Millionaire Migration and the Taxation of Top Incomes

Evidence from Big Administrative Data

Cristobal Young

Dept of Sociology
Cornell University

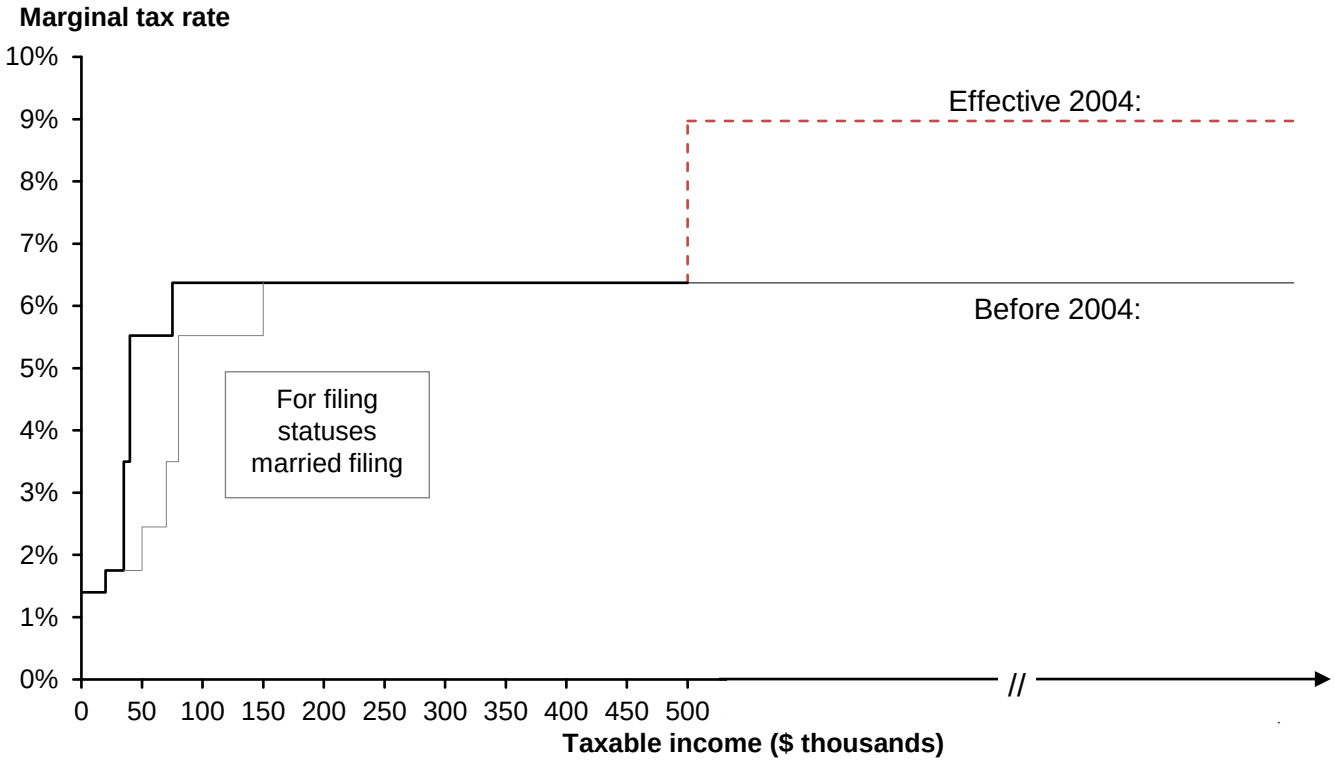
Case Study: The New Jersey Millionaire Tax (2004)

National Tax Journal, June 2011, 64 (2, Part 1), 255–284

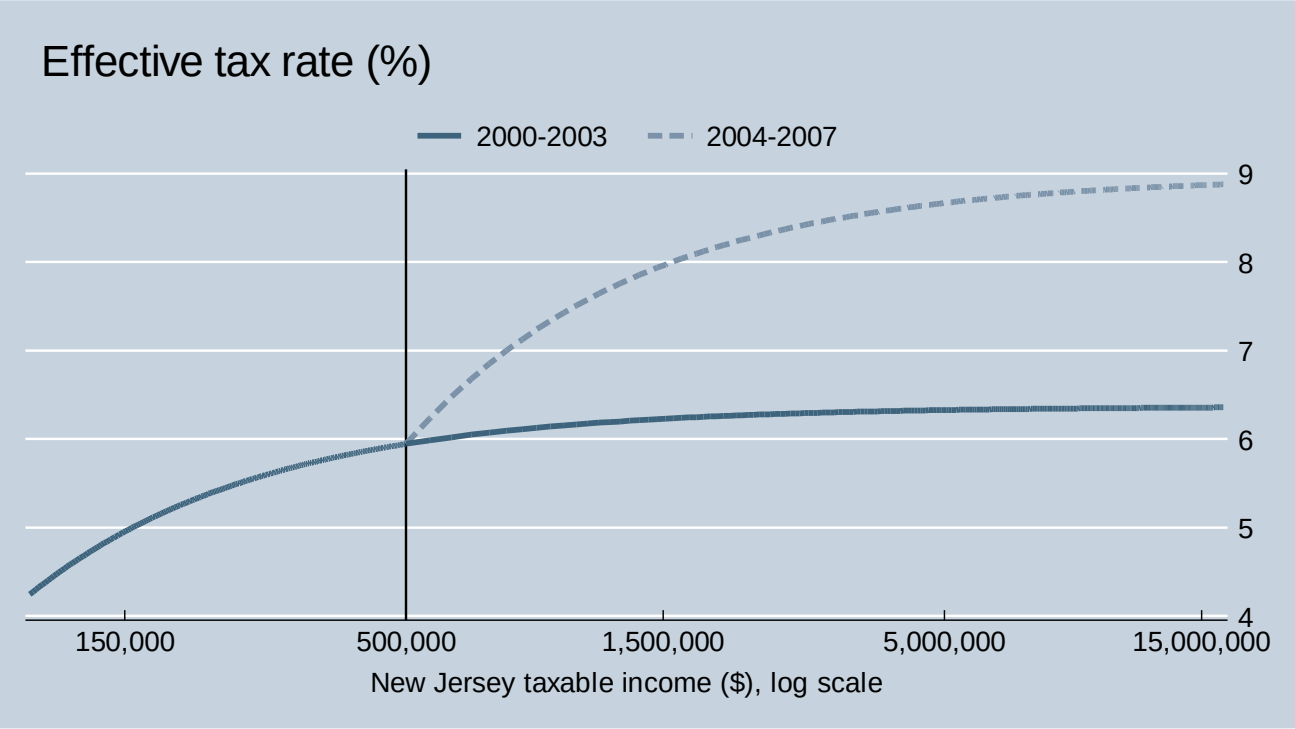
MILLIONAIRE MIGRATION AND STATE TAXATION OF TOP INCOMES: EVIDENCE FROM A NATURAL EXPERIMENT

Cristobal Young and Charles Varner

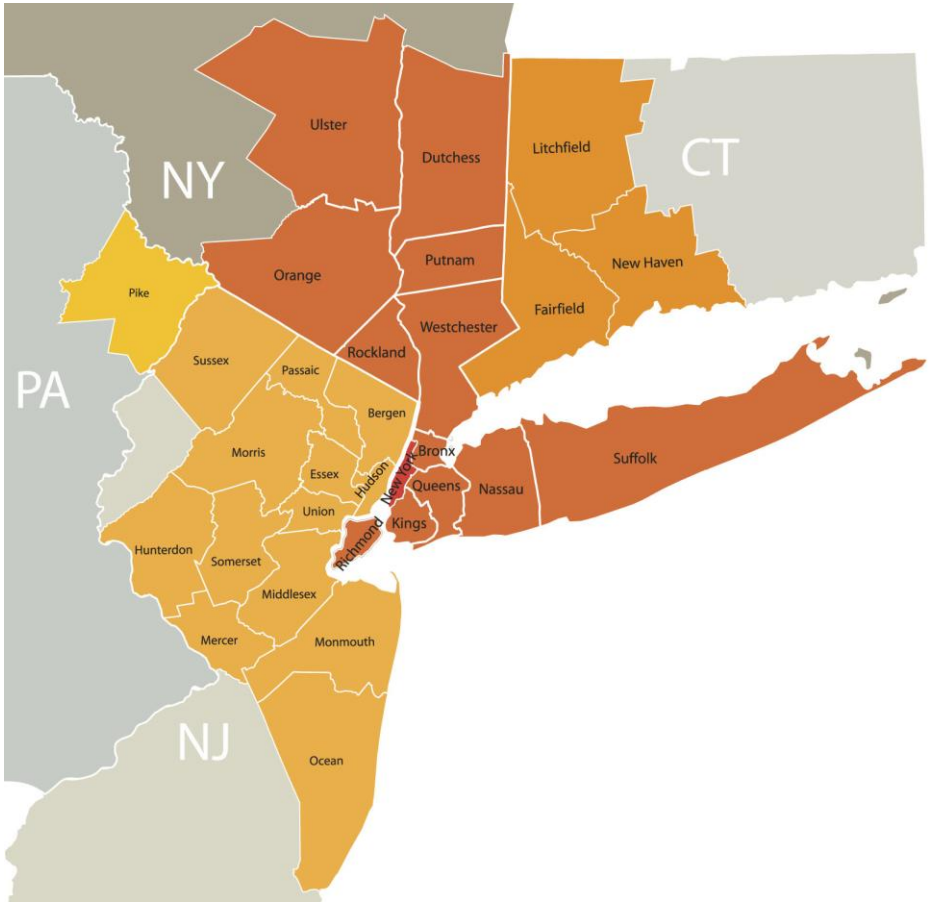
New Jersey marginal tax rates



NJ effective individual income tax rates



New York Metro Area



Top Tax Rates in NY Metro Area:

