

TAXPAYER MIGRATION: EVIDENCE FROM THE IRS

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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...

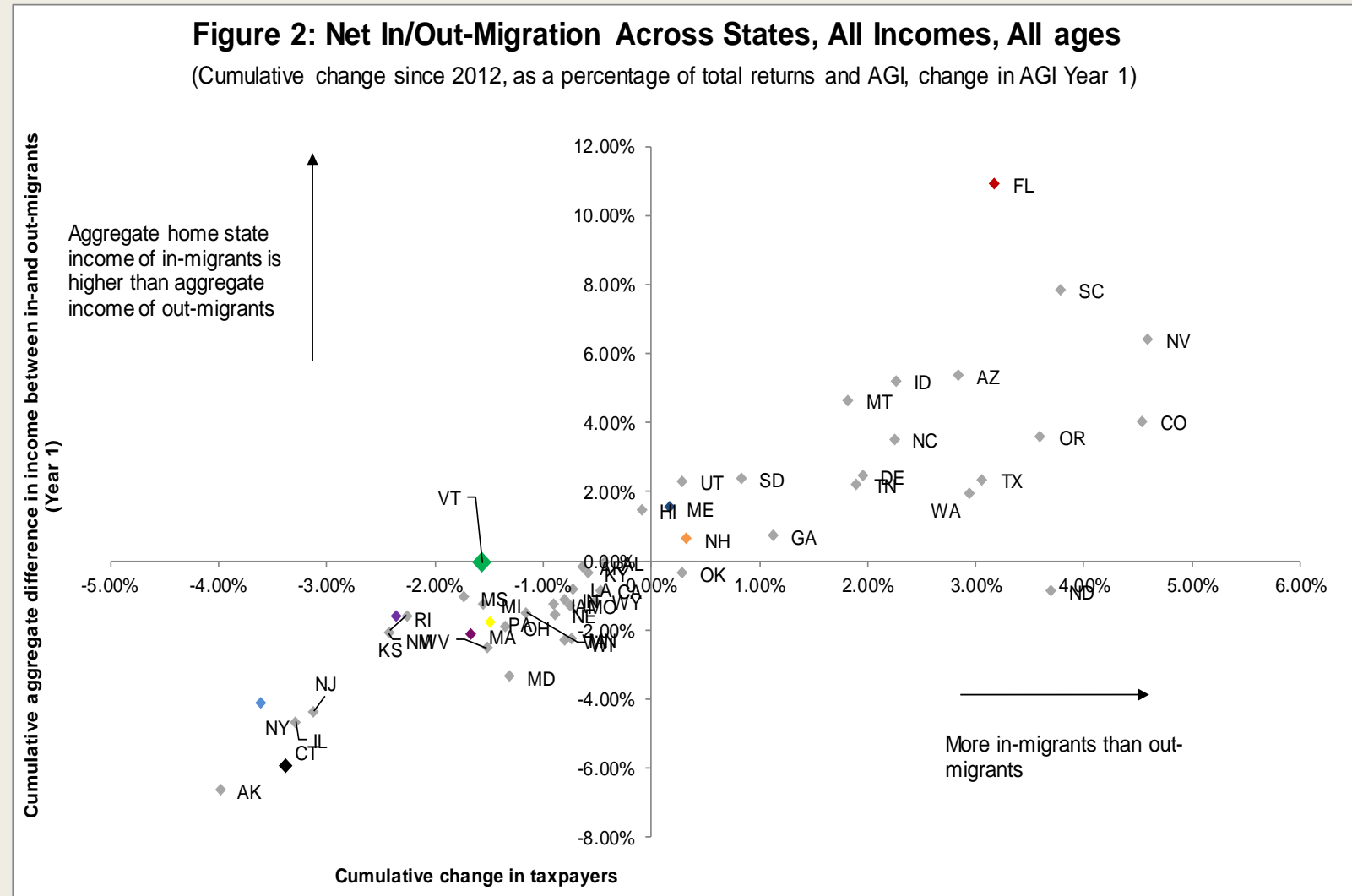
- We tend not to focus on the movement of aggregate income across states and therefore, the change in Vermont tax base:
 - *Why not?*
 - Using AGI Year 1 is problematic
 - *People may move and have significantly different incomes the following year*
 - Using AGI Year 2 is also problematic
 - *If someone 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

