

# TAXPAYER MIGRATION: EVIDENCE FROM THE IRS

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House Ways and Means Committee  
Graham Campbell, Senior Fiscal Analyst  
Vermont Legislative Joint Fiscal Office



*Vermont Legislative*  
**JOINT FISCAL OFFICE**

# IRS Databases on Migration

- Publishes a database tracking the movement of taxpayers from one state to the next using the addresses on the tax returns
  - *For example: if a taxpayer reported a Vermont address in April 2015 but then a New York address in April 2016, this taxpayer is listed as having moved from VT to NY.*
- Also tracks the aggregate amount of income (AGI) that moved
  - *AGI Year 1: Aggregate income in the year before the move*
  - *AGI Year 2: Aggregate income in the year of the move*
- This analysis covers the years 2012 through 2016
- These briefs answer the following questions:
  - *What types of taxpayers moved to and from Vermont during the period?*
  - *What were the origins and destinations of Vermont's migrating taxpayers?*
- It cannot answer: “Did high-income or older taxpayers move to Florida?”

# Some caveats before we dive in...

- We tend not to focus on the movement of aggregate income across states and therefore, the change in Vermont tax base:
  - *Why not?*
    - Using AGI Year 1 is problematic
      - *People may move and have significantly different incomes the following year*
    - Using AGI Year 2 is also problematic
      - *If someone moves in July, AGI Year 2 is a mix of the home state and the destination state income*
    - High-income states look like they lose a lot of income and low-income states look like they gain a lot of income, especially if they draw from high-income states
- Net out-migration does not mean the number of tax returns has fallen in VT.
  - *The number of tax returns filed in Vermont has increased over this time period*
- Using a different time period could quickly change the results of these analysis
- Different datasets (Census, Tax) will yield different results

# Taxpayer Migration: Age and Income Group

Vermont’s migrating taxpayers tend to be lower and middle income compared to New England as a whole

**Table 1: In or Out Taxpayer Migration from Various Income Groups (total 2011-2016)**

	Vermont					New England (less VT)				
	Percent of Total VT Tax Returns in Cohort (2016)	In-Migration		Out-Migration		Percent of Total NE Tax Returns in Cohort	In-Migration		Out-Migration	
		Percent of Total	Number	Percent of Total	Number		Percent of Total	Number	Percent of Total	Number
\$1-10k	10%	14%	5,933	14%	6,642	7%	12%	85,695	11%	93,082
\$10k-25k	20%	29%	12,482	29%	13,697	17%	24%	173,367	23%	192,060
\$25k-50k	28%	27%	11,863	28%	13,252	24%	26%	192,418	26%	214,527
\$50k-75k	16%	12%	5,160	12%	5,676	16%	14%	103,477	14%	118,788
\$75k-100k	11%	7%	2,847	7%	3,117	11%	8%	57,963	8%	69,745
\$100k-200k	12%	9%	3,783	8%	3,977	18%	11%	78,481	12%	96,234
\$200k+	3%	4%	1,646	3%	1,520	7%	5%	40,095	6%	46,638
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>43,714</b>	<b>100%</b>	<b>47,881</b>	<b>100%</b>	<b>100%</b>	<b>731,496</b>	<b>100%</b>	<b>831,074</b>

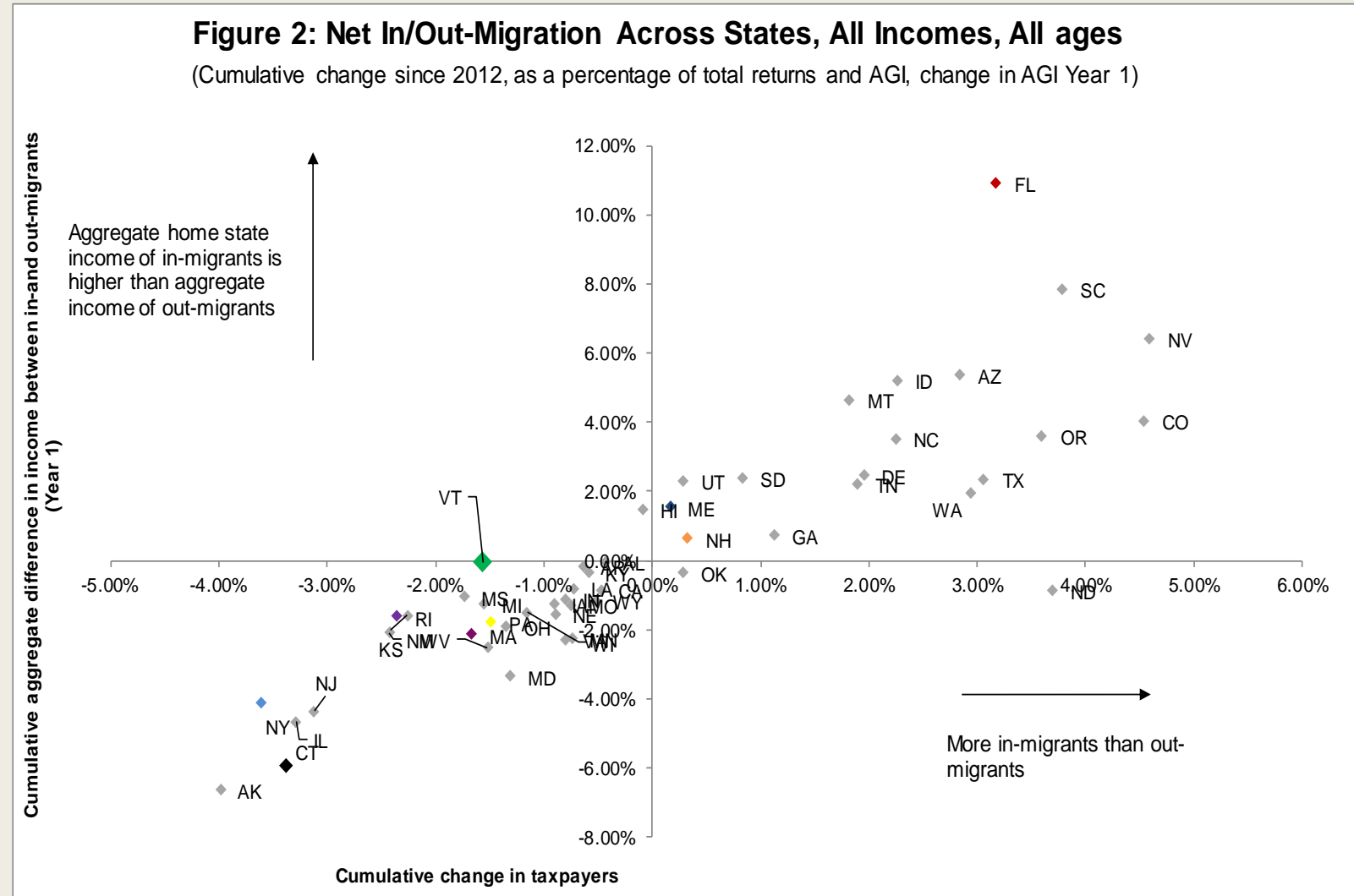
# Vermont's migrating taxpayers are slightly older than New England as a whole

**Table 2: In or Out Taxpayer Migration from Various Age Groups (total 2011-2016)**

	Vermont					New England (less VT)				
	Percent of Total VT Tax Returns in Cohort	In-Migration		Out-Migration		Percent of Total NE Tax Returns in Cohort	In-Migration		Out-Migration	
		Percent of Total	Number	Percent of Total	Number		Percent of Total	Number	Percent of Total	Number
Under 26	9%	20%	8,625	22%	10,649	10%	21%	155,080	21%	172,665
26-35	16%	33%	14,278	31%	14,650	18%	34%	247,809	33%	272,892
35-44	16%	15%	6,405	14%	6,486	16%	15%	112,267	15%	123,983
45-54	19%	11%	4,885	11%	5,352	19%	11%	77,285	11%	89,624
55-64	20%	9%	4,147	10%	4,915	18%	8%	57,202	9%	76,595
65+	20%	12%	5,374	12%	5,829	20%	11%	81,853	11%	95,315
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>43,714</b>	<b>100%</b>	<b>47,881</b>	<b>100%</b>	<b>100%</b>	<b>731,496</b>	<b>100%</b>	<b>831,074</b>