5 boroughs: 10.5%

New Jersey: 8.97%

New York: 6.85%

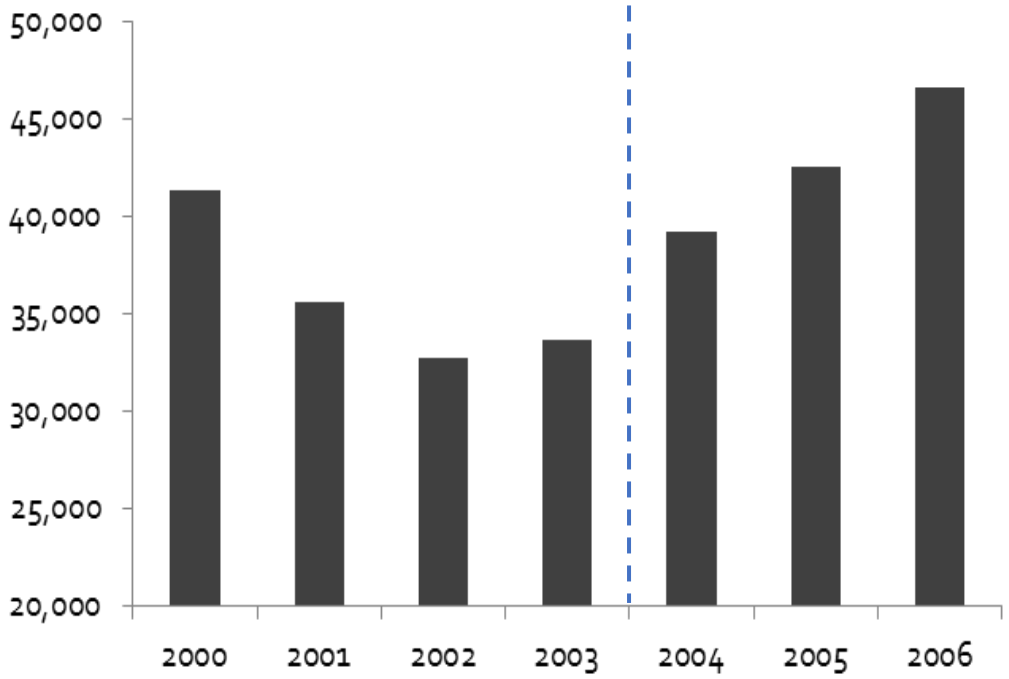
Connecticut: 5.0%

Pennsylvania: 3.07%

“Ladies and Gentlemen,
if you tax them, they will leave.”