Taxpayer Migration: Age and Income Group

Overall, Vermont has seen net out-migration

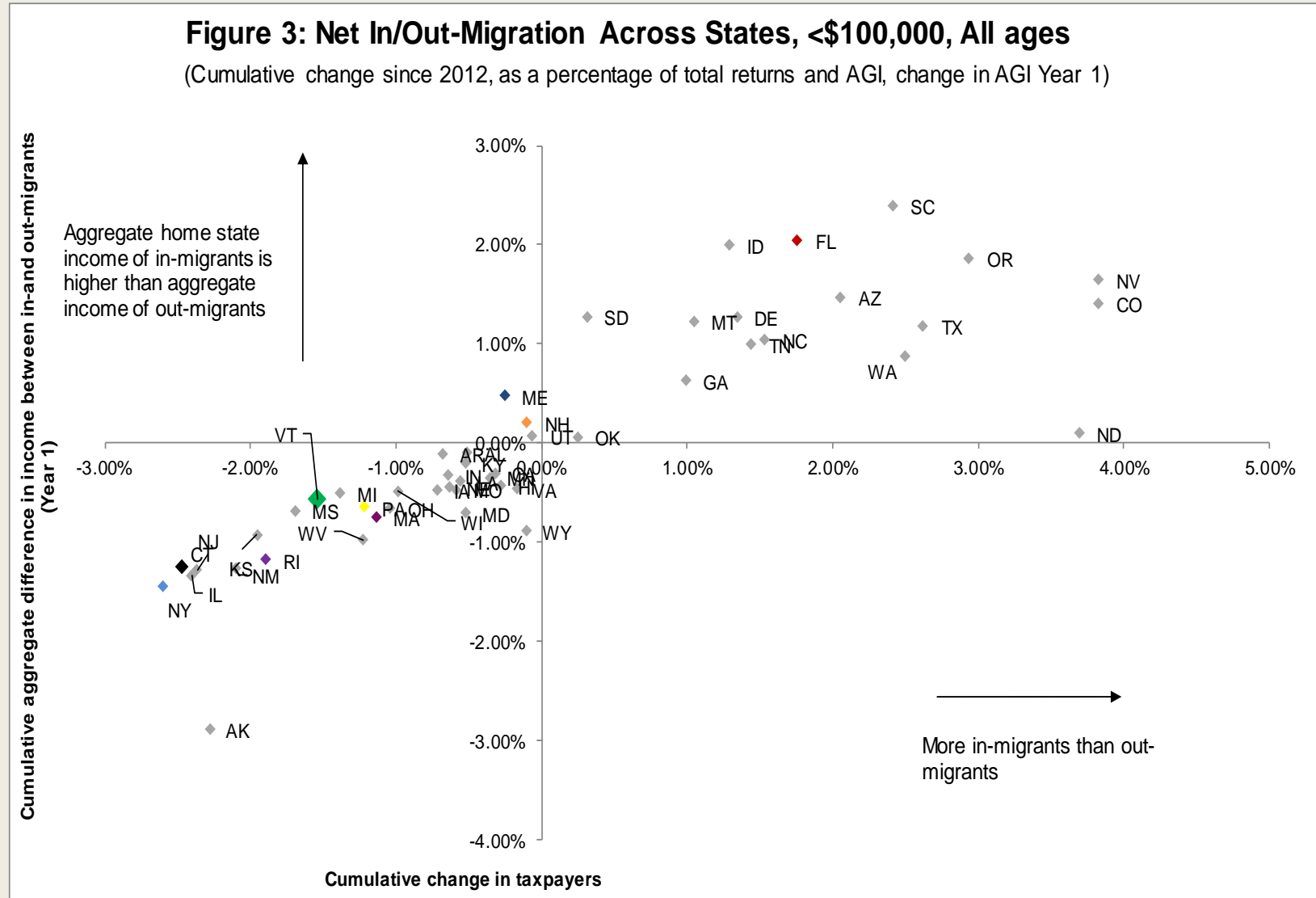
- From 2012 to 2016, Vermont saw net out-migration of just over 4,000 taxpayers
 - *For cross-state comparison purposes, this is equivalent to 1.56% of total tax returns*

- Based upon aggregate AGI Year 1, roughly the same amount of income left the state as came in