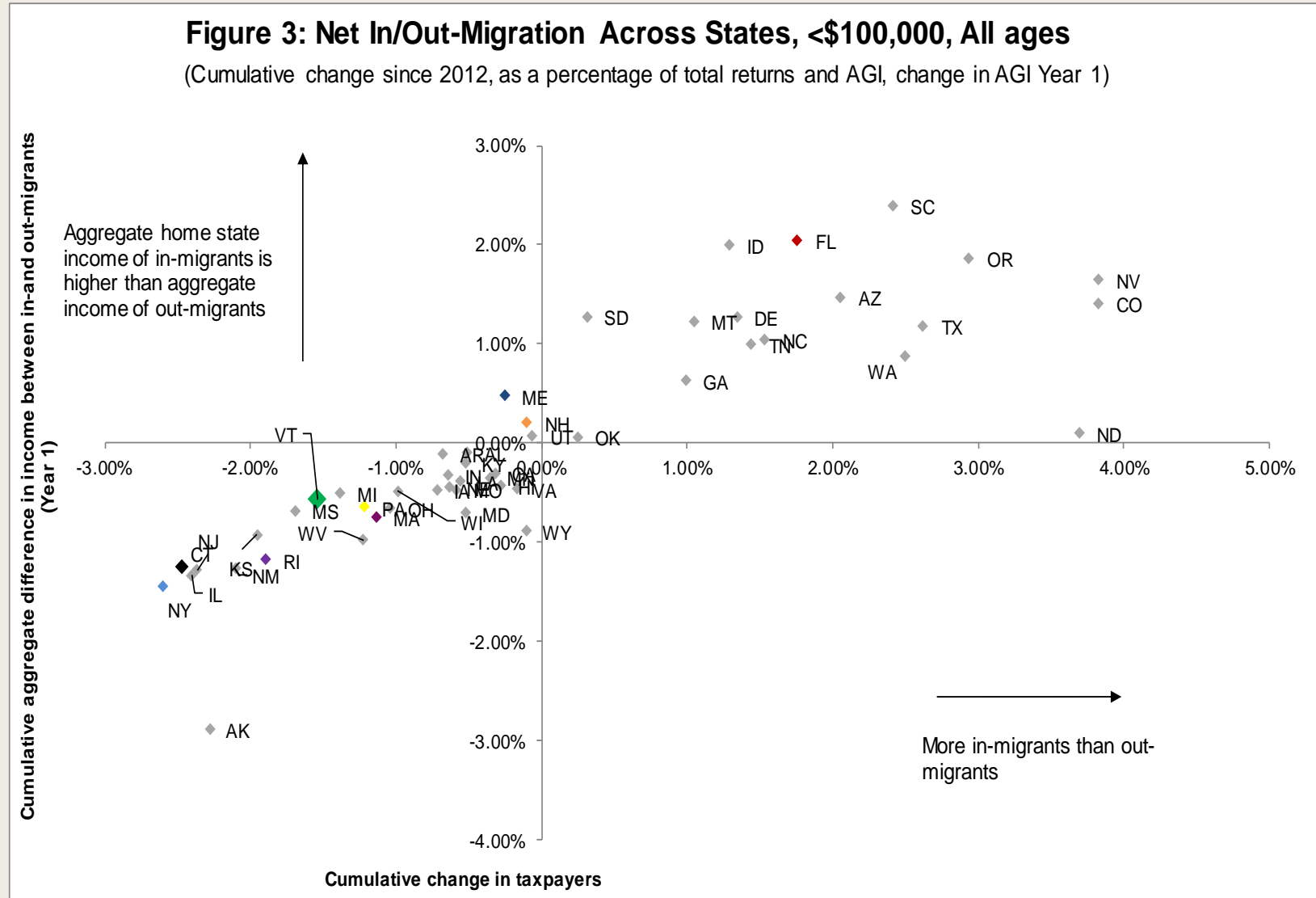
# Overall, Vermont has seen net out-migration

- From 2012 to 2016, Vermont saw net out-migration of just over 4,000 taxpayers
  - *For cross-state comparison purposes, this is equivalent to 1.56% of total tax returns*
- Based upon aggregate AGI Year 1, roughly the same amount of income left the state as came in



# Who's leaving?

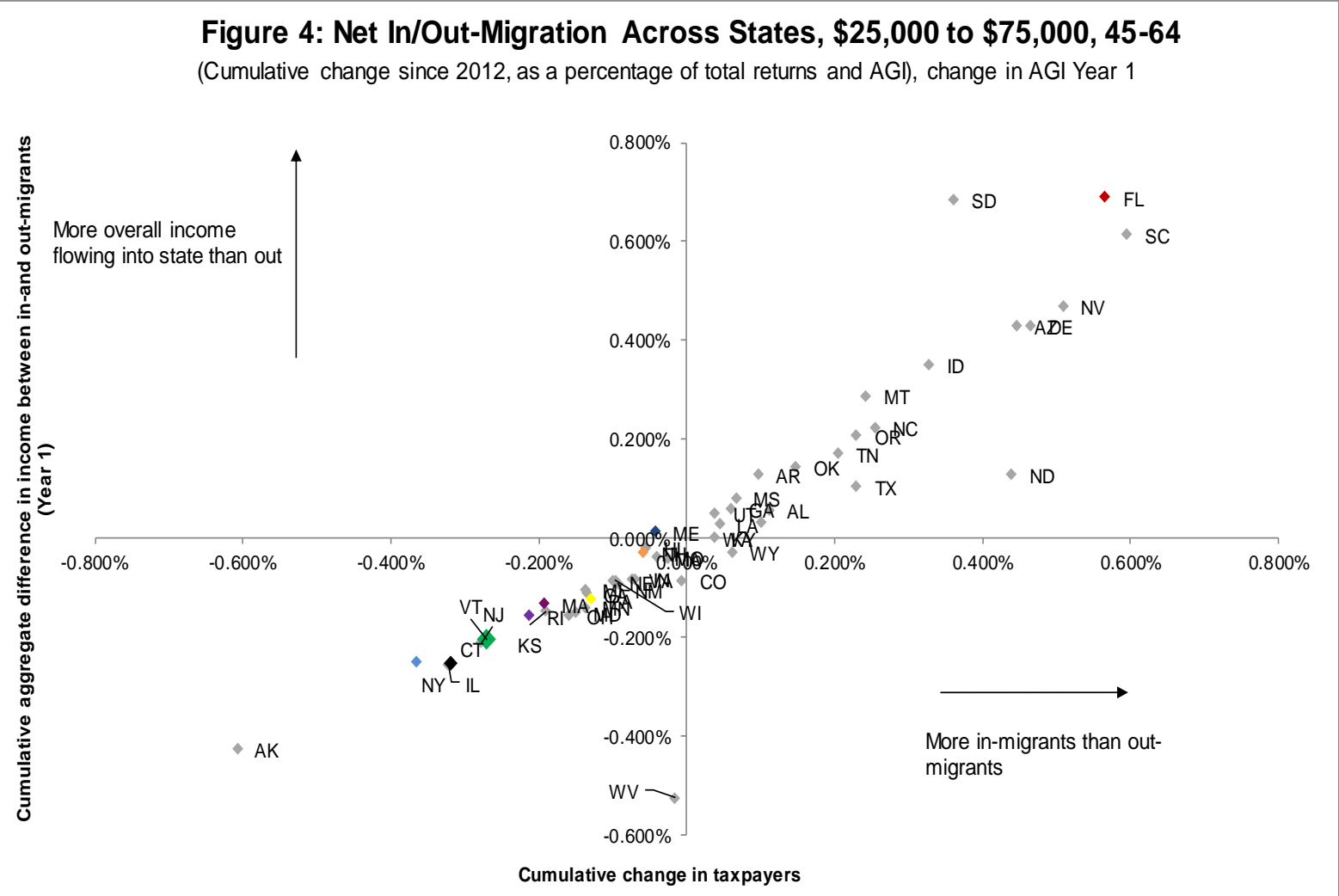
- Lower and middle income taxpayers: On net, 4,099 taxpayers left with income below \$100,000.
- As a percentage of returns, 10 states did worse



