TAXPAYER MIGRATION: EVIDENCE FROM THE IRS

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Senate Finance Committee
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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
- 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
Total	100%	100%	43,714	100%	47,881	100%	100%	731,496	100%	831,074

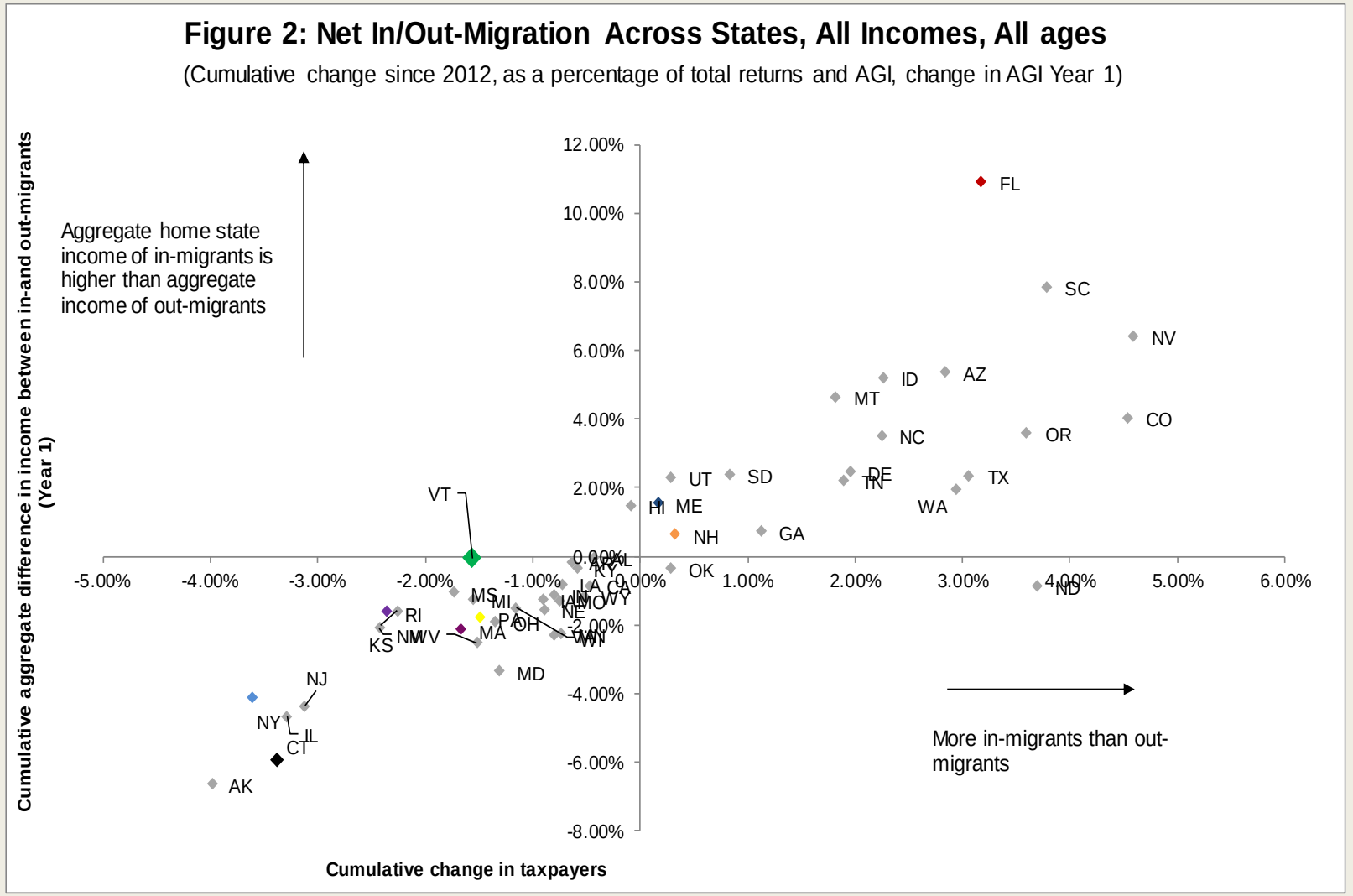
Vermont's migrating taxpayers are slightly older than New England as a whole

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

	Vermont					New England (less VT)				
		In-Migration		Out-Migration			In-Migration		Out-Migration	
	Percent of Total VT Tax Returns in Cohort	Percent of Total	Number	Percent of Total	Number	Percent of Total NE Tax Returns in Cohort	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
Total	**100%**	**100%**	**43,714**	**100%**	**47,881**	**100%**	**100%**	**731,496**	**100%**	**831,074**