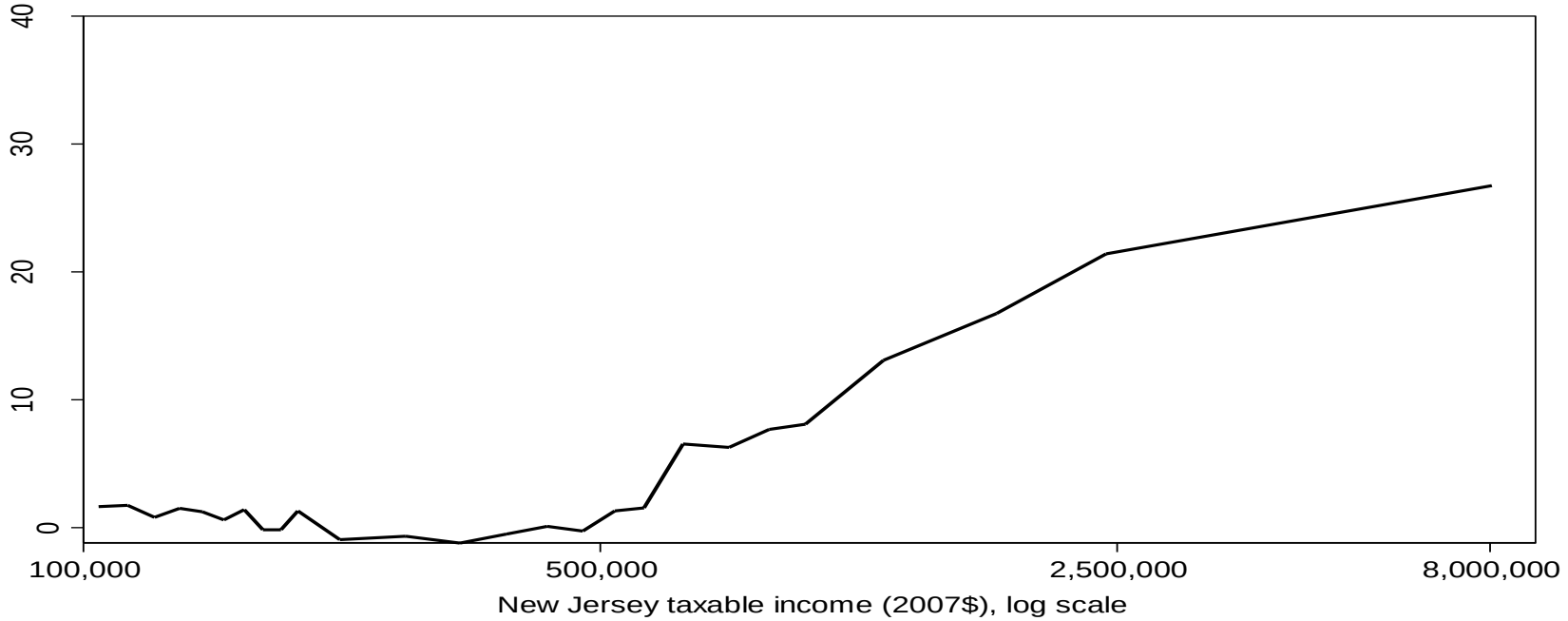
NJ Governor
Chris Christie

Growing Millionaire Population



+ 35%
since 2003

Net out-migrants per thousand households, by income, 2000-2003



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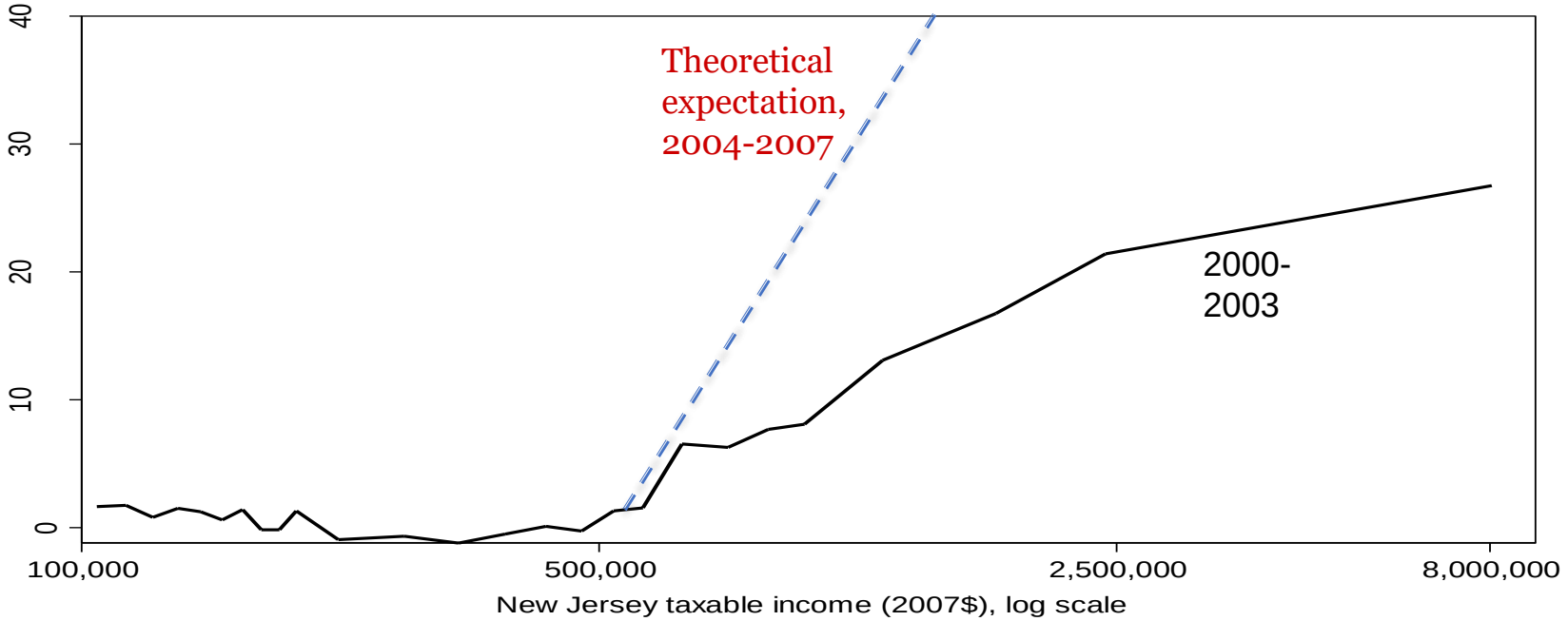
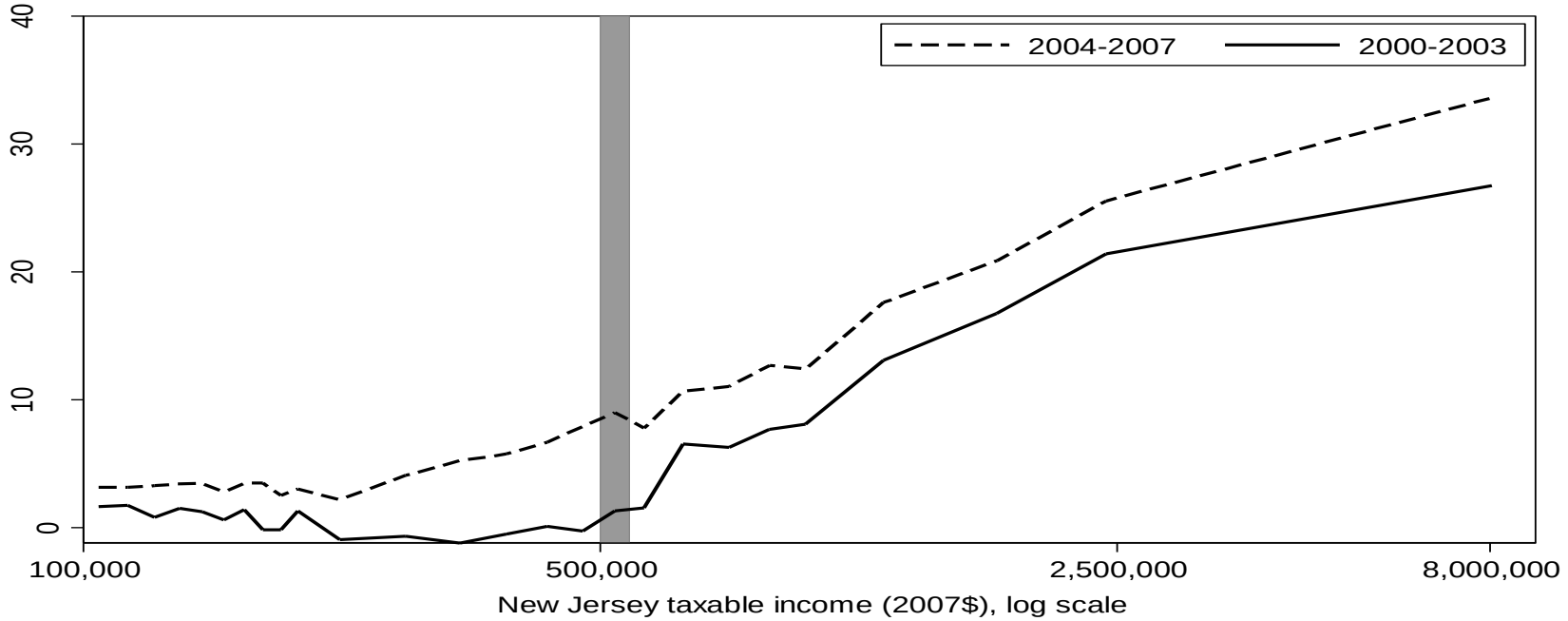
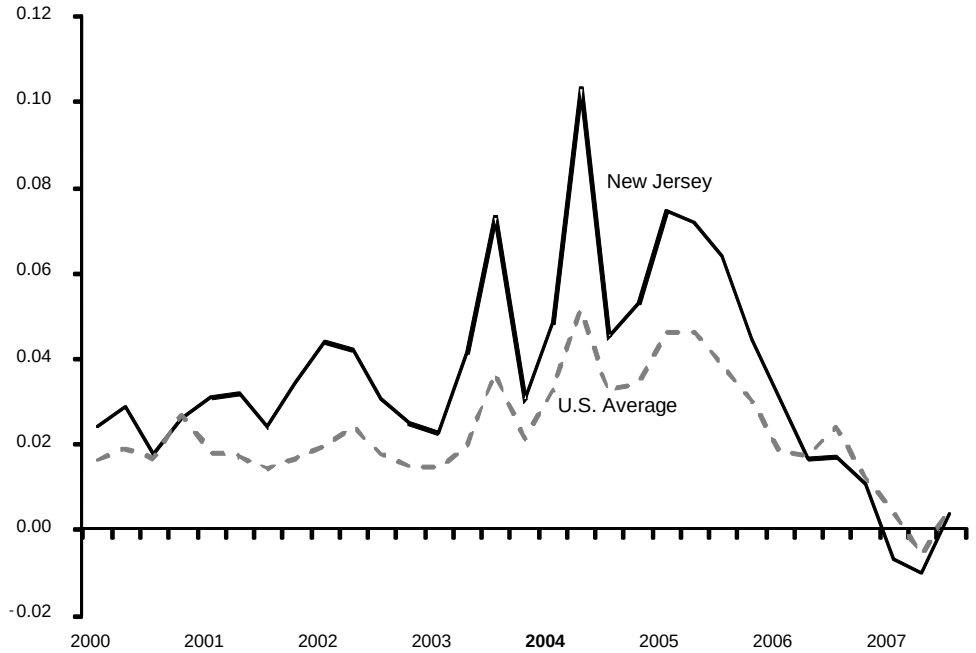


Shift in Migration after the new tax



Housing Price Index for New Jersey and the United States



Source: Federal Housing Finance Agency, All Transactions Index

Key Findings from “Most Likely” NJ Case

1) Growing millionaire population, even with some out-migration

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1) Growing millionaire population, even with some out-migration

2) Tax flight estimate: 1 per 2,000 millionaires moved for tax reasons

3) $1 billion in new revenues per year, and modest reduction in after-tax income inequality

Replication by Gov. Christie's Chief Economist Found Same Results

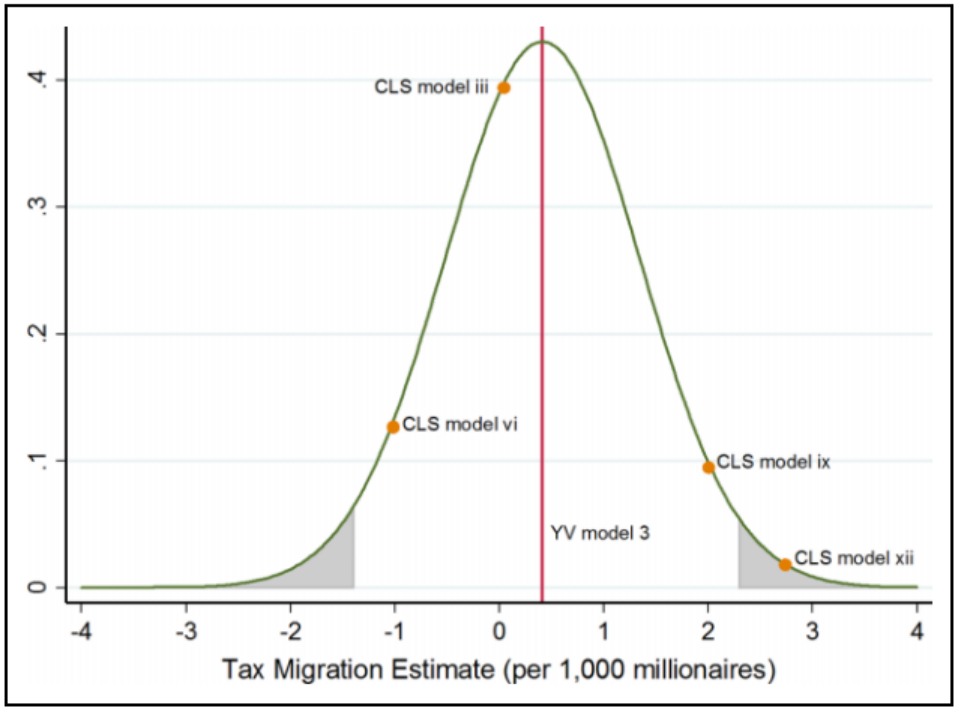

Figure 1. Young–Varner baseline estimate, confidence interval, and CLS estimates.