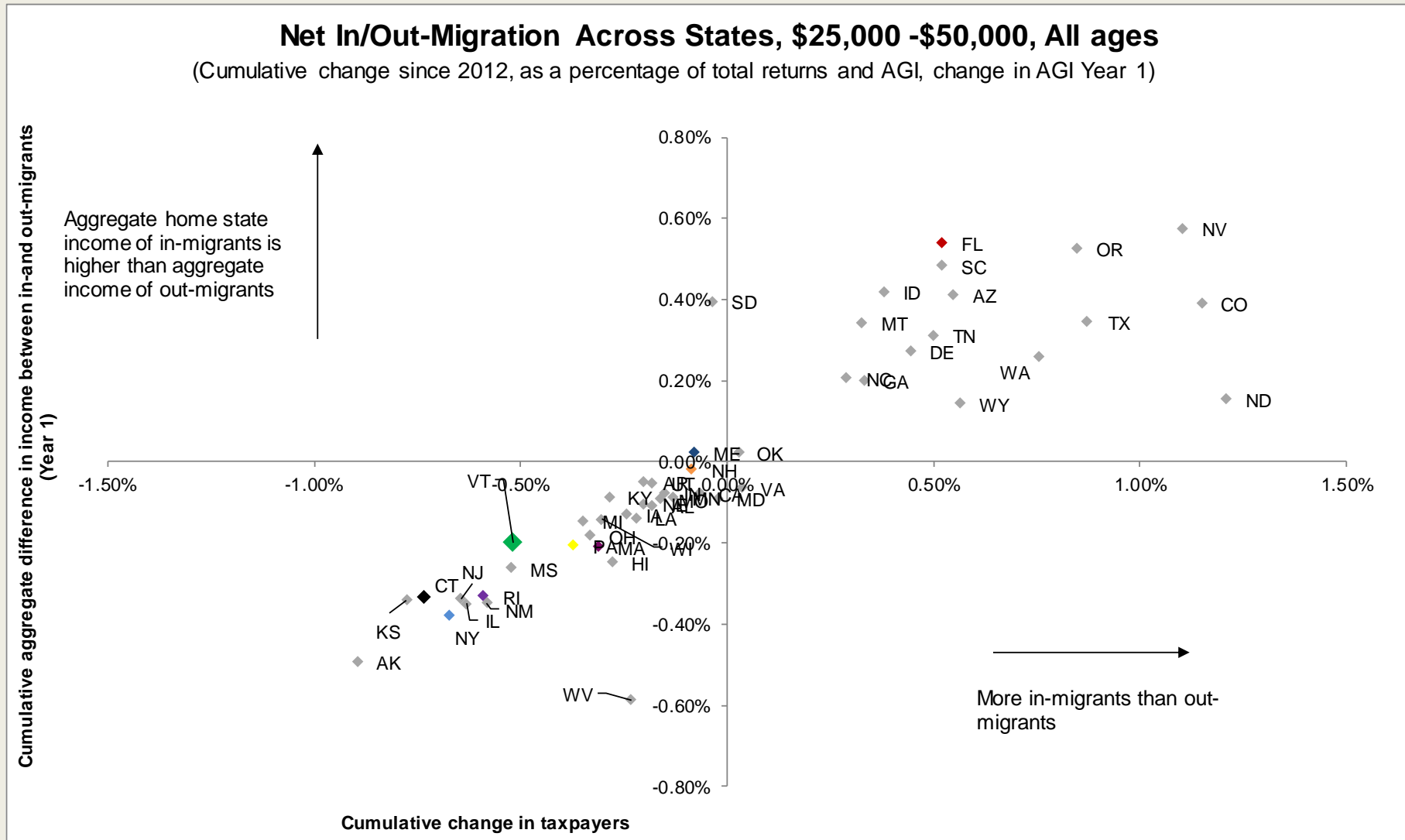


# Who's leaving?

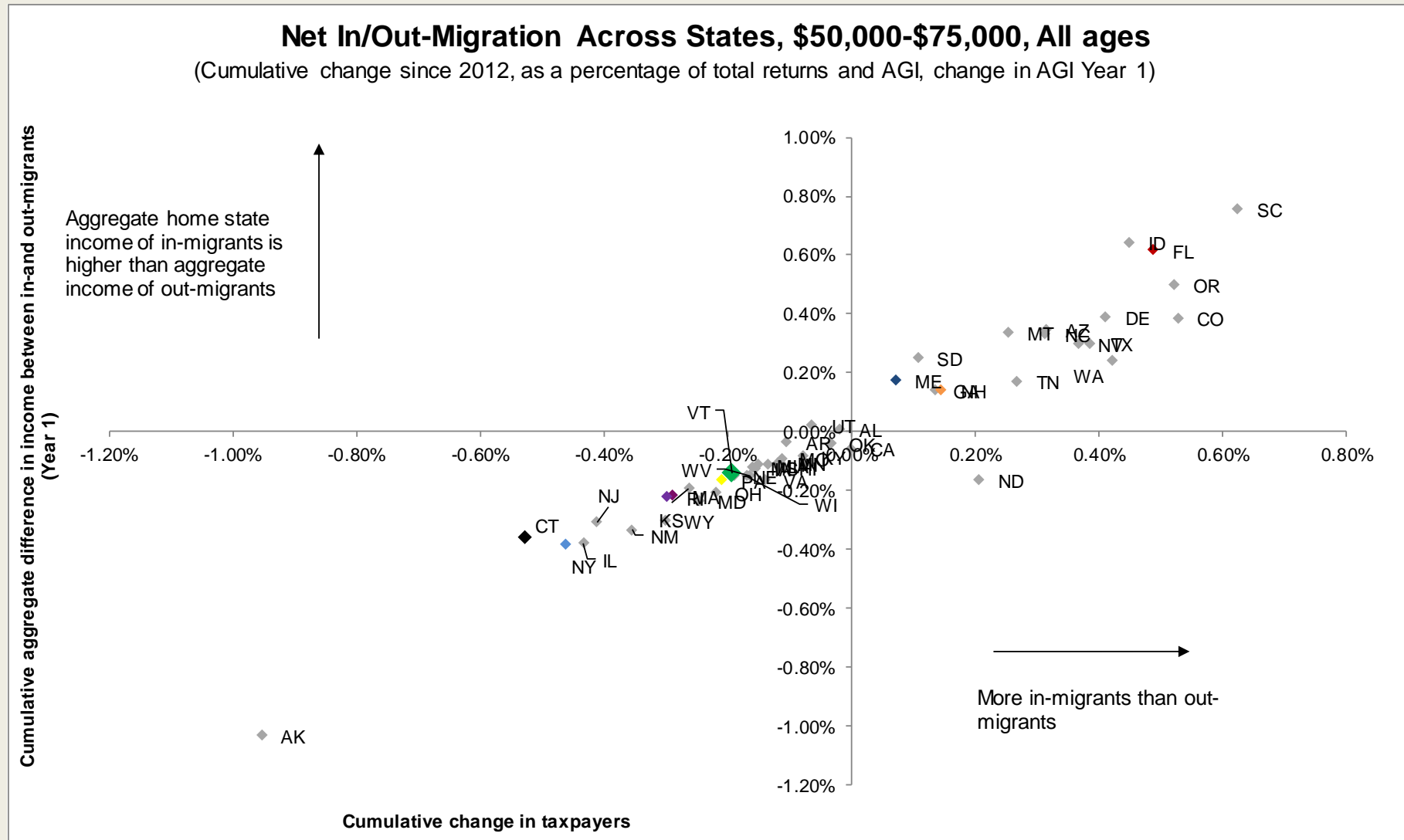
- Taxpayers aged 45 to 64 with incomes between \$25,000 and \$75,000
- Over this period, 720 taxpayers on net moved out from this cohort
- As a percentage of returns, only 5 states did worse amongst this cohort of taxpayers.



