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POLICY SPOTLIGHT

Reversing Ohio's Outmigration

Tax, housing, and labor reforms to grow the state

JACK SALMON | JULY 2026

Americans made nearly 34 million interstate moves between 2018 and 2023, redistributing population, income, and economic activity among the states. Ohio ranked 31st in net interstate migration, losing almost 39,000 residents and \$9 billion in income.¹ Research suggests that taxes, economic freedom, and housing supply are the key factors behind state migration outcomes. Ohio faces competitive pressure across all fronts: a harmful gross-receipts tax structure, high local income tax burdens with onerous nonresident filing requirements, a below-peer housing permitting rate, and one of the highest occupational licensing burdens in the region.

Tax Policy Reforms

The competitive landscape

Ohio ranks 39th on the Tax Foundation's State Tax Competitiveness Index. The state has made meaningful progress lowering individual income taxes. But high local income tax rates compound the state burden, and Ohio requires income tax filing and withholding for nonresidents working even a single day in the state, creating outsized compliance costs. Ohio also relies on a gross-receipts-based Commercial Activity Tax (CAT) as its primary business tax. Gross-receipts taxes are broadly considered more economically harmful than corporate income taxes: They apply regardless of profitability, and they tax the same goods or services multiple times at different points along the production chain.

Indiana	Flat state income tax of 2.95%; corporate income tax of 4.9%; no gross-receipts tax.
Kentucky	Flat income tax of 3.5% (reduced from 4.5% in 2023); no gross-receipts tax.
Ohio	Top individual income tax rate of 2.75%; local income taxes add up to 3%, with nonresident filing required after one day. Commercial Activity Tax is primary business levy.

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.

Recommended reforms

- **Replace the CAT with a corporate income tax**, following regional peers.
- **End the one-day nonresident filing requirement** and adopt a de minimis threshold to eliminate this disincentive for occasional in-state work.
- **Cap or reduce local income tax rates** to reduce compliance complexity.

Housing Policy Reforms

The supply gap

Ohio issues fewer housing permits per 1,000 residents than West Virginia and roughly half those of neighboring Indiana. Constrained supply raises housing costs, reduces affordability for incoming residents and workers, and diminishes Ohio's attractiveness relative to peer states. The barriers are not primarily financial but regulatory. Slow permitting processes impose costs on developers that further raise the costs of the final housing products.

Recommended reforms

- **Clarify standing rules for land-use appeals:** Limit appeals of approved housing projects to parties who can demonstrate specific, actual, and imminent harm.
- **Establish clear vested-rights protections:** Specify by statute when development rights are protected from subsequent zoning changes.
- **Reduce minimum lot size requirements:** Following recent reforms in Texas and Maine, cap minimum lot sizes in areas served by infrastructure, allowing more affordable starter homes.
- **Adopt Tennessee's single-stair model:** Grant local governments explicit authority to legalize cost-effective, single-stair multifamily buildings to allow cities to build larger, family-friendly apartments on smaller lots without being restricted by the International Building Code's two-staircase mandate.

Labor Market Freedom Reforms

Occupational licensing

According to the Archbridge Institute, Ohio has the 13th-highest occupational licensing burden in the United States and ranks 1st among the five East North Central states.

Portable benefits for independent workers

Over 900,000 Ohio residents work independently, yet they often 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.

Recommended reforms

- **Enact right-to-work protections**, which would protect freedom of association and improve Ohio's attractiveness for business investment and job creation.
- **Review all licensing requirements**, prioritizing occupations where Ohio's barriers substantially exceed those of neighboring states.
- **Enact portable benefits legislation.**



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