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Ashlea Ebeling, Forbes Staff

I write about how to build, manage and enjoy your family's wealth.

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5/20/2009 @ 6:00PM

States Target The Rich

Forbes 400 member B. Thomas Golisano built his fortune in New York and has run for governor there three times. In May he changed his official residency to Naples, Fla. Why? In April New York socked millionaires with a 31% tax hike—raising the tax rate on income over \$500,000 from 6.85% to 8.97%. (It also added a 7.85% rate for income over \$300,000 for a couple.) Florida has no state income tax.

After decades of competing to cut income tax rates, revenue-hungry states are raising them, especially on wealthy folks. “States are piggybacking off the Obama rhetoric,” says Joseph Henchman, at the Tax Foundation in Washington, D.C.

The definition of rich tends to hover around the \$250,000-per- couple income level that President Obama has targeted for federal tax hikes. In May the Democratic-controlled Hawaii legislature overrode Republican Governor Linda Lingle’s veto to add 9%, 10% and 11% individual income tax rates to the state’s old top rate of 8.25%, giving it the highest state rate in the nation. (See [“New State Tax Rates Create Traps.”](#))

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The most recent rate hikes are temporary, if you believe the language laws. New York’s new rates are supposed to expire after three years, 1 after seven. In the late 1980s state rates ran as high as 13%. Then can of supply-side thinking, and by 2000 all were below 10%.

More hikes are likely, says Jamie Yesnowitz, of Grant Thornton’s state and local tax group. New Jersey Governor Jon Corzine wants a temporary 0.75 increase in the top 8.97% rate on income over \$500,000. Wisconsin Governor James Doyle wants a permanent one-percentage-point increase, to 7.75%, in the rate on income over \$300,000 for a married couple.

Tax Rates

STATE	TOP RATE	ON INCOME OVER (FOR A COUPLE)
Hawaii	11.00%	\$400,000

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California	10.55	1,000,000
Rhode Island	9.90	372,950
Vermont	9.50	372,950
Oregon	9.00	15,200

Source: Tax Foundation.

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