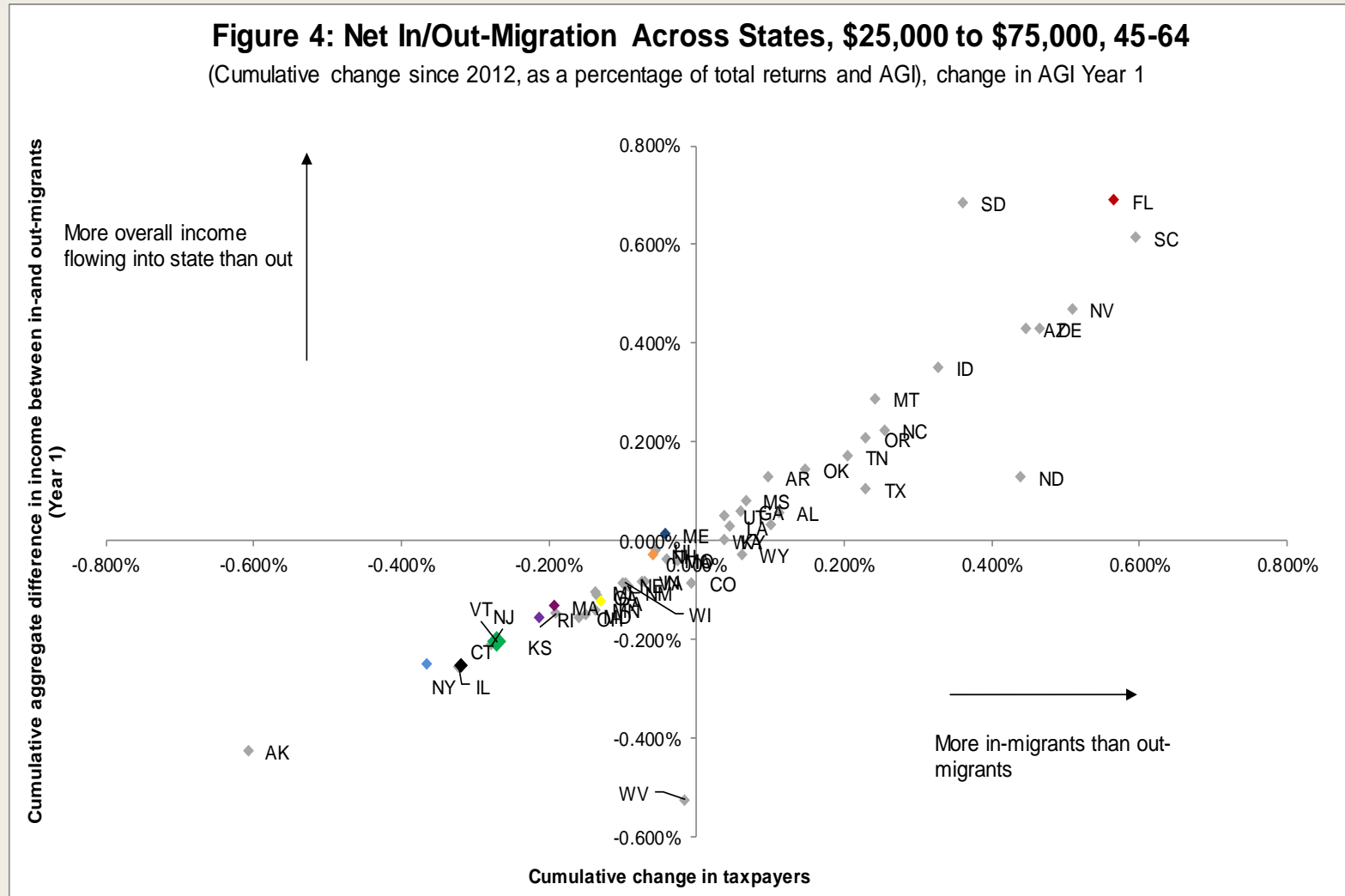
Who's leaving?

- 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, VT lost 720 taxpayers move on net from this cohort
- As a percentage of returns, only 5 states did worse amongst this cohort of taxpayers.