State-Level Taxes

The "millionaire tax" trend:

New Jersey	(2004)
California	(2005)
Maryland	(2008)
New York	(2009)
Wisconsin	(2009)
Oregon	(2009)
Hawaii	(2009)
Connecticut	(2009)
Minnesota	(2013)

States with *No* State Income Tax:

Florida
Texas
Tennessee
New Hampshire
Wyoming
Alaska
South Dakota
Nevada
Washington State

Mobile Millionaires

or

Embedded Elites ?

ASA
AMERICAN SOCIOLOGICAL ASSOCIATION

Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data

American Sociological Review
2016, Vol. 81(3) 421–446
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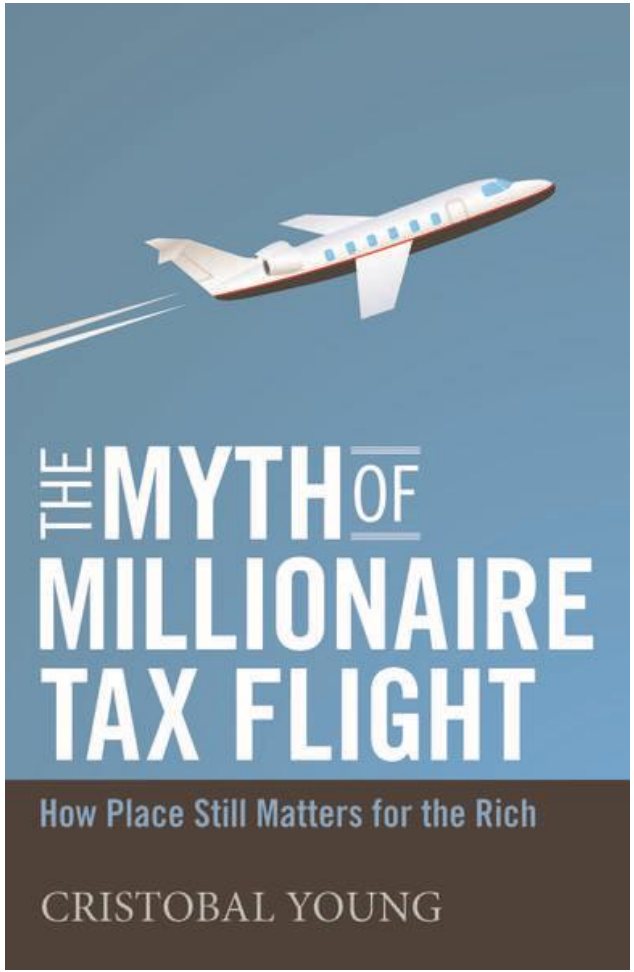
Cristobal Young,[a] Charles Varner,[a]
Ithai Z. Lurie,[b] and Richard Prisinzano[b]

Taxing the Rich: How Incentives and Embeddedness Shape Millionaire Tax Flight[1]

Cristobal Young
Cornell University

Ithai Lurie
US Department of the Treasury

AJS Volume 131 Number 2 (September 2025): 1–37



IRS Data

Individual records for all millionaire tax filers, for all states, 1999-2011 (updates to 2023)

N ≈ 45,000,000

3.7 million unique “millionaires”

IRS Data

For comparison, pulled a 1% sample of all filers

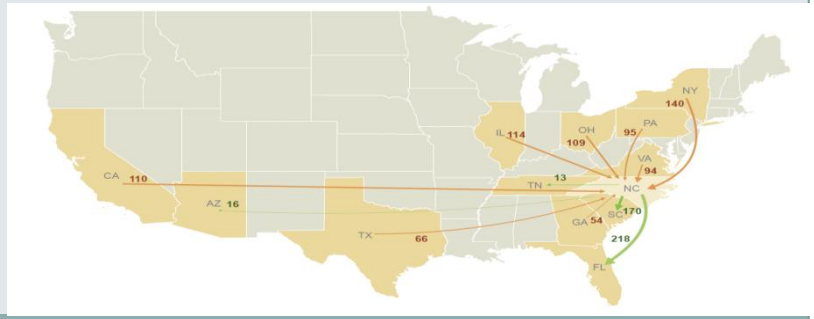
N (all population) ≈24,000,000

2.6 million unique tax filers.

Run separate migration analyses for millionaires and the general population

Measuring Migration

Track people as they change the state from which they file their federal tax returns

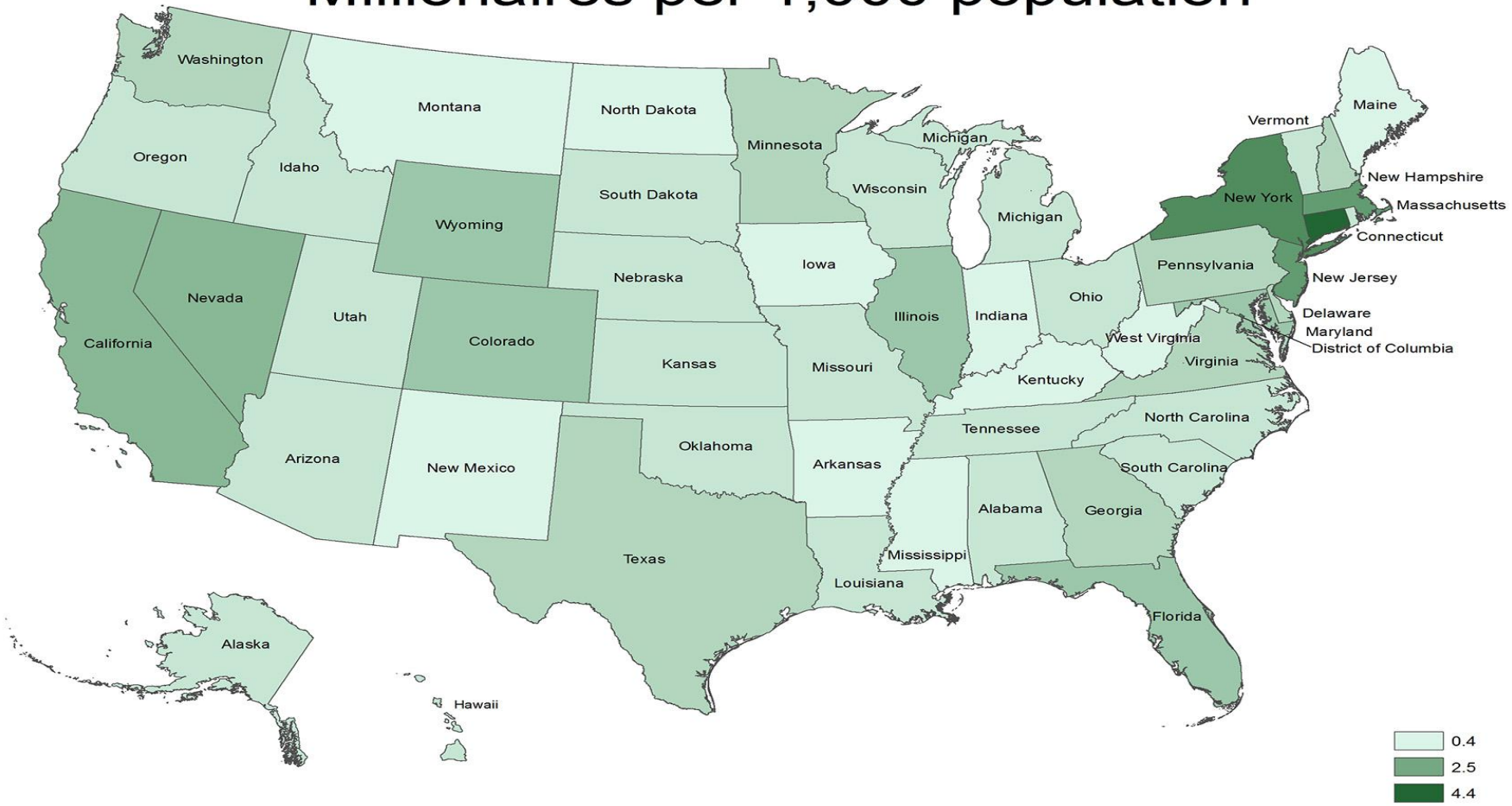


Millionaire Tax Flight:

Three Basic Questions

Q1. Where do Millionaires Live?