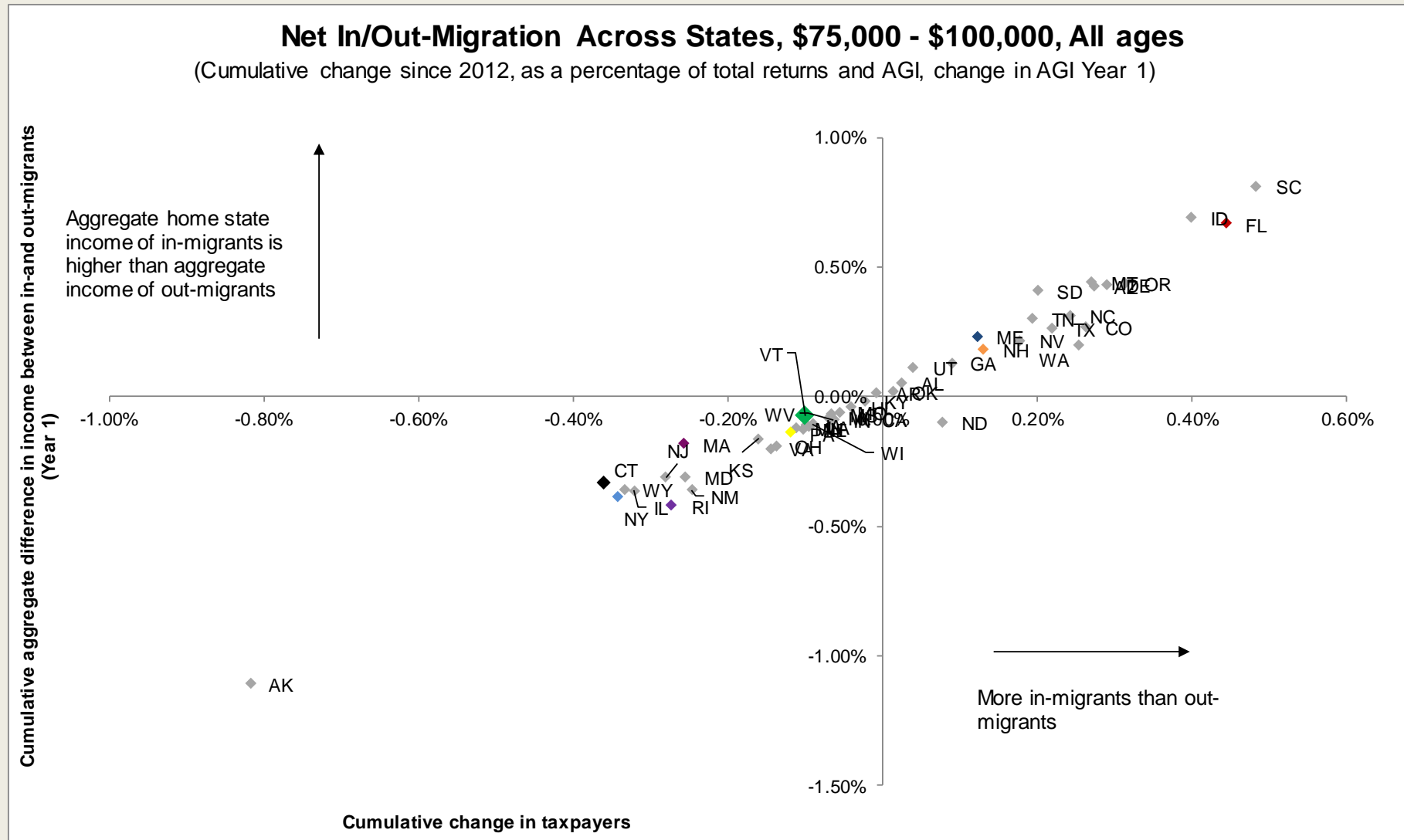
# Who's coming?