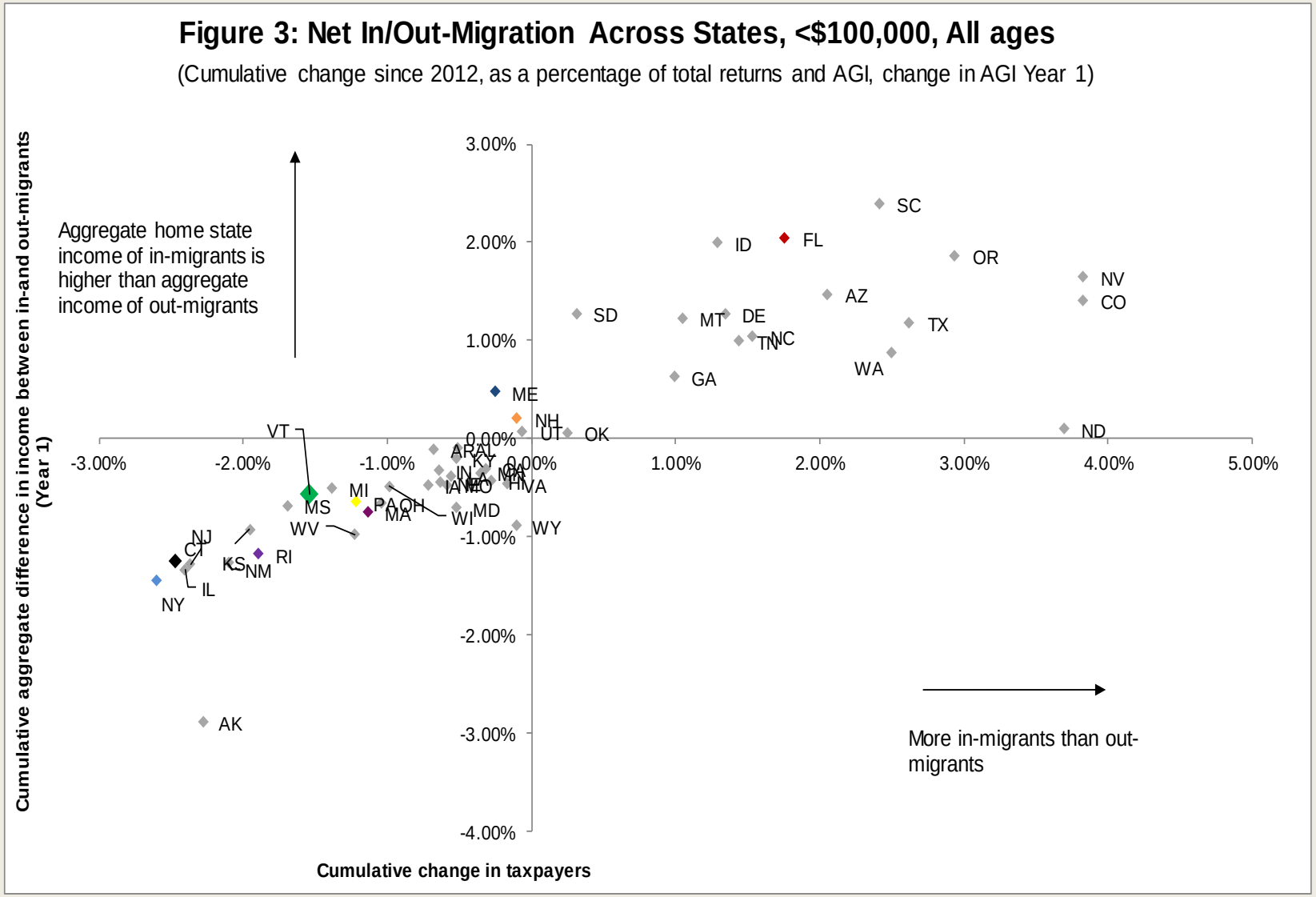
Overall, Vermont has seen net out-migration

- 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*
- Possibly up to 2,000 of these are college students
- Based upon aggregate AGI Year 1, roughly the same amount of income left the state as came in