Millionaires per 1,000 population



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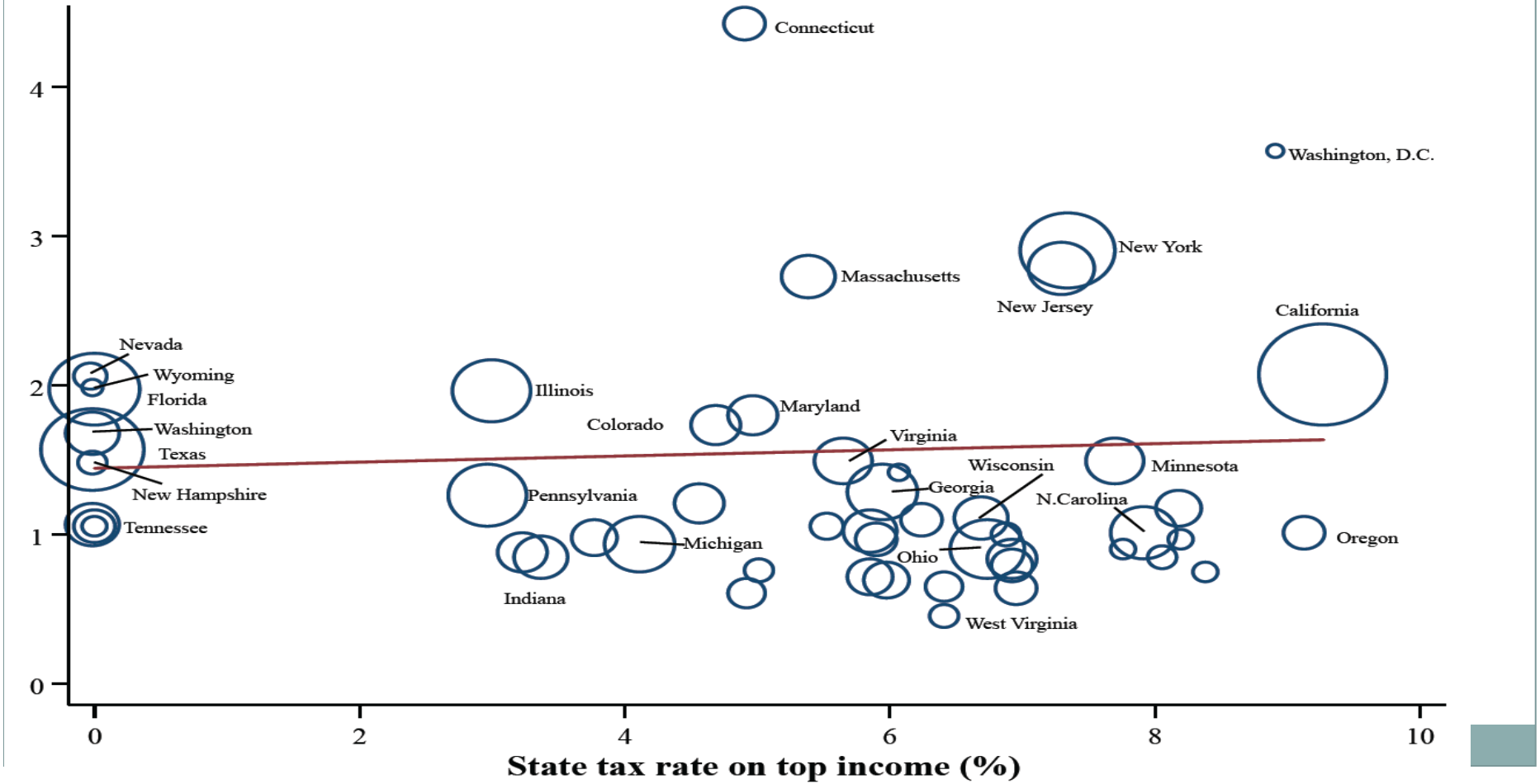
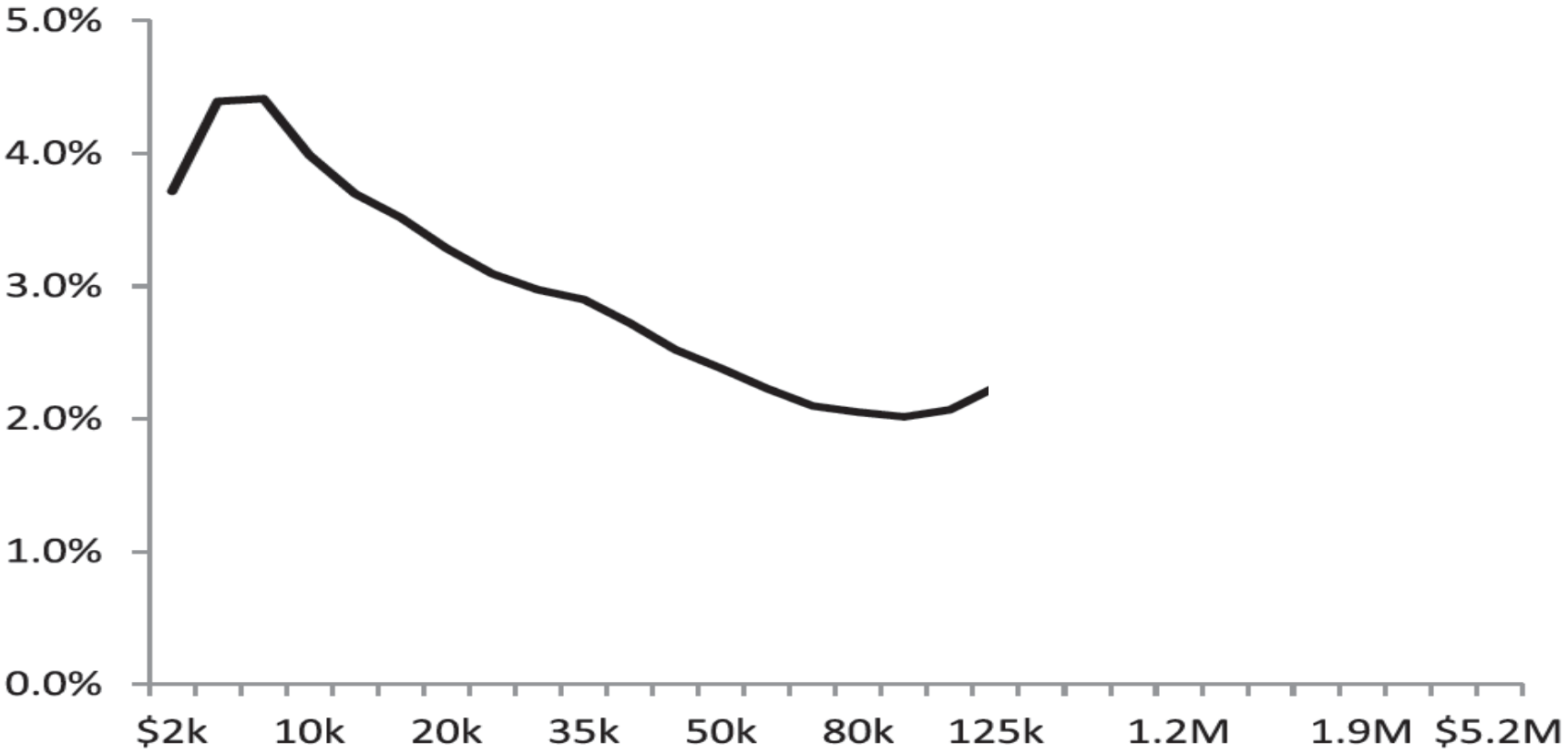


Q2. Are Millionaires Highly Mobile?