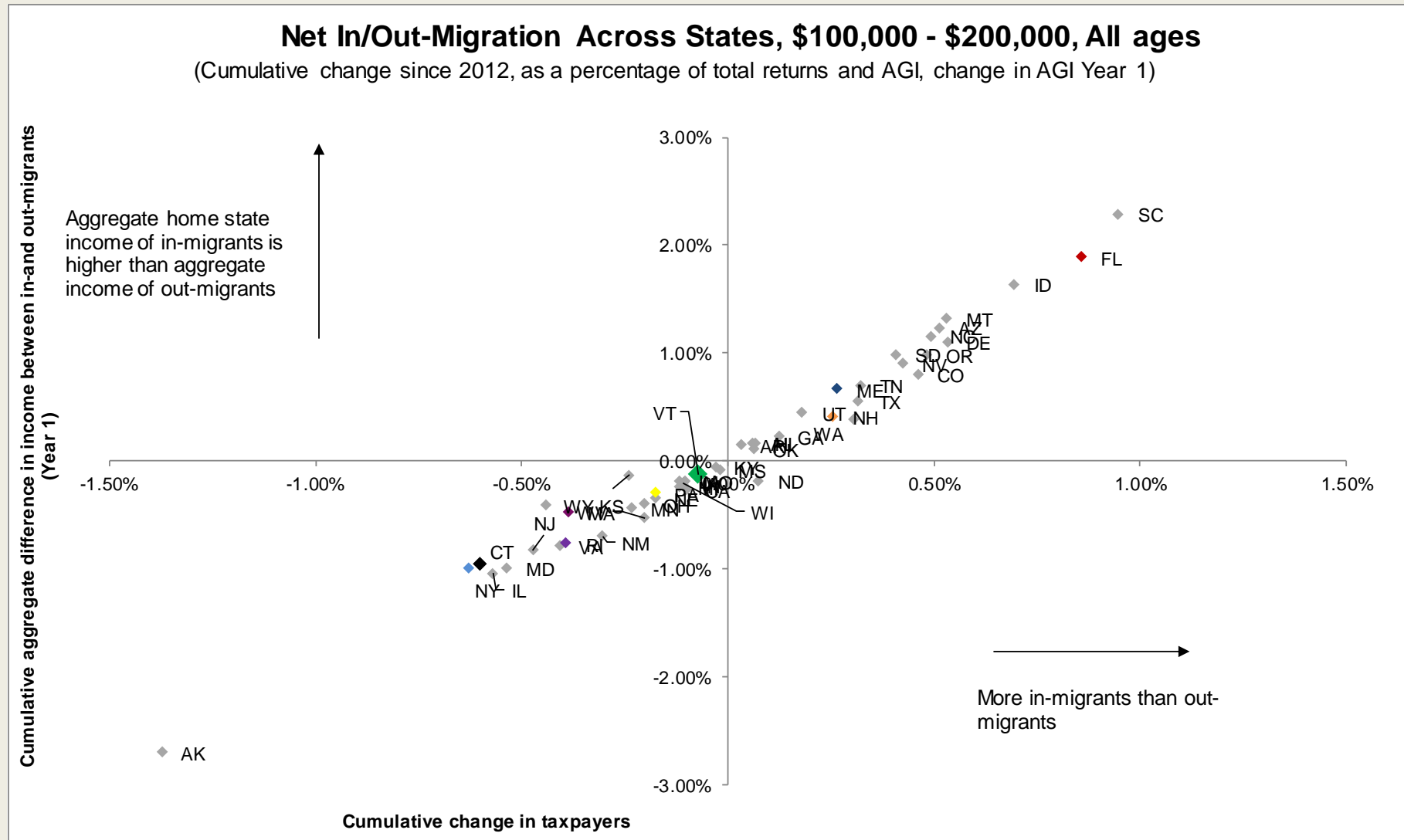
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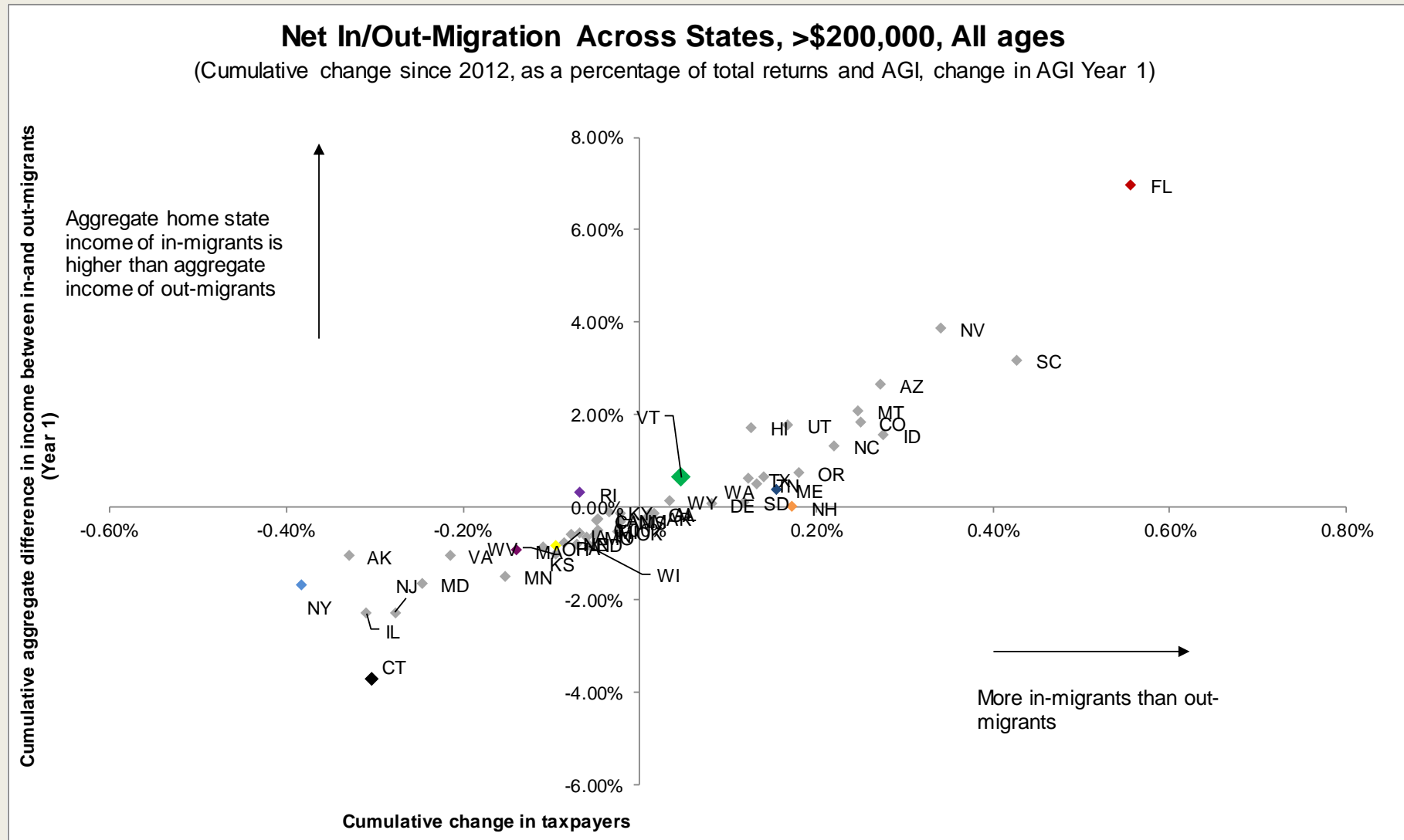
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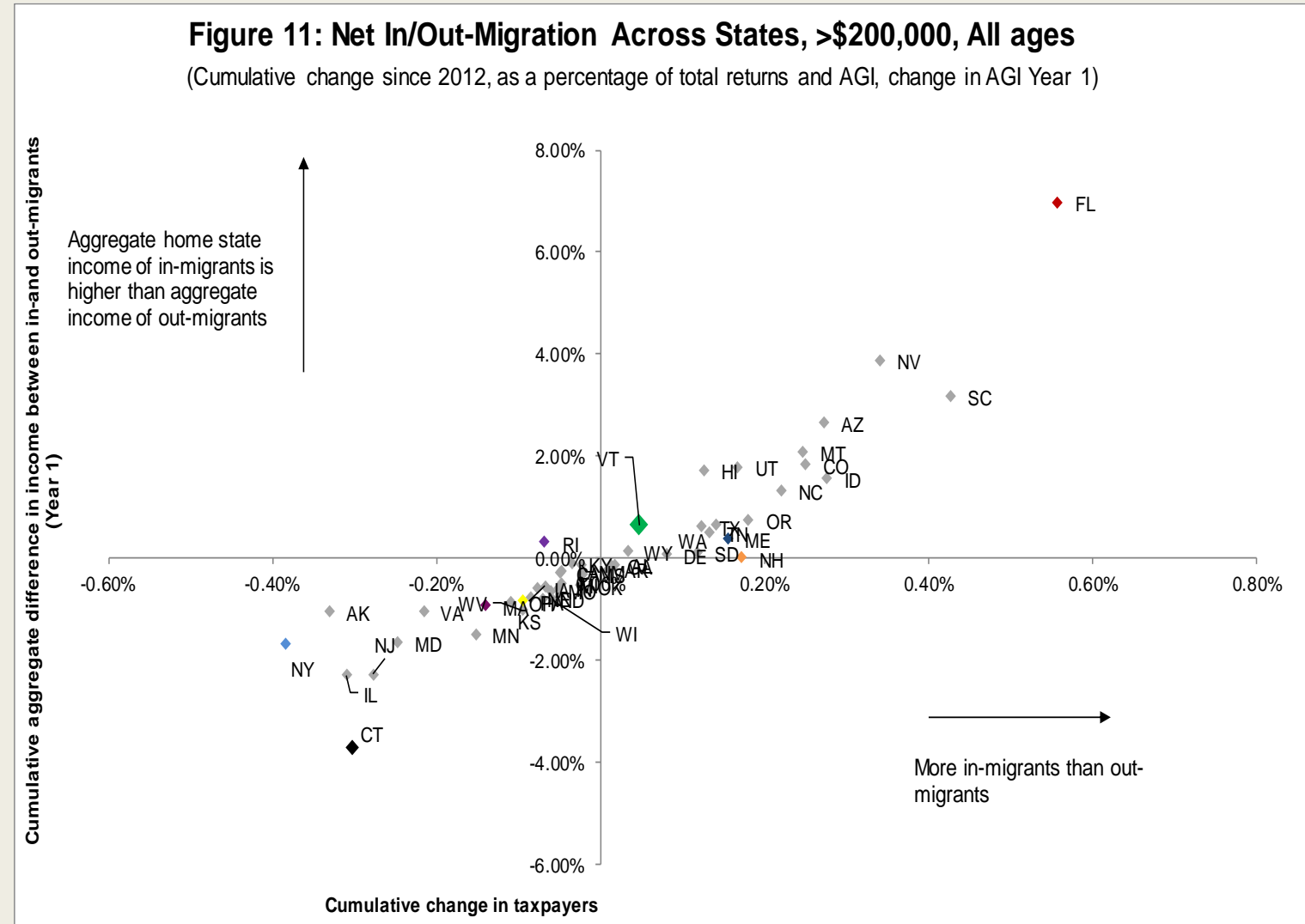