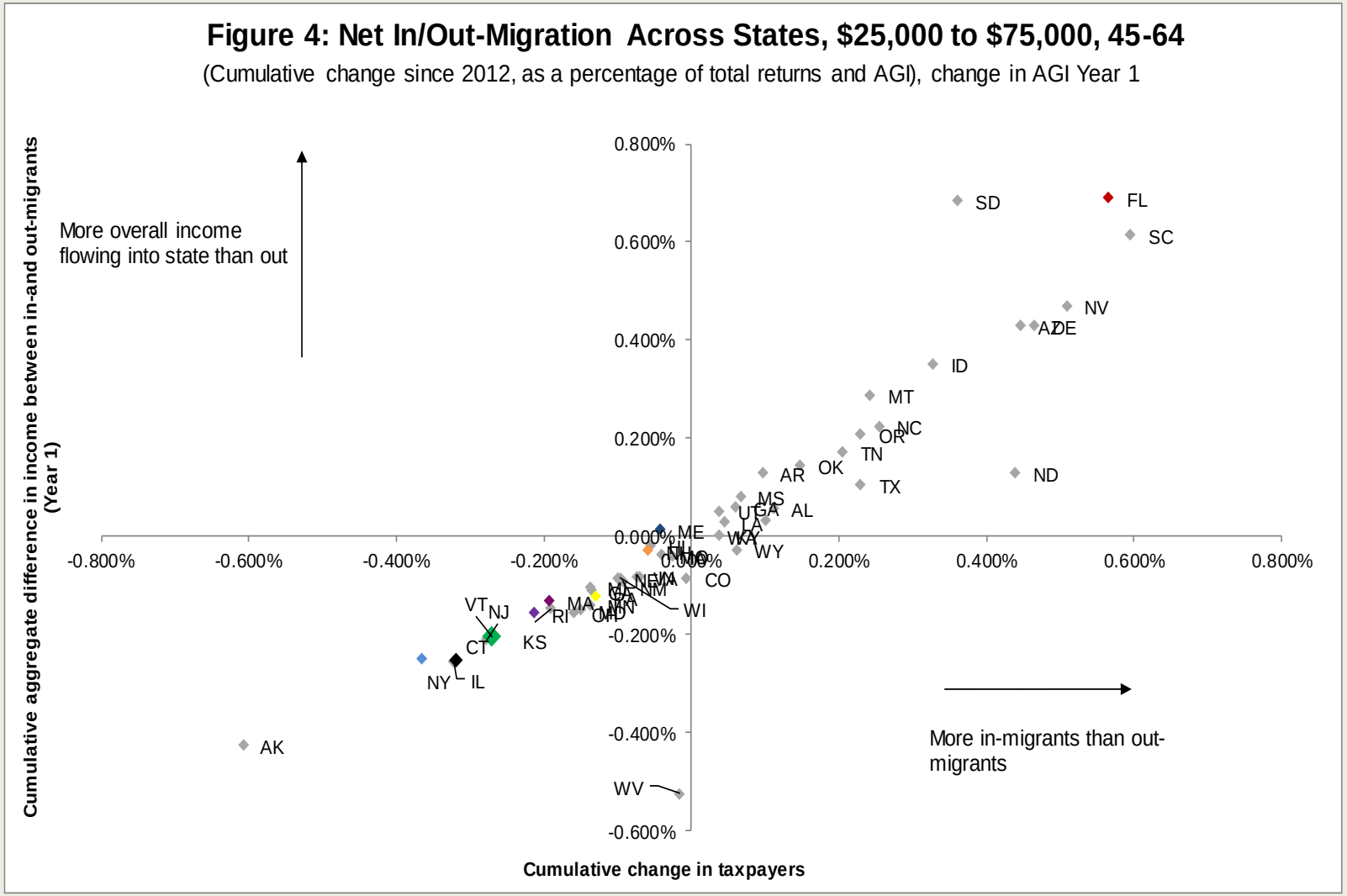
Who's leaving?

- 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



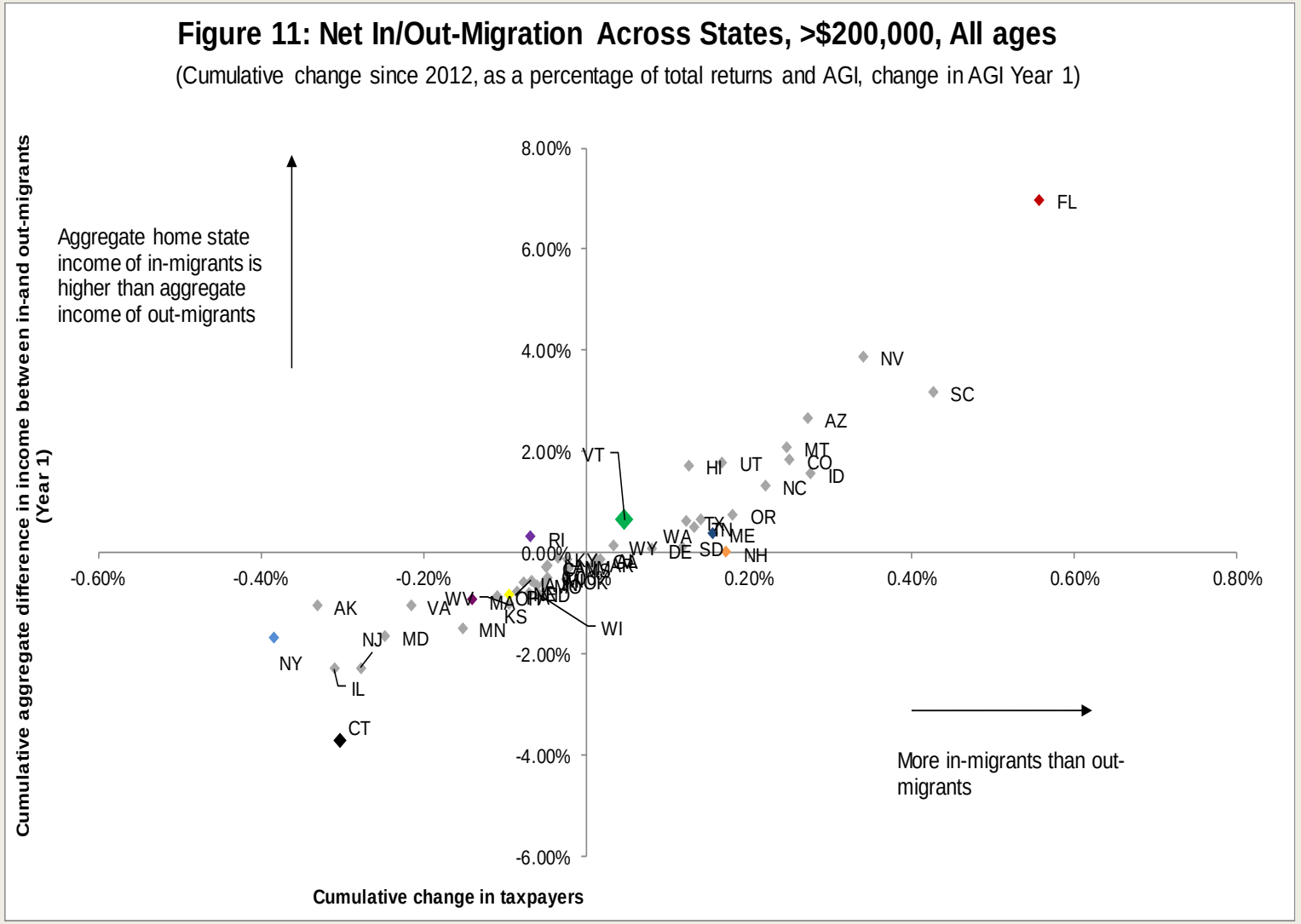
Who's leaving?

