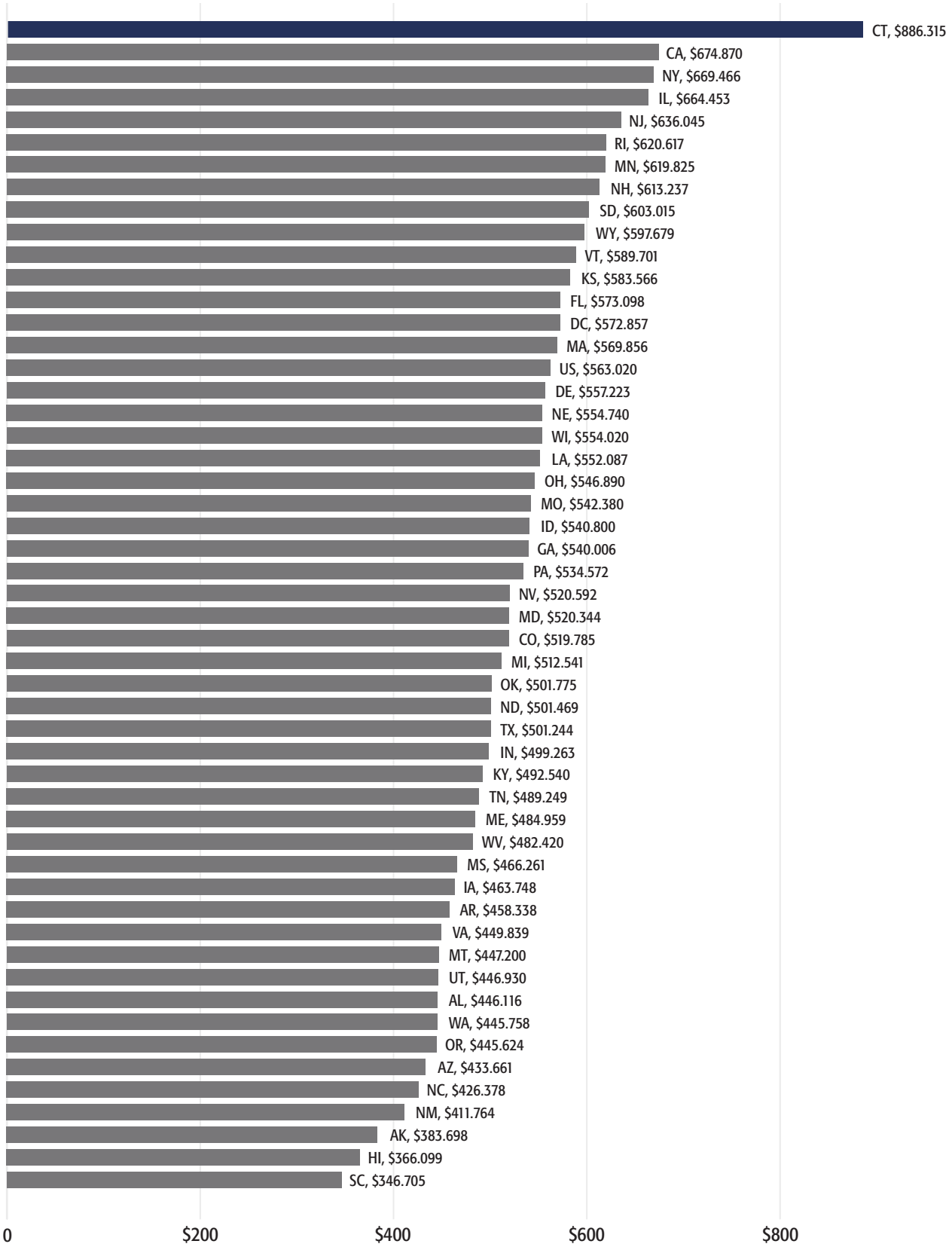
Source: Bureau of Labor Statistics

Figure 5-A. Recovery by N.E. states and U.S. of jobs lost during the recession, by percentage

State/Region	March-08	February-10	October-17	Lost 3/08 - 2/10	Recovery 2/10 - 10/17	Recovery %
Connecticut	1,713.300	1,594.200	1,680.600	119.100	86.400	72.5%
Maine	620.400	592.300	621.200	28.100	28.900	102.8%
Massachusetts	3,329.500	3,206.100	3,643.500	123.400	437.400	354.5%
New Hampshire	650.300	622.000	680.600	28.300	58.600	207.1%
Rhode Island	486.200	456.400	495.800	29.800	39.400	132.2%
Vermont	308.500	295.500	317.100	13.000	21.600	166.2%
U.S.	138,268.000	129,733.000	147,010.000	8,535.000	17,277.000	202.4%
N.E. States	7,108.200	6,766.500	7,438.800	341.700	672.300	196.8%
N.E. States w/o CT	5,394.900	5,172.300	5,758.200	222.600	585.900	263.2%

Source: Bureau of Labor Statistics

Figure 11-A. Average AGI among high-income earners by state



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