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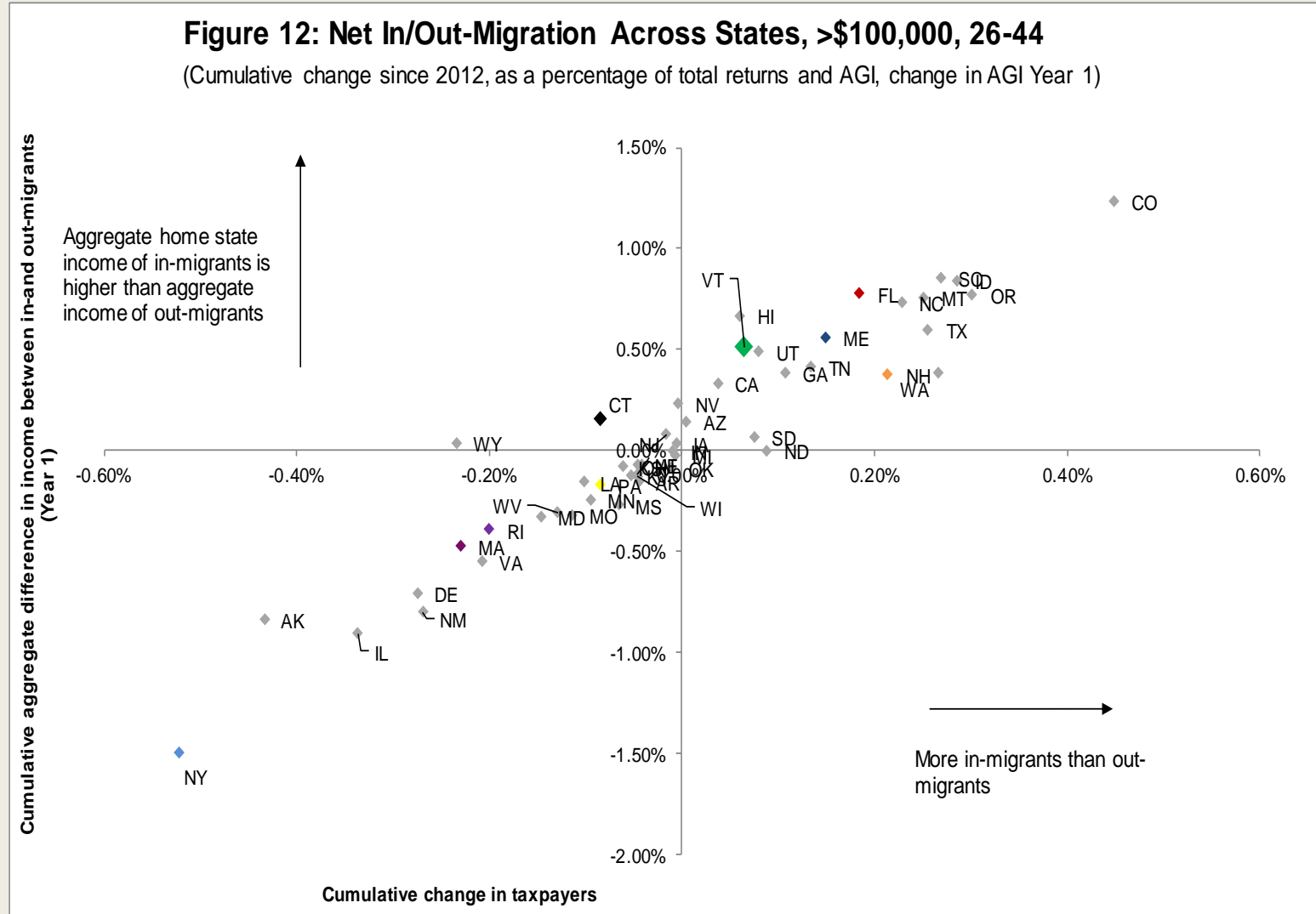
# Who's coming?

- High-income taxpayers
- We gained 126 taxpayers, on net, with incomes above \$200,000
- This is better than 31 states, as a percentage of returns



# Who's coming?

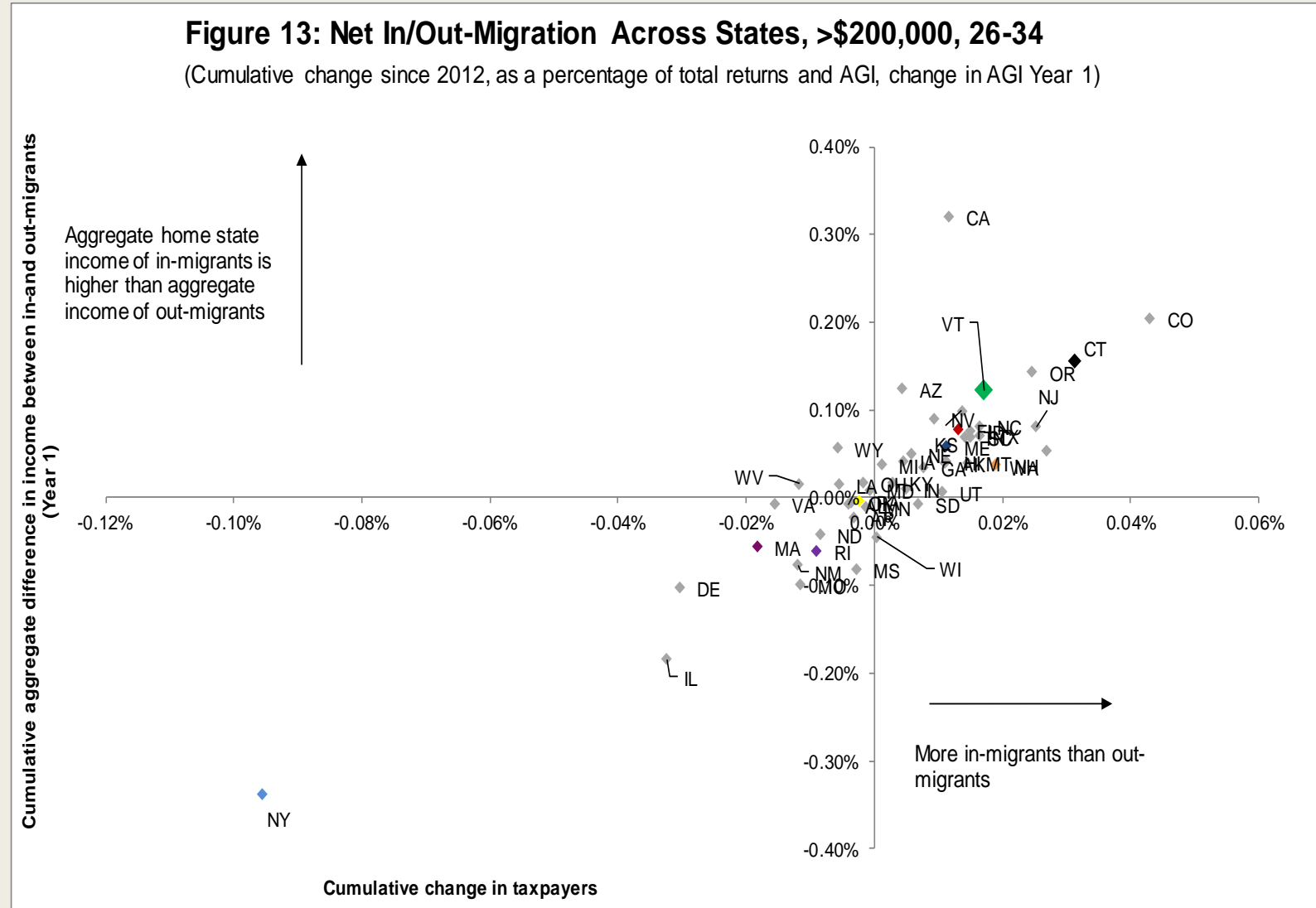
- Higher income taxpayers (greater than \$100,000 in AGI) between the ages of 26 and 44.
- We gained 174 taxpayers, on net, from this cohort.
- Only 16 states did better amongst this cohort as a percentage of returns





# Who's coming?

- Vermont does best with taxpayers aged 26-34 with AGI above \$200,000
- 46 net taxpayers moved to Vermont from this cohort
- This is 7<sup>th</sup> best in the country as a percentage of returns



# Taxpayer Migration: State-to State

# Where do our migrants come from and go?

- About 50% of our in-migrants and 50% of our out-migrants come from our three neighboring states and Florida

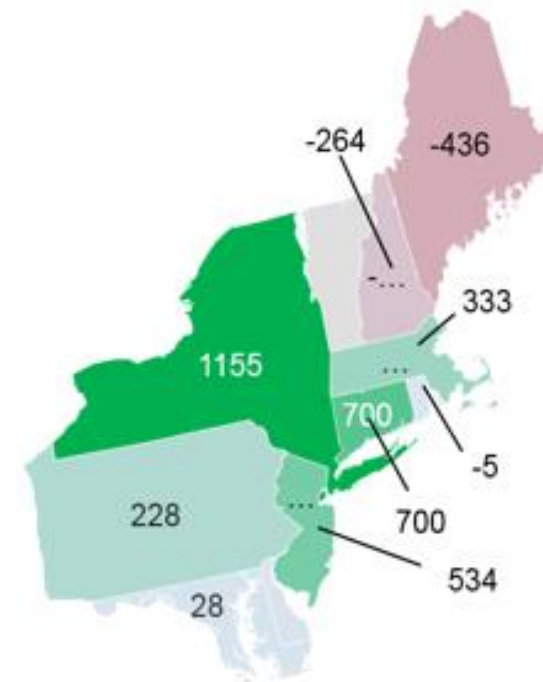
Table 1: Origins of Vermont's In-Migrants Cumulative, 2011 to 2016		
	Total In-Migrants	Percent of Total In-Migration
New York	6,907	16%
New Hampshire	6,053	14%
Massachusetts	5,579	13%
Florida	3,161	7%
Connecticut	2,294	5%
California	1,897	4%
Pennsylvania	1,432	3%
New Jersey	1,375	3%
Maine	1,227	3%
Virginia	1,065	2%
Others	12,706	29%
<b>Total</b>	<b>43,696</b>	<b>100%</b>

