



MERCATUS CENTER
George Mason University

POLICY SPOTLIGHT

Reversing Virginia's Outmigration

Tax, housing, and labor reforms to grow the Commonwealth

JACK SALMON | JULY 2026

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among the states. Virginia ranked 30th in net interstate migration, losing over 22,000 residents and over \$7 billion in income.¹ Research suggests taxes, economic freedom, and housing supply are key factors behind the state's migration outcomes. Virginia faces competitive pressure on those fronts with its restrictive income tax rate, top-bracket threshold, and per-capita housing permitting rate.

Tax Policy Reforms

The competitive landscape

While its neighbors have been cutting income taxes aggressively, Virginia's rate structure has remained unchanged. Lower tax burdens are a pull factor for interstate movers, particularly those leaving high-tax states:

North Carolina	Cut flat income tax from 5.499% (2018) to 4.75% (2023); further reduced to 4.25%, with a scheduled reduction to 3.99% by 2027.
Kentucky	Lowered flat rate from 5.0% to 4.5% in 2023, and again to 3.5% in 2026.
West Virginia	Reduced top income tax rate from 5.12% to 4.58%.
Tennessee	No state income tax.
Virginia	Unchanged: Top rate 5.75% (since 1971), top-bracket threshold \$17,000 (since 1987).

Recommended reforms

- **Reduce the top marginal income tax rate** from 5.75% to 4.0%, phased in over 3–4 years.
- **Modernize tax brackets** by substantially raising or eliminating the \$17,000 top-bracket threshold.
- **Adopt a 4.0%–4.5% flat income rate** over the medium term, following North Carolina and Kentucky.

¹ See Jack Salmon, "Interstate Migration Trends in the United States, 2018–2023: Where Are Americans Moving, and Why?" (Mercatus Policy Brief, Mercatus Center at George Mason University, July 2026). For the full analysis including sources, scan the QR code on the next page.

Housing Policy Reforms

The supply gap

Virginia issues about 4 housing permits per 1,000 residents annually—roughly half of North Carolina’s rate (about 9 per 1,000). Tight supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes Virginia’s attractiveness relative to peer states. The barriers are not primarily financial, but regulatory. Slow permitting processes impose developer costs that further raise final housing prices.

Recommended reforms

- **Develop and publish model zoning codes** that any jurisdiction may adopt directly onto its zoning map, reducing fragmentation and lowering the cost and uncertainty of development across localities.
- **Require zoning approval before design and environmental review** to avoid delays and costs.
- **Limit standing in land-use challenges** to parties facing actual or imminent personalized harm, thereby reducing project delays and housing costs.

Labor Market Freedom Reforms

The licensing burden

Virginia’s occupational licensing requirements are among the nation’s most burdensome. Workers face an average of 580 days of education and experience requirements, compared to 228 days in neighboring North Carolina. Of 102 low-income occupations studied, 66 require a license in North Carolina, most with no education or experience requirement, compared to 72 in Virginia, where roughly half require at least two years’ experience and some up to six. According to the Archbridge Institute’s state occupational licensing index, Virginia ranks as the nation’s 12th most licensed state. These barriers raise entry costs for licensed trades, restrict labor supply, and reduce economic mobility, particularly for lower-income workers.

The portable benefits gap

More than 700,000 Virginians work independently, yet many lack access to benefits because companies risk legal liability when providing benefits to nonemployees. Importantly, survey evidence shows that 80.3% of self-employed workers in the United States want to remain independent while 80.1% want access to portable benefits. Portable benefits legislation in Virginia would allow workers to access benefits without compromising worker flexibility or exposing companies to legal risk.

Recommended reforms

- **Align occupational licensing requirements with or below North Carolina’s 228-day average**, prioritizing occupations where Virginia’s requirements substantially exceed those of neighboring states.
- **Maintain Virginia’s right-to-work protections** and reject efforts to repeal or weaken them, thereby preserving labor-market freedom and economic competitiveness. Virginia is one of 26 states that prohibit compulsory unionism and has been a “right-to-work” state since 1973.
- **Enact portable benefits legislation** that allows workers to create portable benefits accounts while enabling firms to contribute without triggering worker reclassification rules. This reform would modernize workforce policies, empowering businesses to innovate and enabling workers to thrive.



For more information or to meet with the scholar, contact
Mercatus Outreach, 703-993-4930, dschroeder@mercatus.gmu.edu or mercatusoutreach@mercatus.gmu.edu
Mercatus Center at George Mason University, 3434 Washington Blvd., 4th Floor, Arlington, Virginia 22201

The ideas presented in this document do not represent official positions of the Mercatus Center or George Mason University.