Migration Rates by Income, 1999-2011



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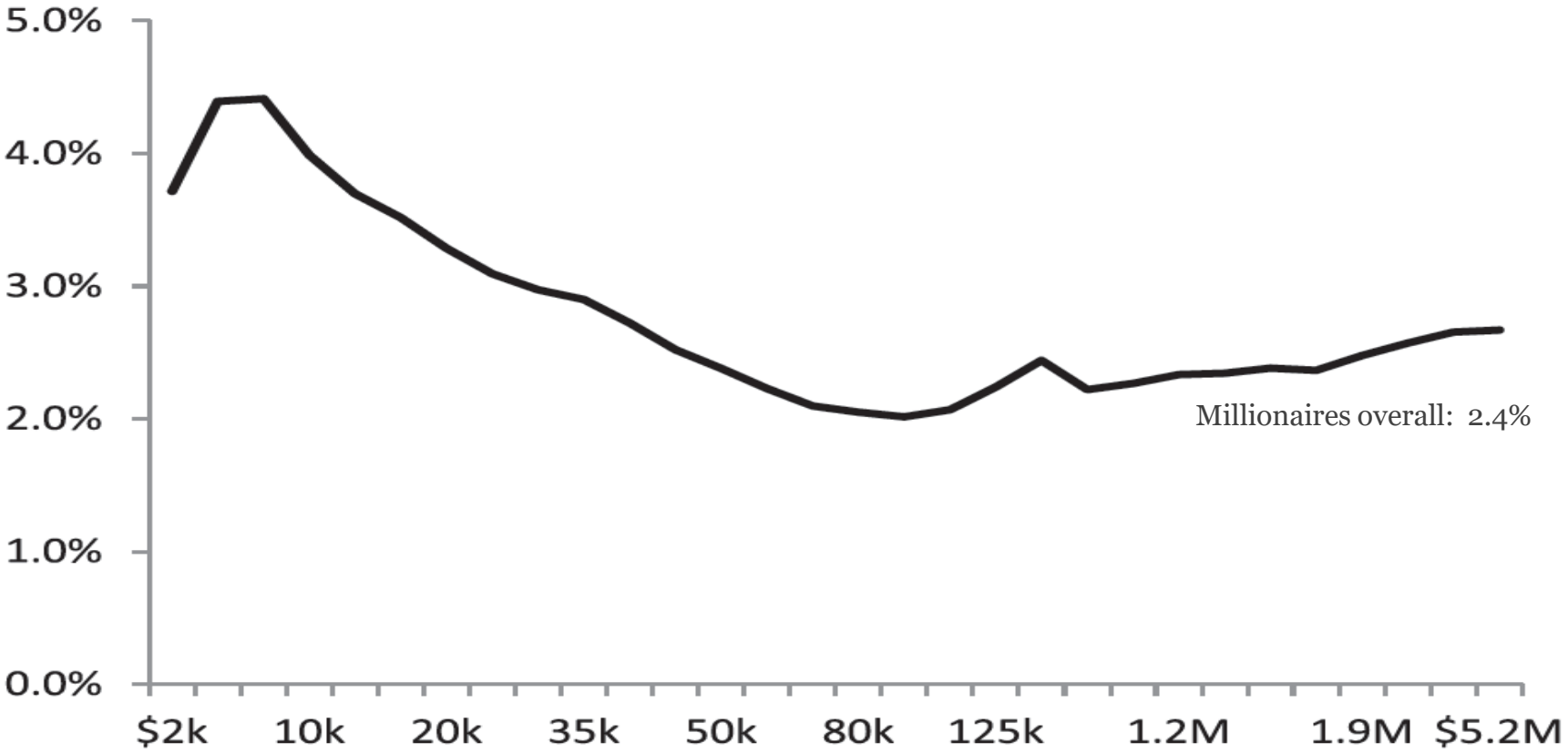

Q3. How Much *Tax-Induced* Migration?

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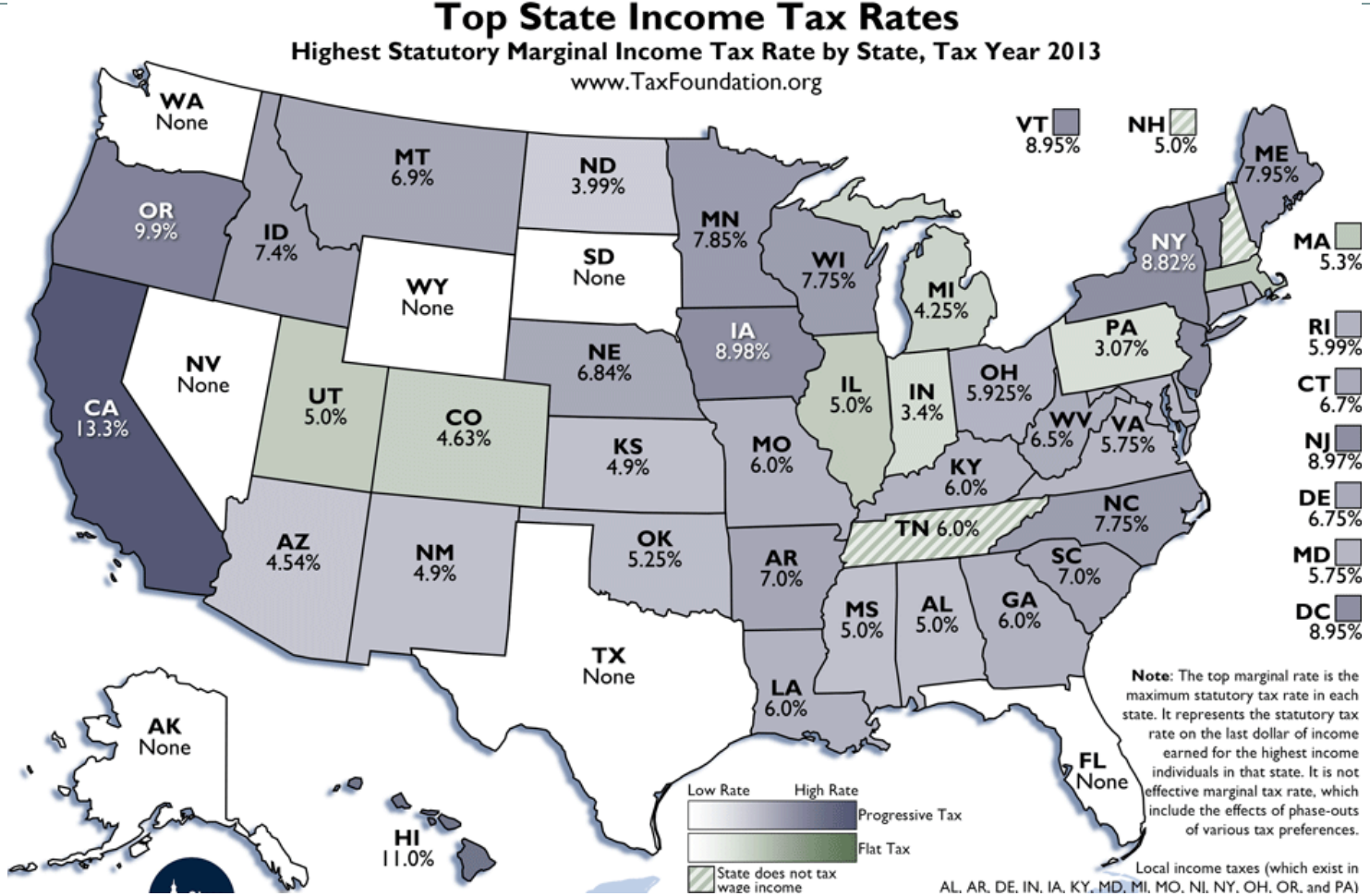
Do millionaires systematically move *from* high-tax *to* low-tax states?


Top State Income Tax Rates
Highest Statutory Marginal Income Tax Rate by State, Tax Year 2013
www.TaxFoundation.org
WA None
OR 9.9%
CA 13.3%
ID 7.4%
NV None
MT 6.9%
WY None
UT 5.0%
AZ 4.54%
CO 4.63%
NM 4.9%
ND 3.99%
SD None
NE 6.84%
KS 4.9%
OK 5.25%
TX None
MN 7.85%
IA 8.98%
MO 6.0%
AR 7.0%
LA 6.0%
WI 7.75%
IL 5.0%
MS 5.0%
MI 4.25%
IN 3.4%
AL 5.0%
OH 5.925%
KY 6.0%
TN 6.0%
GA 6.0%
WV 6.5%
VA 5.75%
NC 7.75%
SC 7.0%
FL None
PA 3.07%
NY 8.82%
VT 8.95%
NH 5.0%
ME 7.95%
MA 5.3%
RI 5.99%
CT 6.7%
NJ 8.97%
DE 6.75%
MD 5.75%
DC 8.95%
AK None
HI 11.0%
Low Rate
High Rate
Progressive Tax
Flat Tax
State does not tax wage income
Note: The top marginal rate is the maximum statutory tax rate in each state. It represents the statutory tax rate on the last dollar of income earned for the highest income individuals in that state. It is not effective marginal tax rate, which include the effects of phase-outs of various tax preferences.
Local income taxes (which exist in AL, AR, DE, IN, IA, KY, MD, MI, MO, NJ, NY, OH, OR, and PA)

Simplified Analysis:

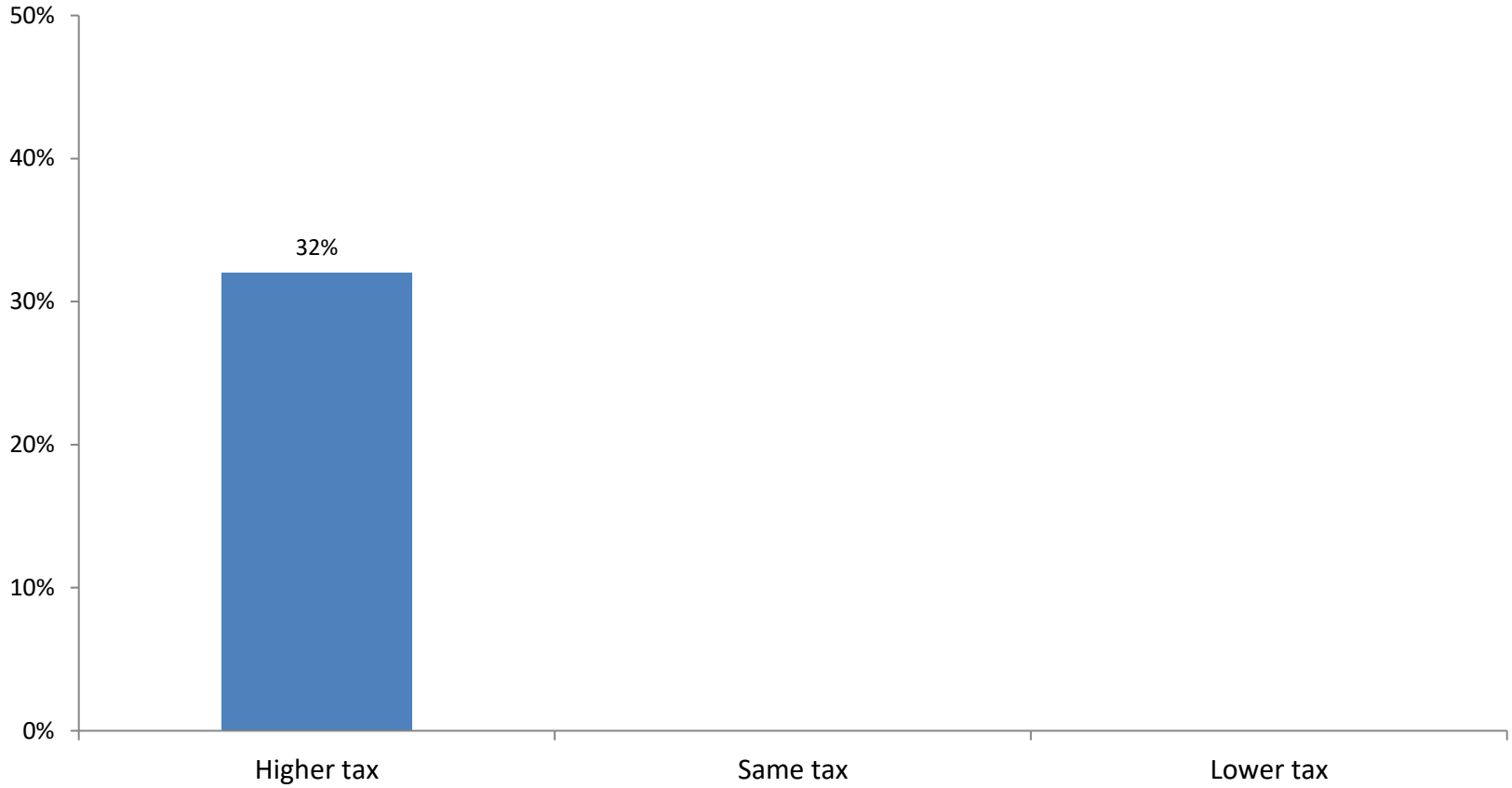
Sort all millionaire movers into three categories:

(1) Moved to a **higher**-tax state

(2) Moved to a same-tax state

(3) Moved to a **lower**-tax state

Moving to Higher-Tax v. Lower-Tax States



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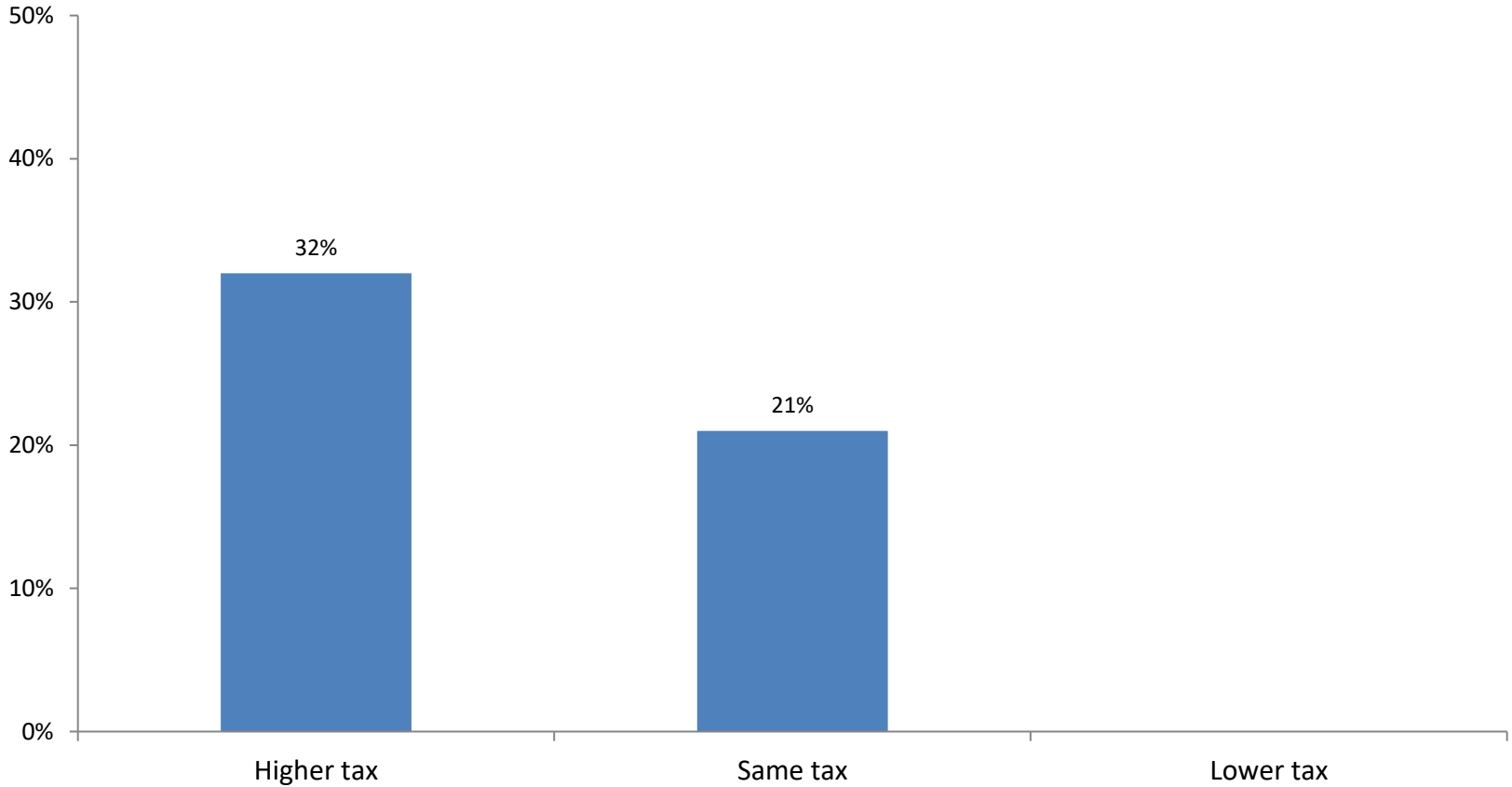