- 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 lost more taxpayers from this cohort.



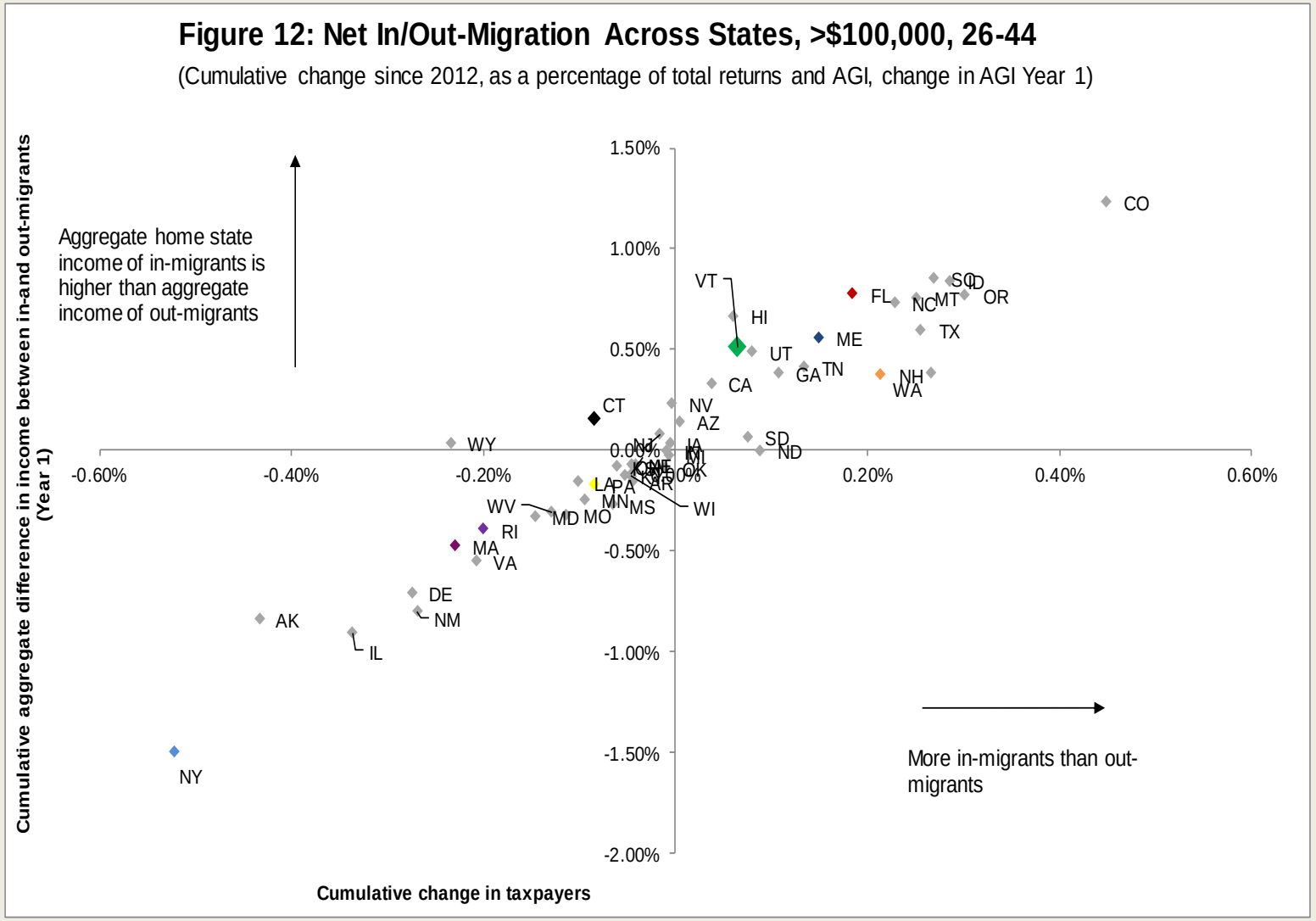
Who's coming?