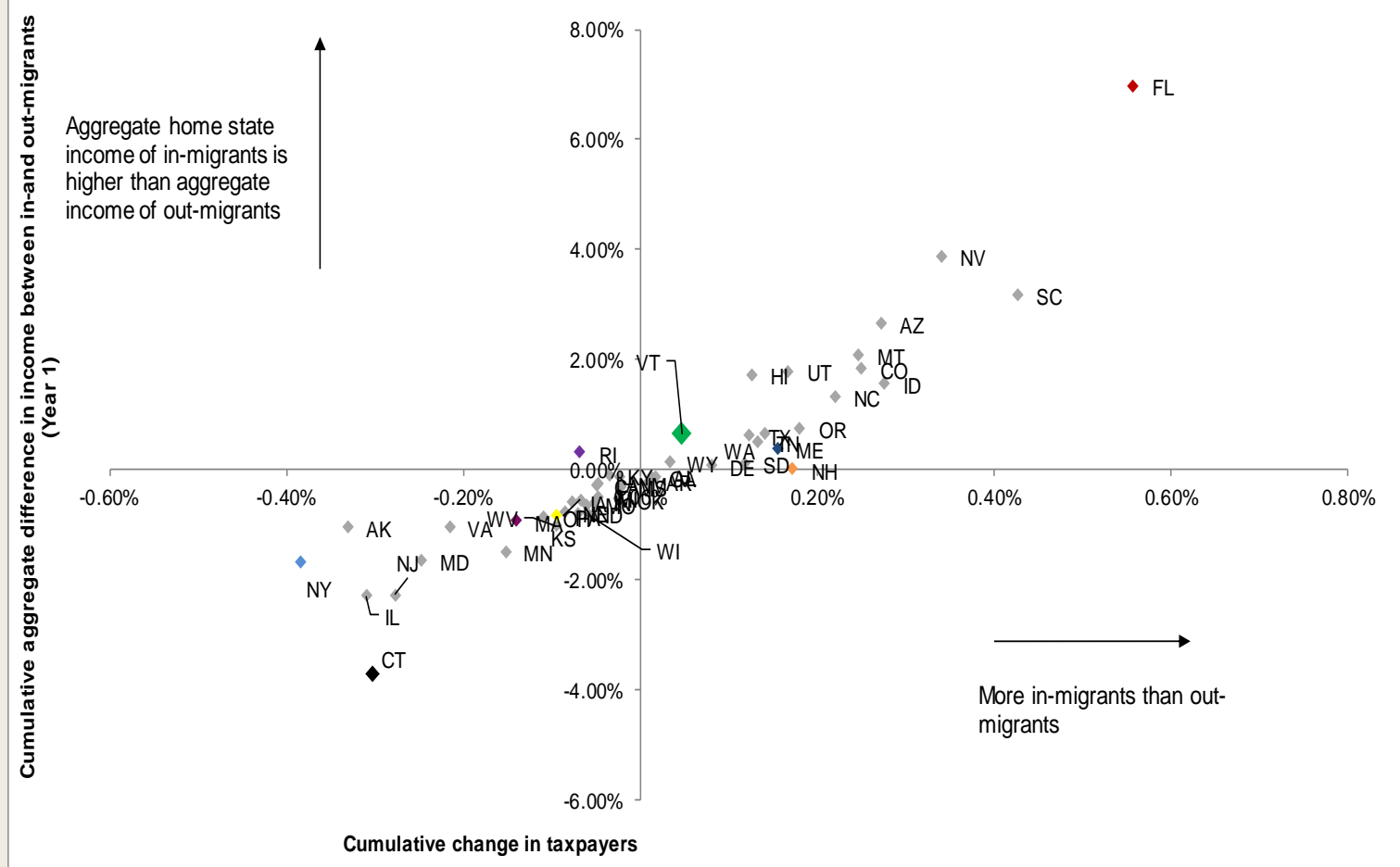


Who's coming?

- 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

Figure 11: Net In/Out-Migration Across States, >\$200,000, All ages

(Cumulative change since 2012, as a percentage of total returns and AGI, change in AGI Year 1)

