

What's the Matter With Connecticut?

The state's politicians now want to bribe college grads to stay.

Updated April 9, 2017 1:30 p.m. ET



Connecticut Gov. Dannel Malloy delivers the State of the State address during opening session at the state Capitol, Jan. 4. *Photo: Associated Press*

Connecticut's progressive tax experiment has hit a wall. Tens of thousands of residents are fleeing for lower tax climes, which has prompted Democrats to propose—get this—paying new college grads a thousand bucks to stick around. Maybe they're afraid an exodus of young people will turn the state Republican.

Hard to believe, but a mere 25 years ago—a lifetime for millennials—

Connecticut was a low-tax haven for Northeasterners. The state enacted an income tax in 1991 that was initially a flat 4.5% but was later made steeply progressive. In 2009 former Republican Governor Jodi Rell raised the top rate on individuals earning \$500,000 or more to 6.5%, which Democratic Gov. Dannel Malloy has lifted to 6.99% (as if paying 0.01% less than 7% is a government discount).

Connecticut's top tax rate is now higher than the 5.1% flat rate in the state formerly known as Taxachusetts. In 2012 the Tax Foundation ranked Connecticut's state and local tax burden second highest in the country behind New York. Due to recent property and income tax hikes, the Nutmeg State may now be in the lead.

You don't need a Yale degree to figure out the tax hikes have been a disaster. A net 30,000 residents moved to other states last year. Since 2010 seven of Connecticut's eight counties have lost population, and the hedge-fund haven of Fairfield County shrank for the first time last year. In the last five years, 27,400 Connecticut residents have moved to Florida. Florida Governor Rick Scott should pay Mr. Malloy a broker's fee.

More than 3,000 Connecticut residents have moved to zero income-tax New Hampshire in the last two years. While liberals wax apocalyptic about Kansas's tax cuts, the Sunflower State has welcomed 1,430 Connecticut refugees since 2011 and reversed the outflow between 2005 and 2009. Yet liberals deny that tax policies influence personal or business decisions.

After losing [General Electric](#) to Boston last year, Mr. Malloy bribed the hedge funds Bridgewater and AQR Capital with \$57 million in taxpayer subsidies not to leave the state. Other beneficiaries of the Governor's corporate welfare include [Cigna](#) , NBC Sports, ESPN and [Charter Communications](#) .

Democratic legislators have now taken the subsidy idea one step further by proposing a tax credit averaging \$1,200 for grads of Connecticut colleges who live in the state as well as those of out-of-state schools who move to the state

within two years of earning their degree. Democrats say the tax credit would cost the state \$6 million each year assuming only 10% of eligible college grads sign on.

Yet the main reason young people are escaping is the lack of job opportunities. Since 2010 employment in Connecticut has grown at half the rate of Massachusetts and more slowly than in Rhode Island, New Jersey or Kansas. If the kids reject the tax-credit deal, maybe Gov. Malloy will start negotiating the terms and conditions for staying with each graduate. Or perhaps Democrats could seek President Trump's help to build a wall around the state.

Meanwhile, Democrats are wrangling with a projected \$1.7 billion budget deficit next year because tax revenues keep trailing projections. The state's teacher pension bill is projected to grow by a third over the next two years, and some Democrats want to impose a 19% tax on hedge funds' carried interest. At this rate they're going to need a much bigger tax bribe for those kids to stay in the state.

Correction: An earlier version misstated the nickname of Kansas.

Appeared in the Apr. 08, 2017, print edition.