Table 2: Destinations of Vermont's Out-Migrants Cumulative, 2011 to 2016		
	Total Out-Migrants	Percent of Total Out-Migration
New Hampshire	6,317	13%
New York	5,752	12%
Massachusetts	5,246	11%
Florida	4,930	10%
California	2,344	5%
North Carolina	1,858	4%
Maine	1,663	3%
Connecticut	1,594	3%
Colorado	1,430	3%
Texas	1,261	3%
Others	15,313	32%
<b>Total</b>	<b>47,708</b>	<b>100%</b>

# Where do we gain taxpayers from?

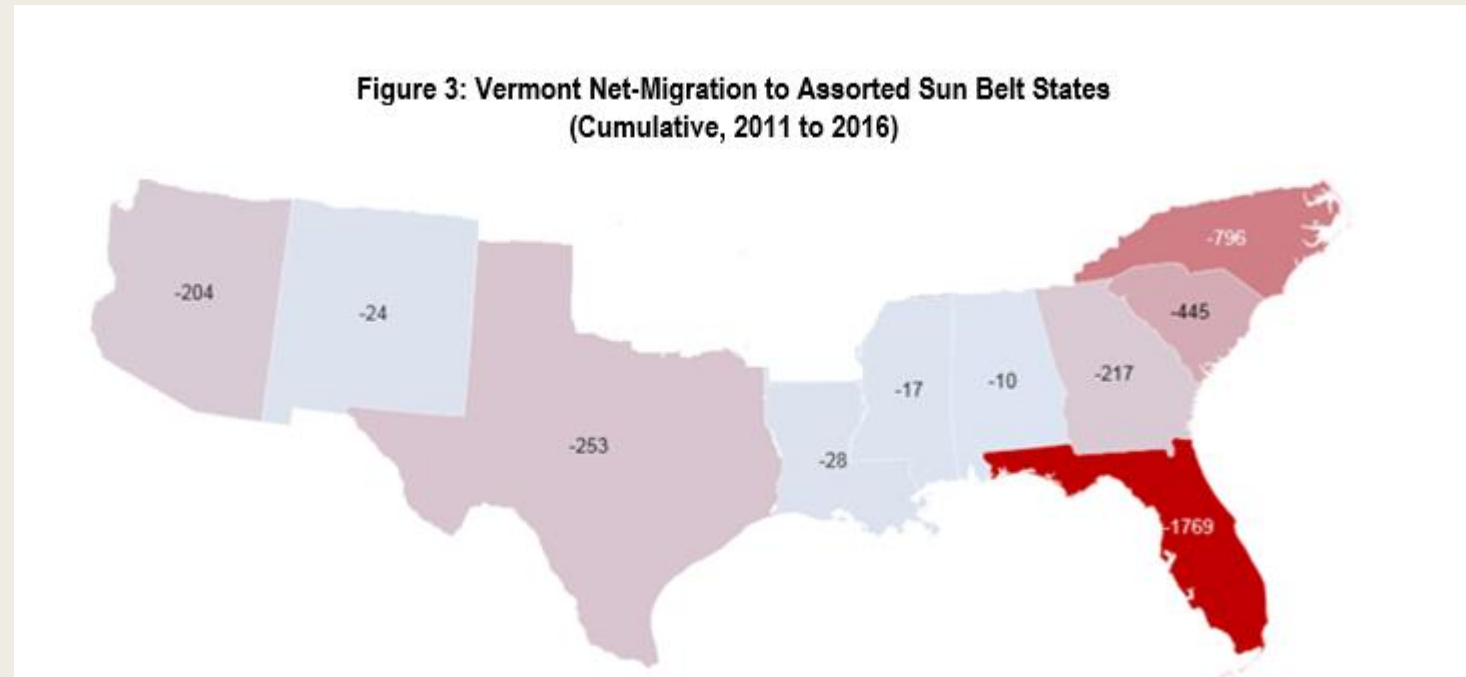
- On net, we gained taxpayers from 7 states and lost taxpayers to 43 states.
- Most of our net in-migration comes from regional neighbors

Figure 2: Vermont Net-Migration for the Northeast  
(Cumulative, 2011 to 2016)



# Where do we lose taxpayers to?

- Select Sun Belt states (North Carolina, South Carolina, Georgia, Florida, Texas, and Arizona).
- On net, we lost 3,684 taxpayers to these states, equal to 1.38% of tax returns.