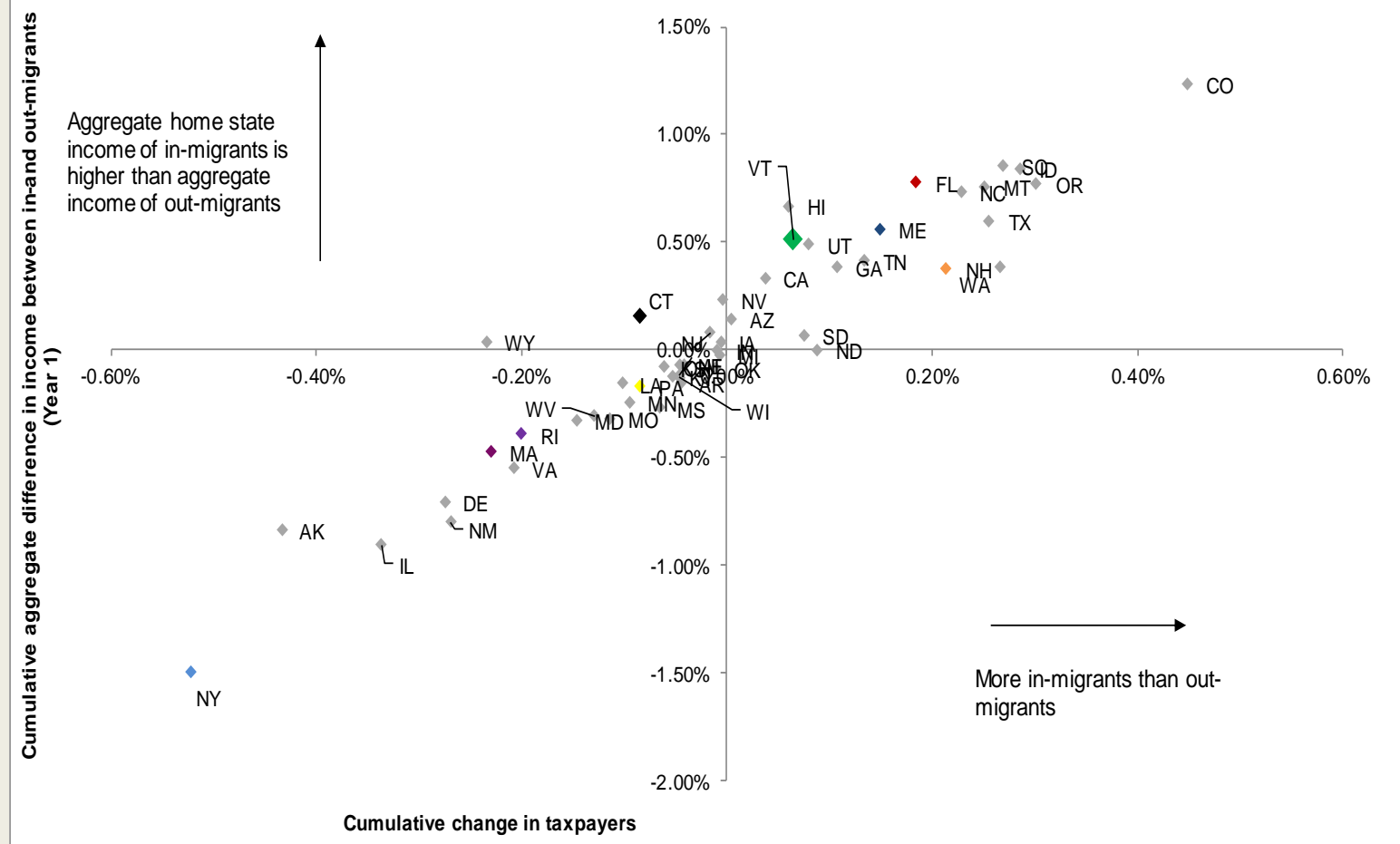


Who's coming?

- 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

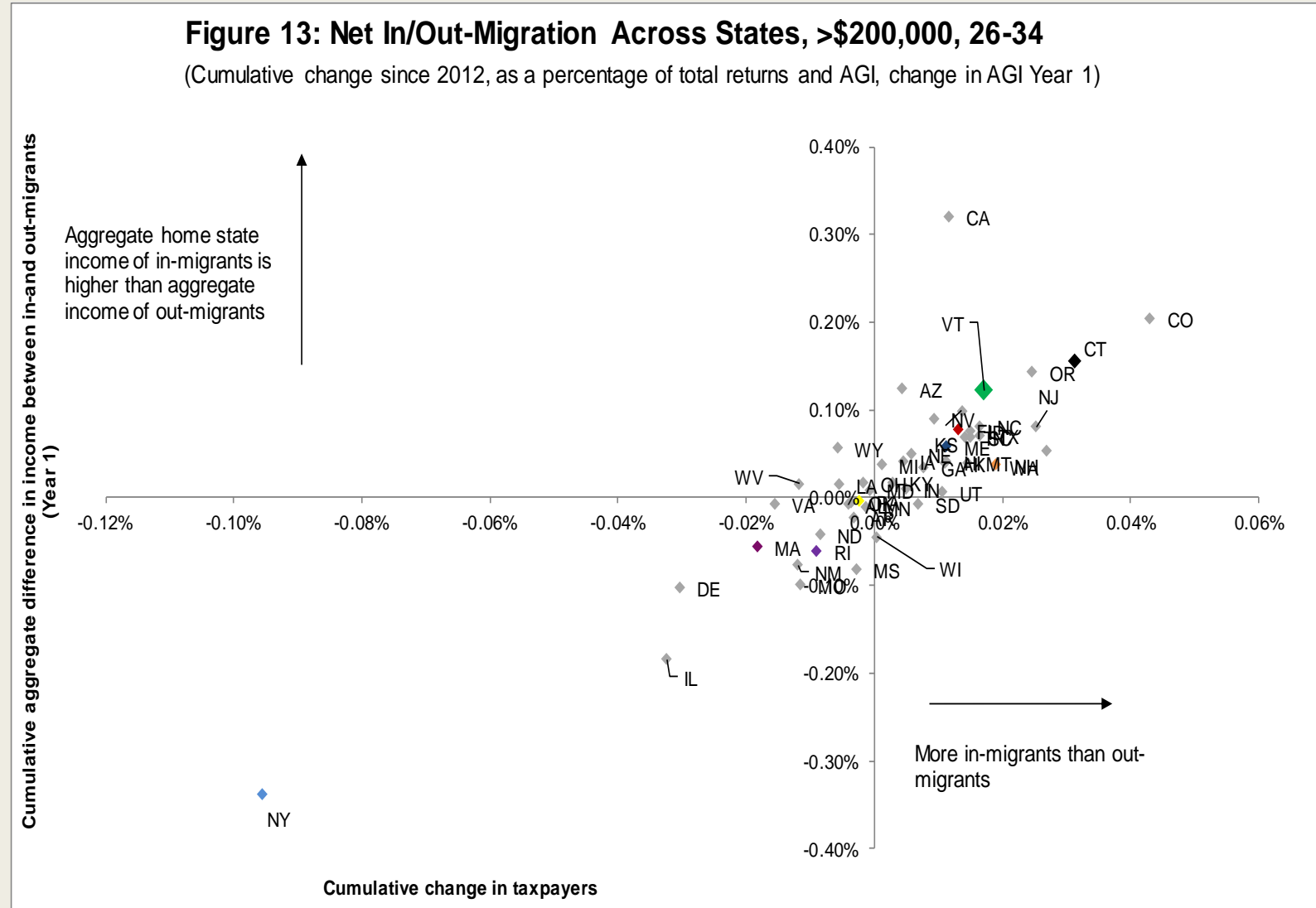
Figure 12: Net In/Out-Migration Across States, >\$100,000, 26-44