- 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



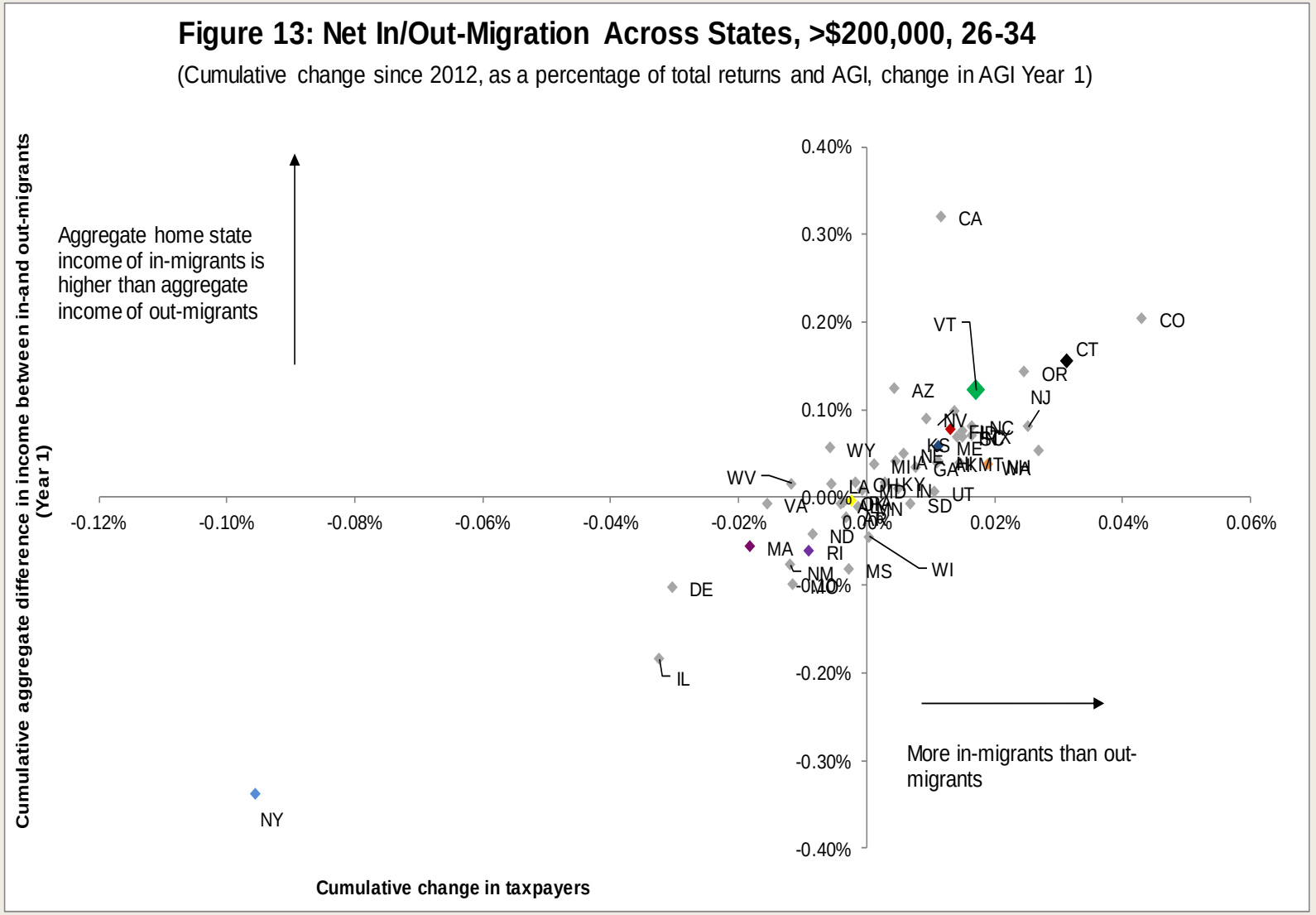
Who's coming?

- 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 7th best in the country as a percentage of returns



Taxpayer Migration: State-to State

Where do our migrants come from and go?