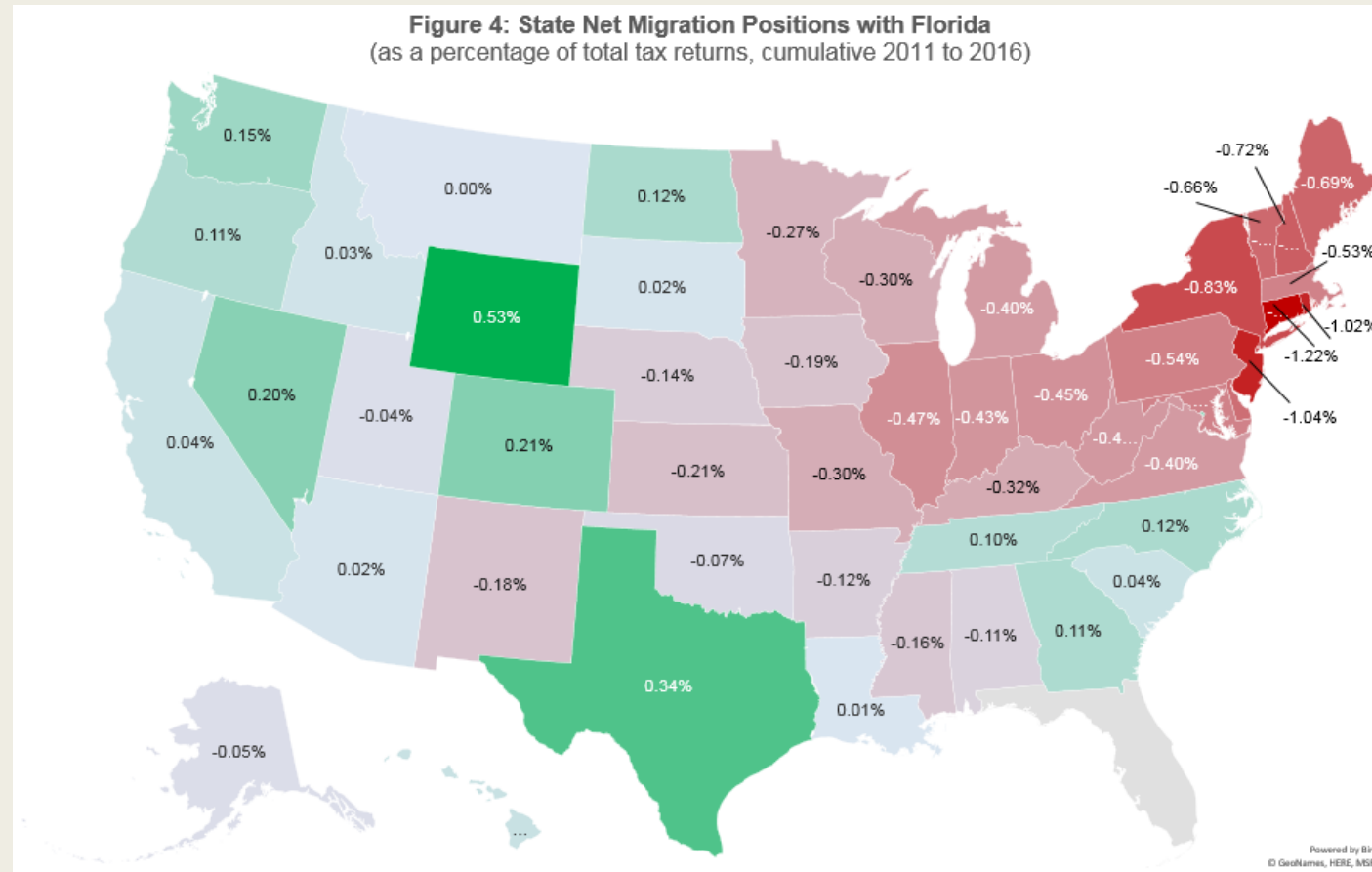


# Losses to the Sun Belt are not unique to Vermont

<b>Table 10: Net Sun Belt Migration of Selected States (as a percentage of total returns, cumulative 2011 to 2016)</b>							
	<b>Vermont</b>	<b>New Hampshire</b>	<b>Maine</b>	<b>New York</b>	<b>Connecticut</b>	<b>Rhode Island</b>	<b>Massachusetts</b>
Arizona	-0.08%	-0.05%	-0.05%	-0.06%	-0.09%	-0.05%	-0.04%
Florida	-0.66%	-0.72%	-0.69%	-0.82%	-1.22%	-1.02%	-0.55%
Georgia	-0.08%	-0.04%	-0.06%	-0.15%	-0.17%	-0.10%	-0.05%
North Carolina	-0.30%	-0.23%	-0.12%	-0.30%	-0.36%	-0.17%	-0.14%
South Carolina	-0.17%	-0.15%	-0.10%	-0.12%	-0.24%	-0.10%	-0.09%
Texas	-0.10%	-0.18%	-0.11%	-0.27%	-0.26%	-0.20%	-0.17%
<b>Total Sunbelt</b>	<b>-1.38%</b>	<b>-1.37%</b>	<b>-1.13%</b>	<b>-1.73%</b>	<b>-2.32%</b>	<b>-1.65%</b>	<b>-1.04%</b>

# Does Vermont have a Florida problem?

- Yes, but so does all of New England and the Midwest



# Where else do we lose taxpayers to?

- Vermont loses taxpayers to Colorado and the West Coast at a much higher rate as a percentage of returns than other New England states.

Table 11: Net Migration to the West Coast and Colorado from Select States (as a percentage of total returns, cumulative 2011 to 2016)							
	Vermont	New Hampshire	Maine	New York	Connecticut	Rhode Island	Massachusetts
California	-0.17%	-0.18%	-0.04%	-0.32%	-0.33%	-0.21%	-0.44%
Oregon	-0.09%	-0.05%	-0.03%	-0.03%	-0.03%	-0.04%	-0.04%
Washington	-0.11%	-0.07%	-0.04%	-0.05%	-0.08%	-0.04%	-0.07%
Colorado	-0.19%	-0.08%	-0.04%	-0.08%	-0.10%	-0.06%	-0.08%
<b>Total West Coast</b>	<b>-0.57%</b>	<b>-0.37%</b>	<b>-0.15%</b>	<b>-0.48%</b>	<b>-0.54%</b>	<b>-0.35%</b>	<b>-0.62%</b>

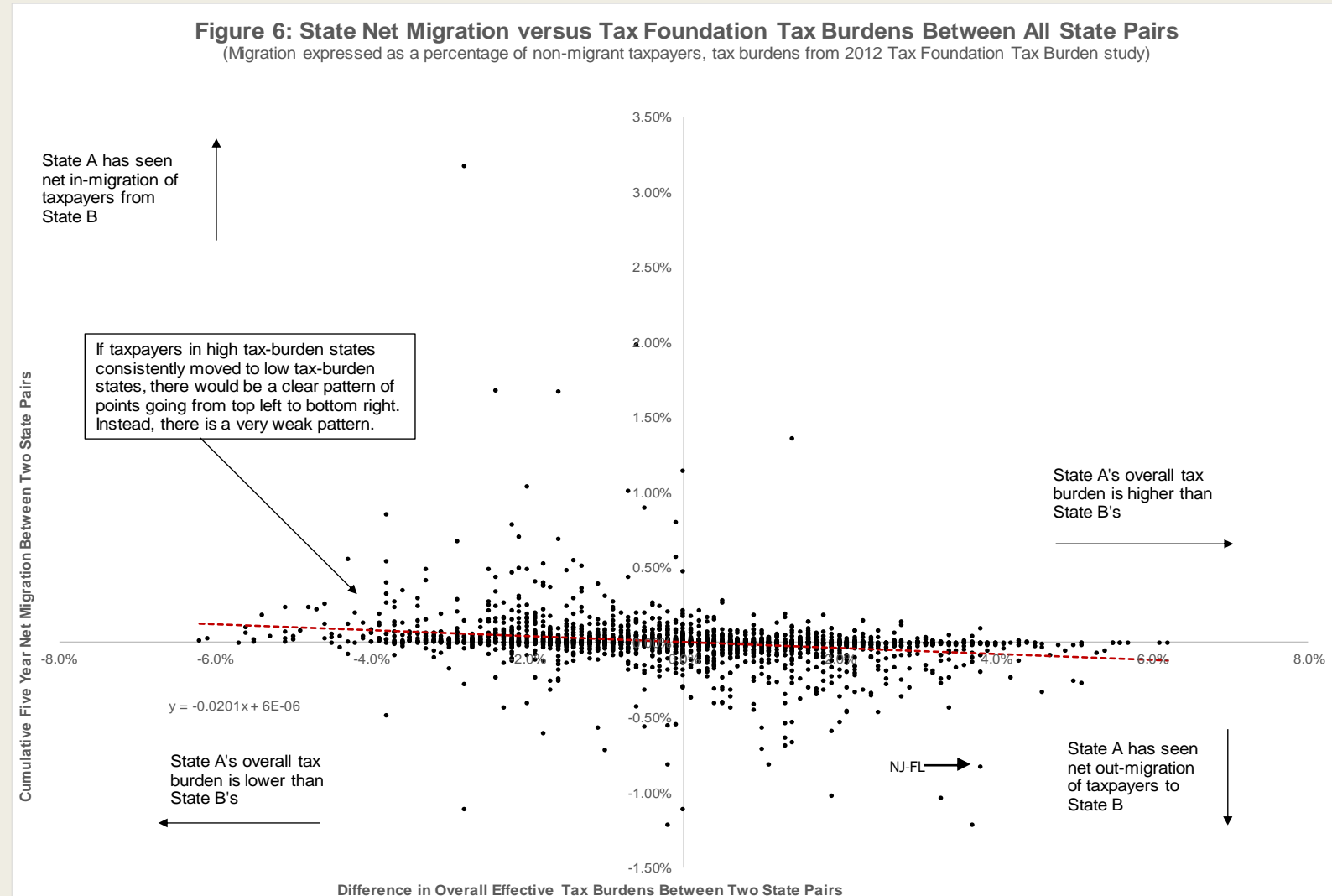


# Is it because of Vermont's taxes?

- Using this dataset, we examined whether there was a correlation between differences in tax burdens between states and migration between them.
- Caveats:
  - **We were unable to do this by income group:** It's possible that one income group is more sensitive to tax burden differentials.
  - **People move for a variety of reasons:** Taxes might be a motivator for some. This analysis looks at whether it is a motivator for the overall population, on average.
  - **This analysis is not causal:** we cannot give a precise estimate of the effect of tax burden differentials on migration.

# The impact of tax burdens on interstate migration

- We found that the relationship between tax burden differentials and interstate migration to be very weak.
- If there is a casual link, it is likely not a major factor in people moving overall
- This finding is consistent with academic literature that has examined the subject more thoroughly



# Questions?

- State to State Migration Issue Brief: <https://ljfo.vermont.gov/assets/Publications/Issue-Briefs/3c0332068e/State-to-State-Issue-Brief-Final.pdf>
- Age and Income Issue Brief: <https://ljfo.vermont.gov/assets/Publications/Issue-Briefs/3bed2c98d0/Age-and-Income-Issue-Brief-Final.pdf>