(Cumulative change since 2012, as a percentage of total returns and AGI, change in AGI Year 1)



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 7th 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

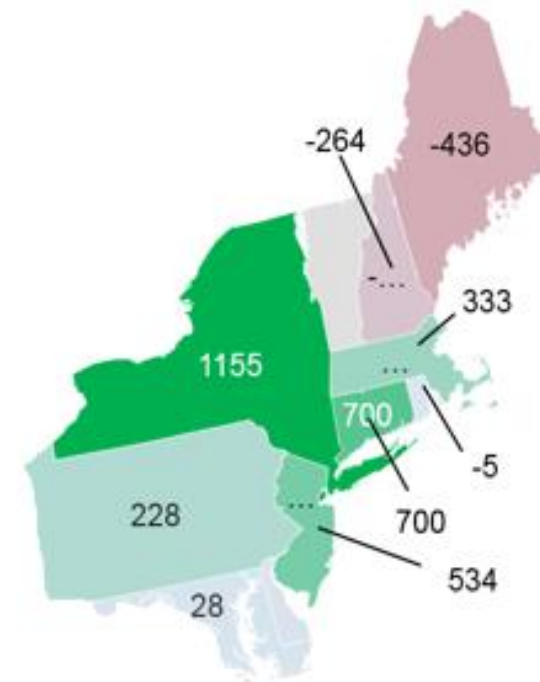
Table 1: Origins of Vermont's In-Migrants Cumulative, 2011 to 2016		
	Total In-Migrants	Percent of Total In-Migration
New York	6,907	16%
New Hampshire	6,053	14%
Massachusetts	5,579	13%
Florida	3,161	7%
Connecticut	2,294	5%
California	1,897	4%
Pennsylvania	1,432	3%
New Jersey	1,375	3%
Maine	1,227	3%
Virginia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

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%
Total	47,708	100%

Where do we gain taxpayers from?

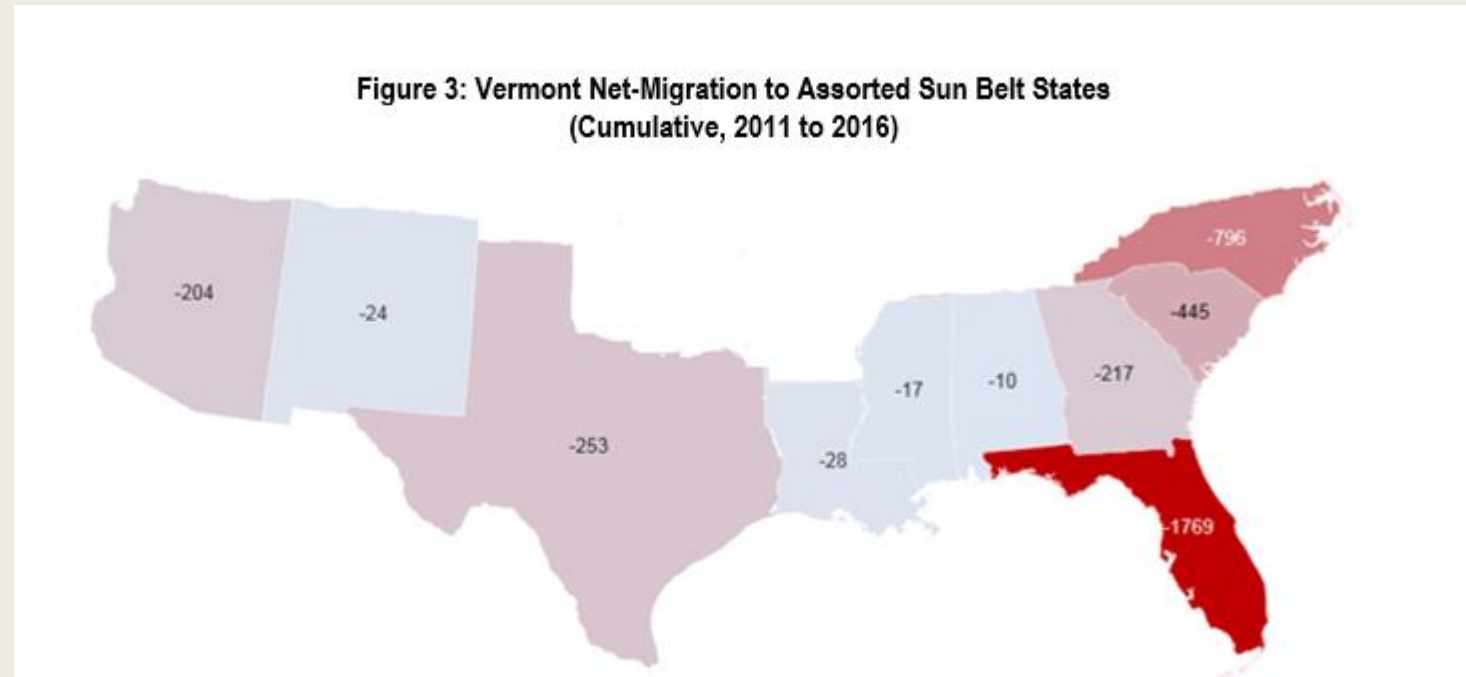
- On net, we gained taxpayers from 7 states and lost taxpayers to 43 states.
- Most of our net in-migration comes from regional neighbors