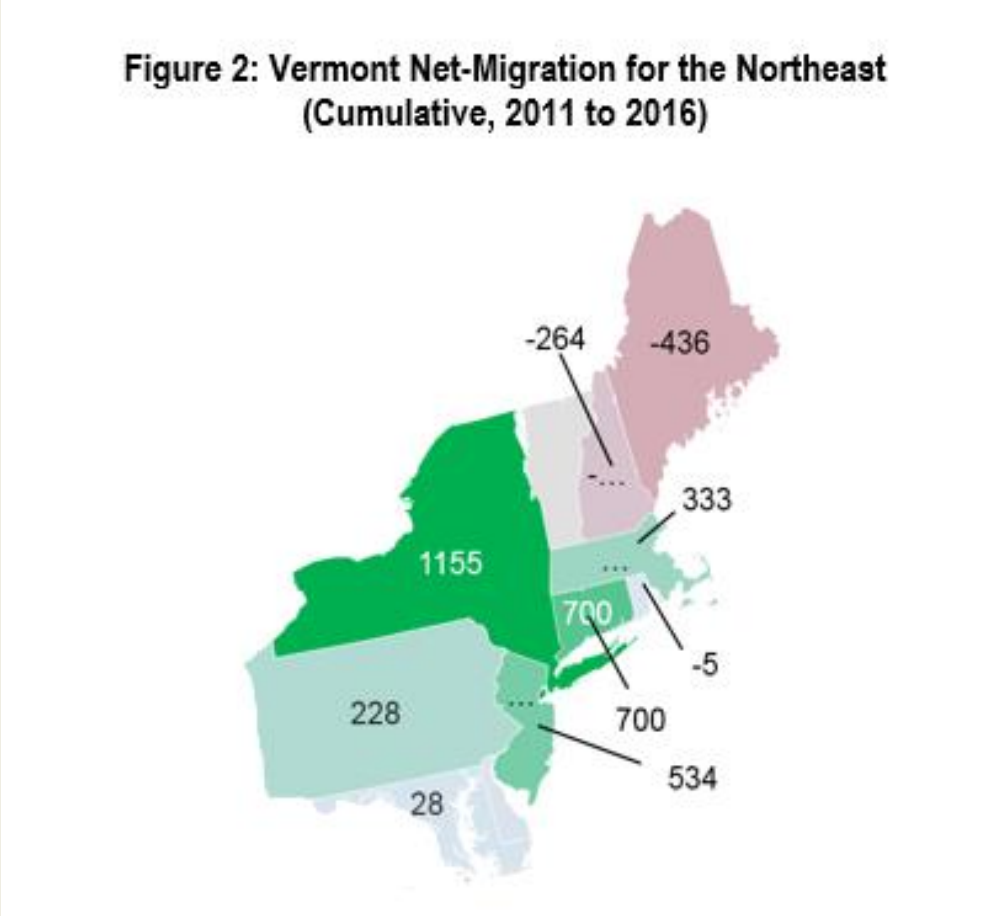
- About 50% of our in-migrants and 50% of our out-migrants come from our three neighboring states and Florida

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%**

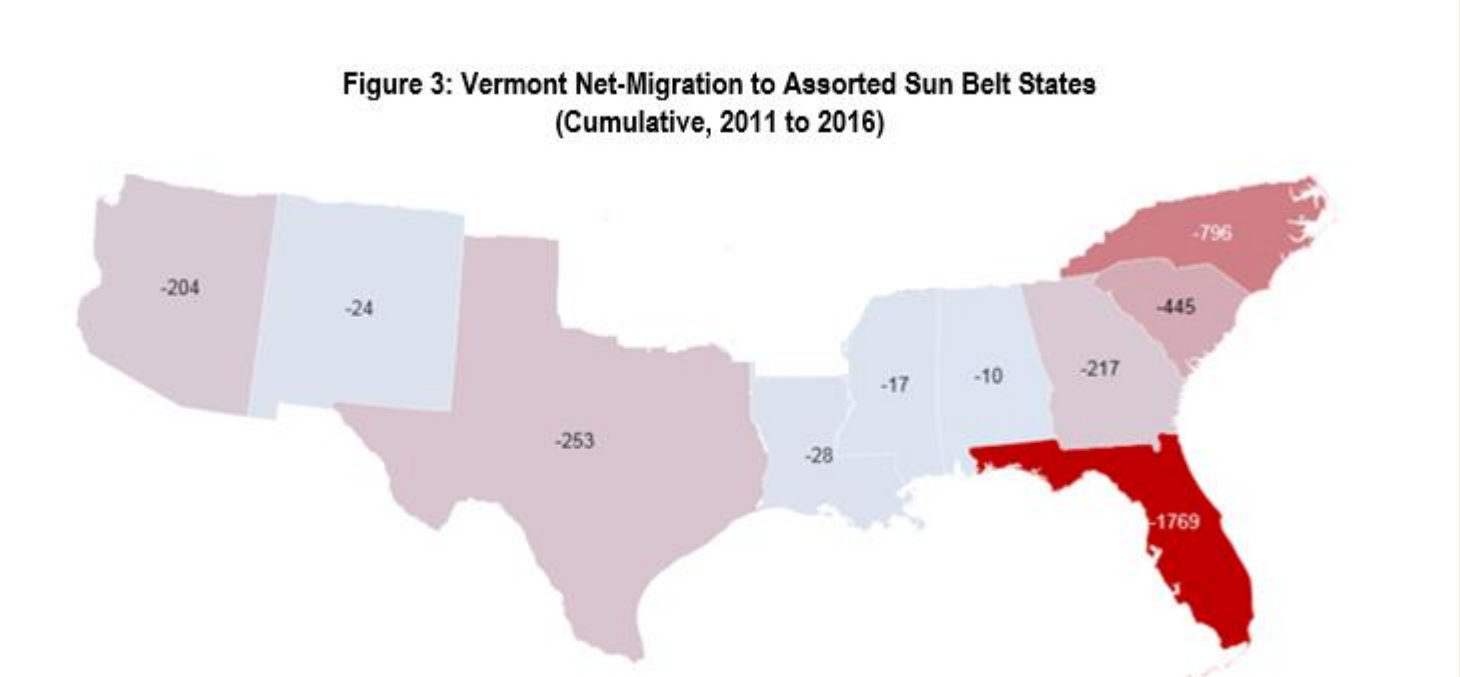
Where do we gain taxpayers from?