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.

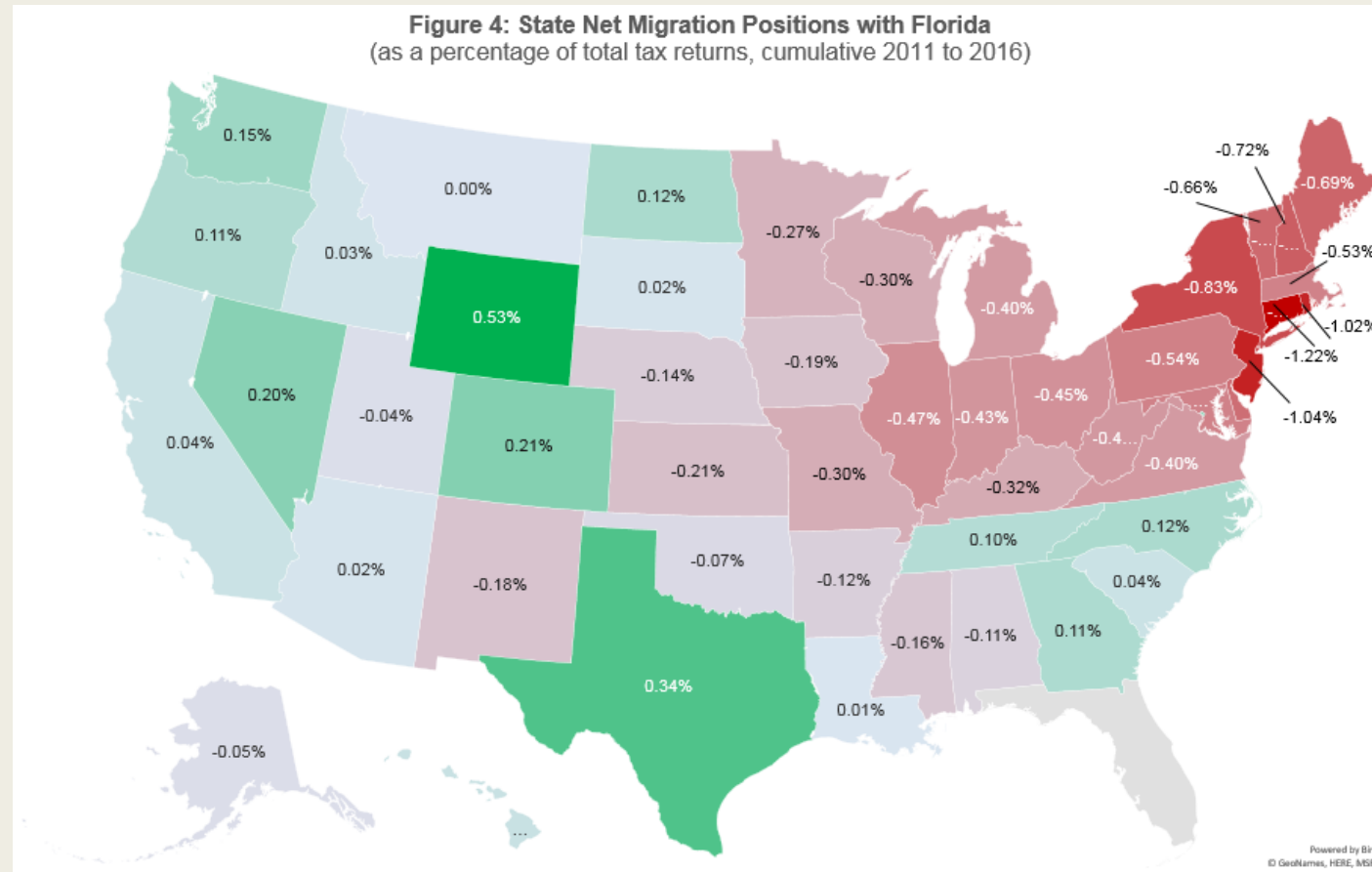


Losses to the Sun Belt are not unique to Vermont

Table 10: Net Sun Belt Migration of Selected States (as a percentage of total returns, cumulative 2011 to 2016)							
	Vermont	New Hampshire	Maine	New York	Connecticut	Rhode Island	Massachusetts
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%
Total Sunbelt	-1.38%	-1.37%	-1.13%	-1.73%	-2.32%	-1.65%	-1.04%

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.

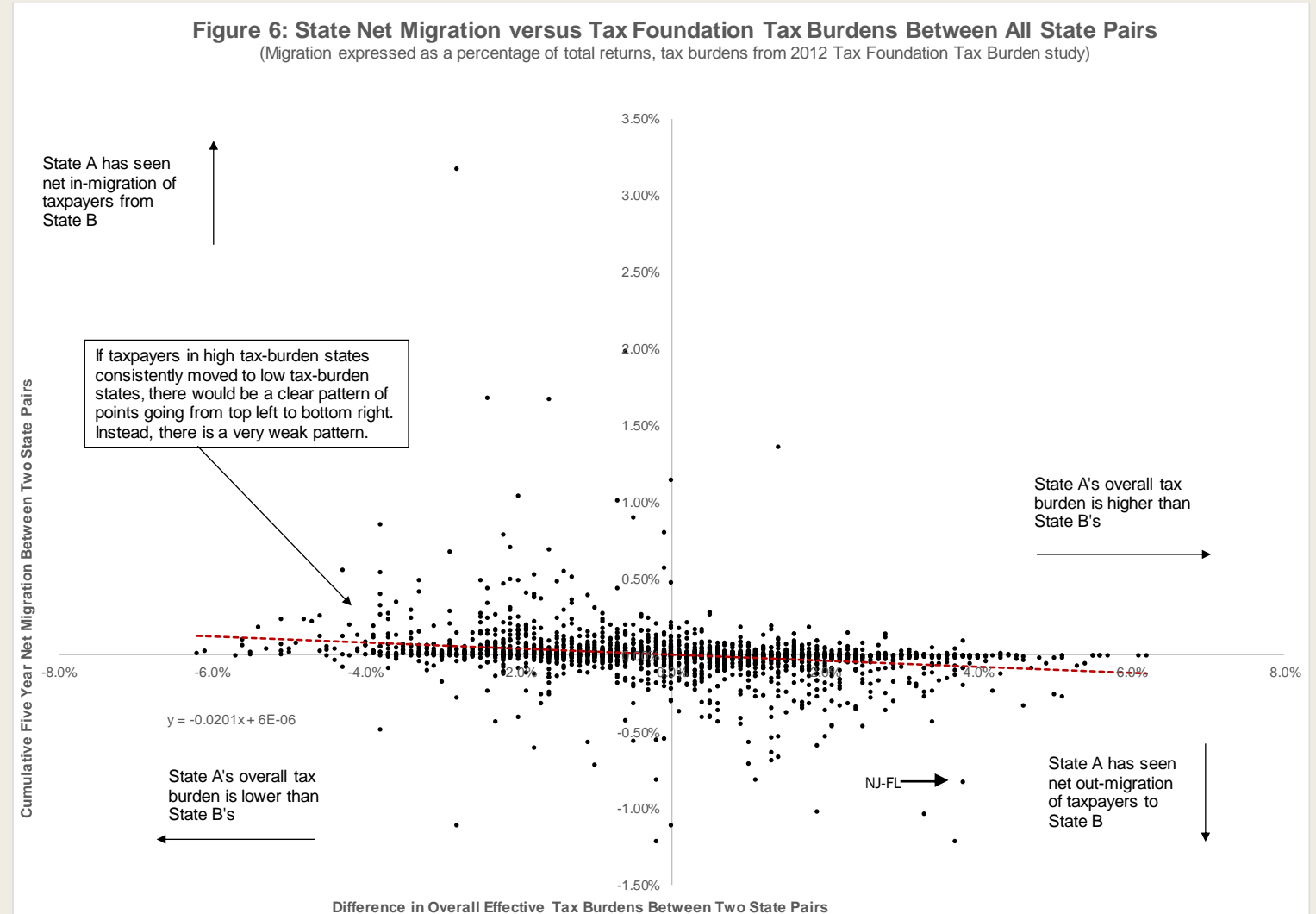
Table 11: Net Migration to the West Coast and Colorado from Select States (as a percentage of total returns, cumulative 2011 to 2016)							
	Vermont	New Hampshire	Maine	New York	Connecticut	Rhode Island	Massachusetts
California	-0.17%	-0.18%	-0.04%	-0.32%	-0.33%	-0.21%	-0.44%
Oregon	-0.09%	-0.05%	-0.03%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

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>