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



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.

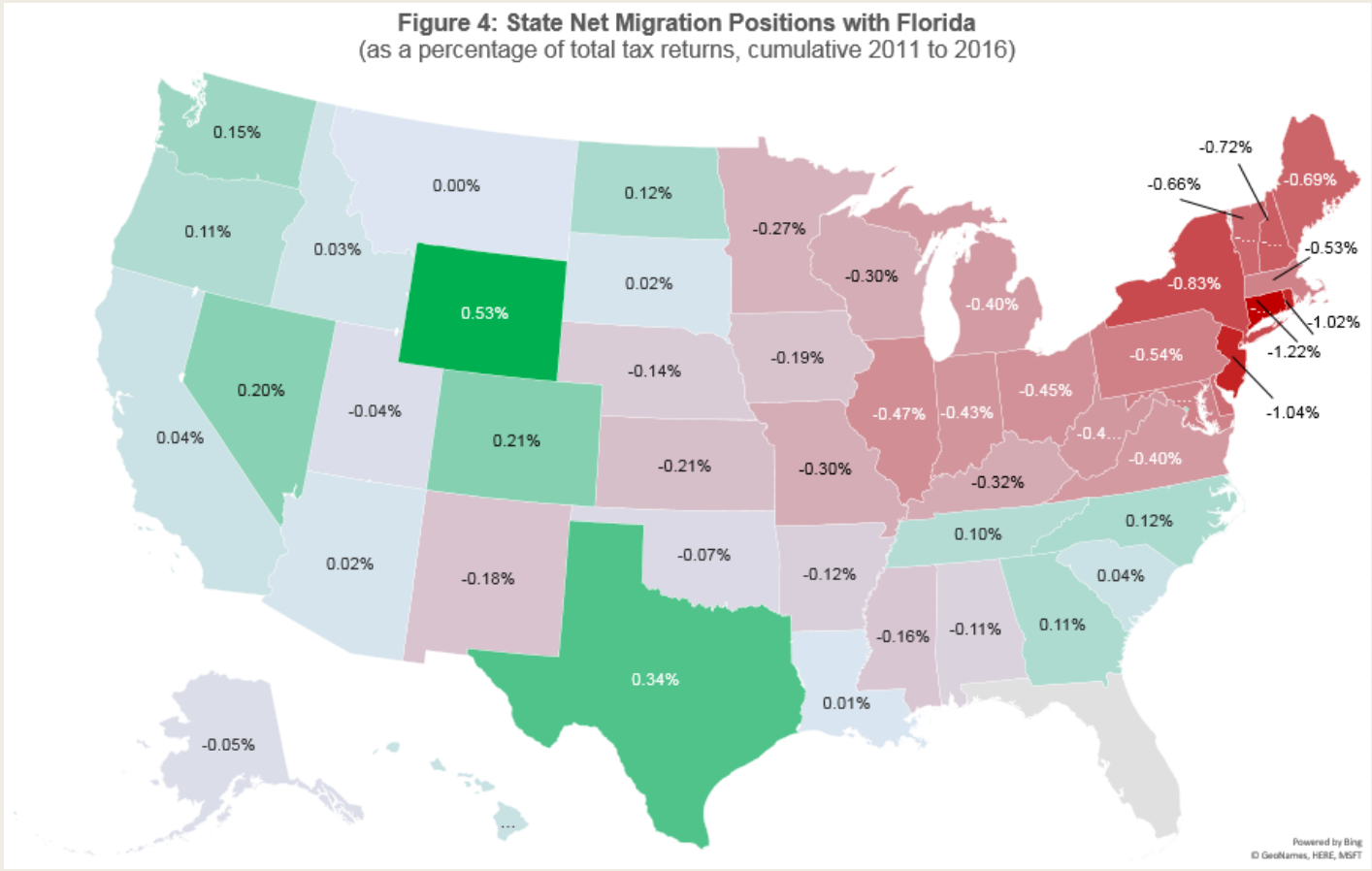


Losses to the Sun Belt are not unique to Vermont

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)

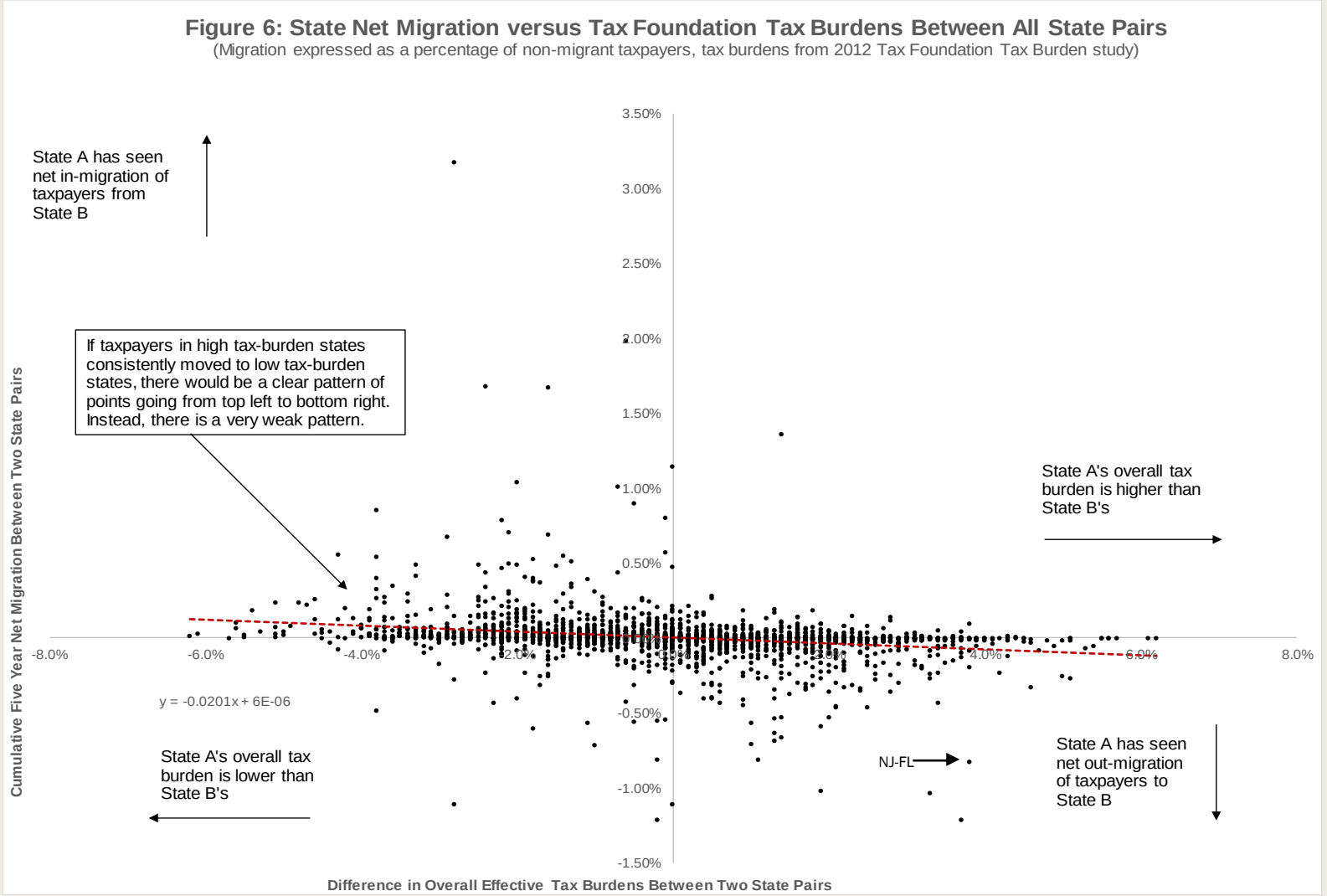
	Vermont	New Hampshire	Maine	New York	Connecticut	Rhode Island	Massachusetts
California	-0.17%	-0.18%	-0.04%	-0.32%	-0.33%	-0.21%	-0.44%
Oregon	-0.09%	-0.05%	-0.03%	-0.03%	-0.03%	-0.04%	-0.04%
Washington	-0.11%	-0.07%	-0.04%	-0.05%	-0.08%	-0.04%	-0.07%
Colorado	-0.19%	-0.08%	-0.04%	-0.08%	-0.10%	-0.06%	-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