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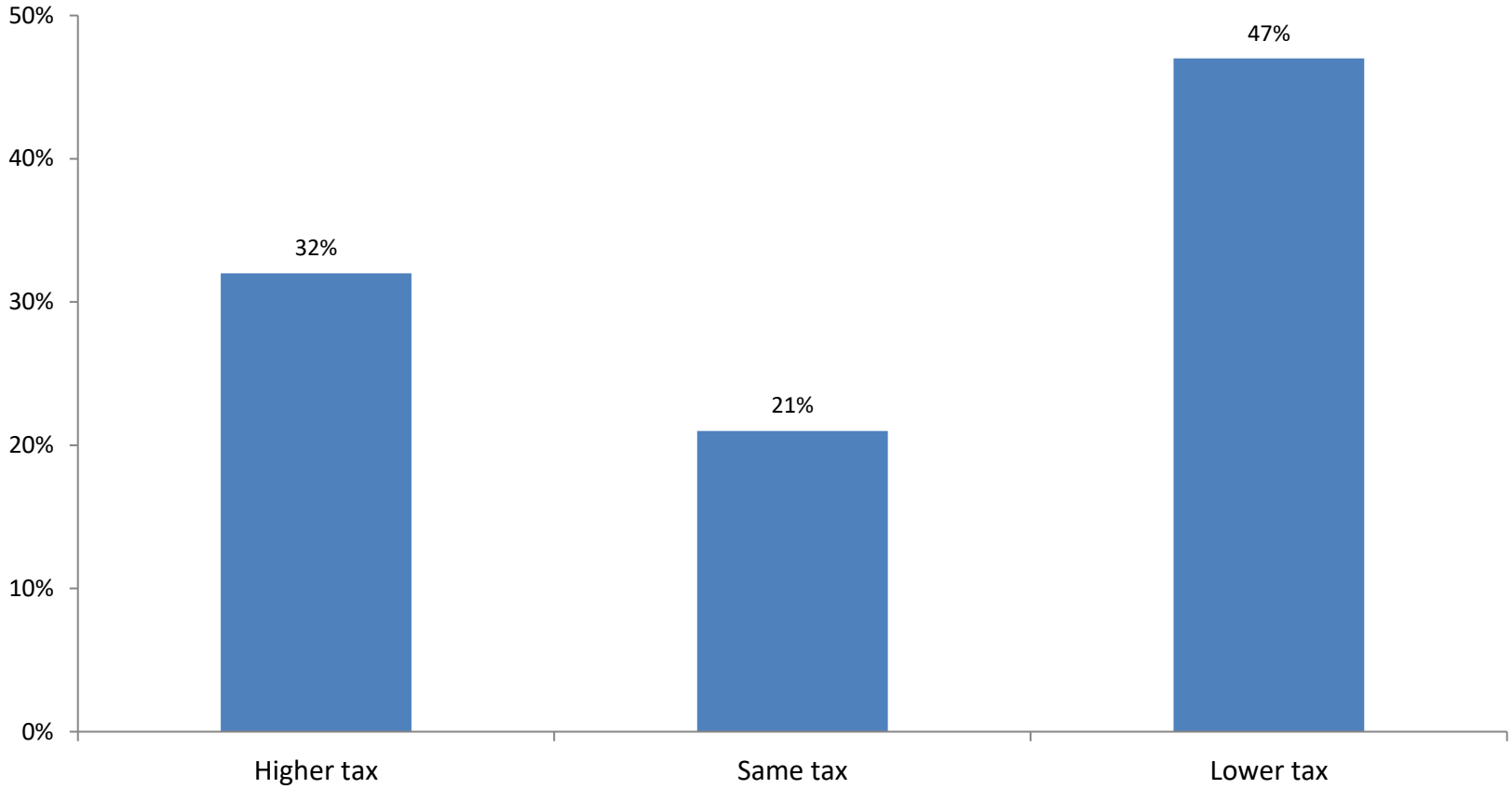
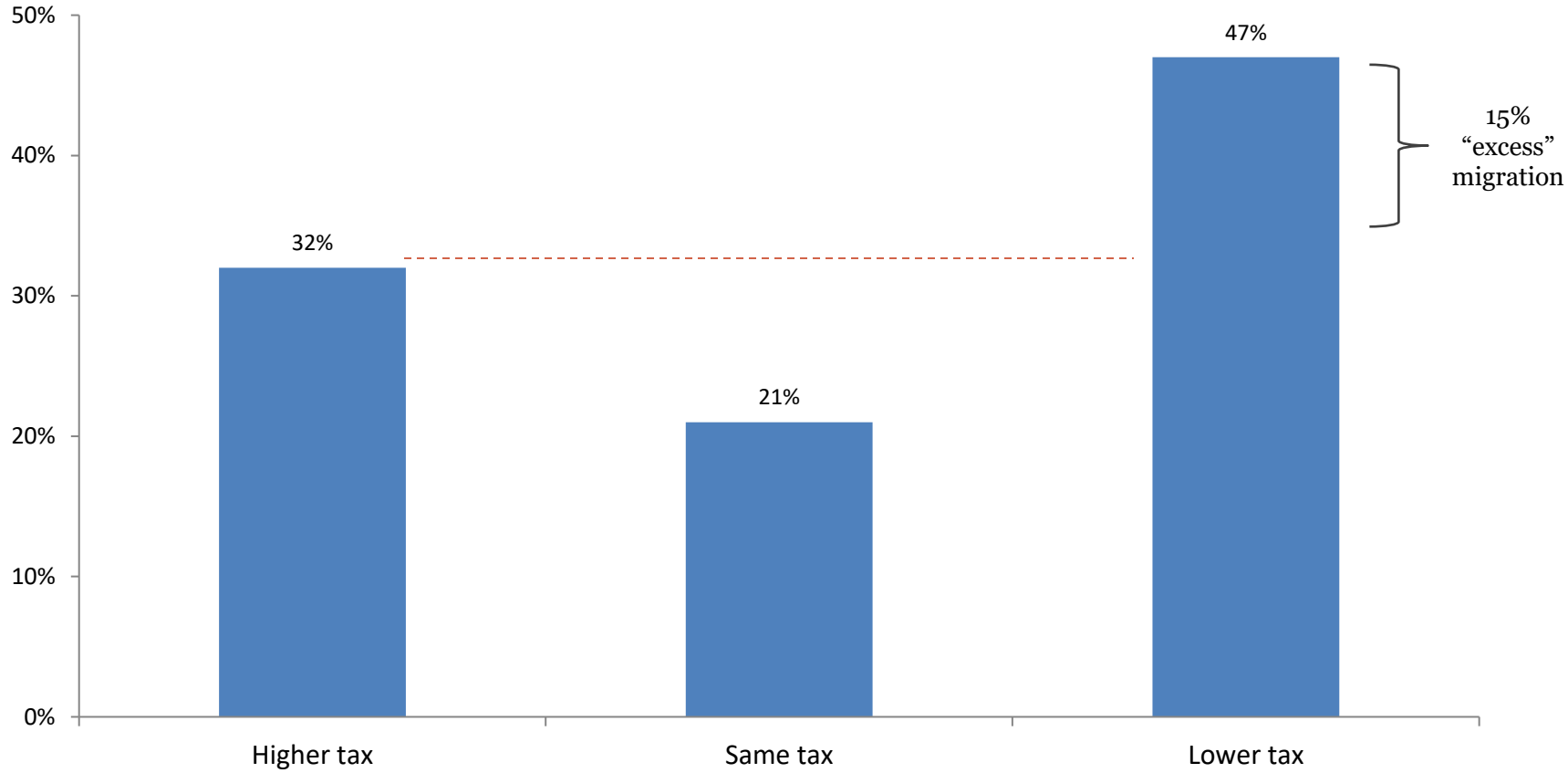
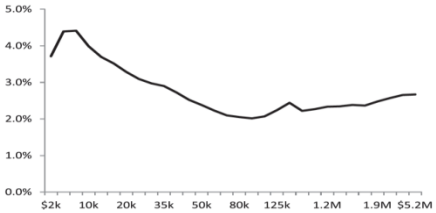


Moving to Higher-Tax v. Lower-Tax States



Millionaire migration rate: 2.4%



15% of 2.4% ≈ tax migration

≈ 0.3% millionaire *tax-migration* rate

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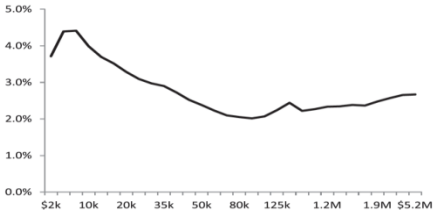

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Between 1999 - 2011:

165,000 millionaire migrations
20,000 tax-related migrations

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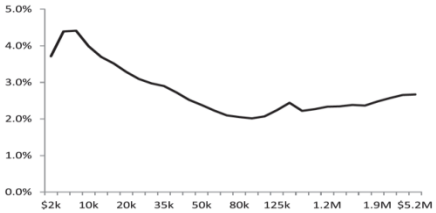

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Between 1999 - 2011:

165,000 millionaire migrations
20,000 tax-related migrations

Enough to feed the anecdote mill

Supplement: Different Types of Millionaires

Table 3. Tax-Migration Effects by Socioeconomic Groups

	Tax-Migration Coefficient	SE	Overall Migration Rate	Share of Millionaires
All Millionaires (Table 2, Model 2)	−.077*	(.037)	2.4%	100%
Economic Status				
Business owner	−.089*	(.039)	2.1%	23%
Capital gains 75%+	−.071	(.037)	3.0%	11%
$10M+ annual income	−.075	(.042)	2.6%	4%
Retirement Age				
Under age 65	−.072*	(.029)	2.5%	80%
Age 65+	−.075	(.055)	2.3%	20%
Family Status				
Children at home	−.046	(.026)	2.0%	50%
No children at home	−.086*	(.037)	2.9%	50%
Single filer	−.049	(.028)	3.6%	7%
Married, one primary earner	−.078*	(.034)	2.5%	81%
Married, dual earners	−.099*	(.039)	1.7%	10%
Persistence of Millionaire Income				
One year	−.022	(.026)	3.2%	15%
2 to 3 years	−.054	(.027)	3.1%	18%
4 to 7 years	−.083*	(.032)	2.6%	29%
8 years +	−.123**	(.044)	1.9%	38%

Note: Robust standard errors clustered by state are in parentheses. Estimates are income tax rate coefficients from log-linear migration models (Table 2, Model 2 specification), run separately for each socioeconomic group. The outcome variables represent counts of millionaire migration flows between each state-pair, summed over 1999 to 2011.
Source: Office of Tax Analysis microdata.
*$p < .05$; **$p < .01$ (two-tailed tests).

Interpretation (see notes on this page for more):

persistent millionaires are less likely to ever change their state of residence, but when they do move, they are more attentive to top tax rates and are more likely to choose a lower-tax state as their destination.

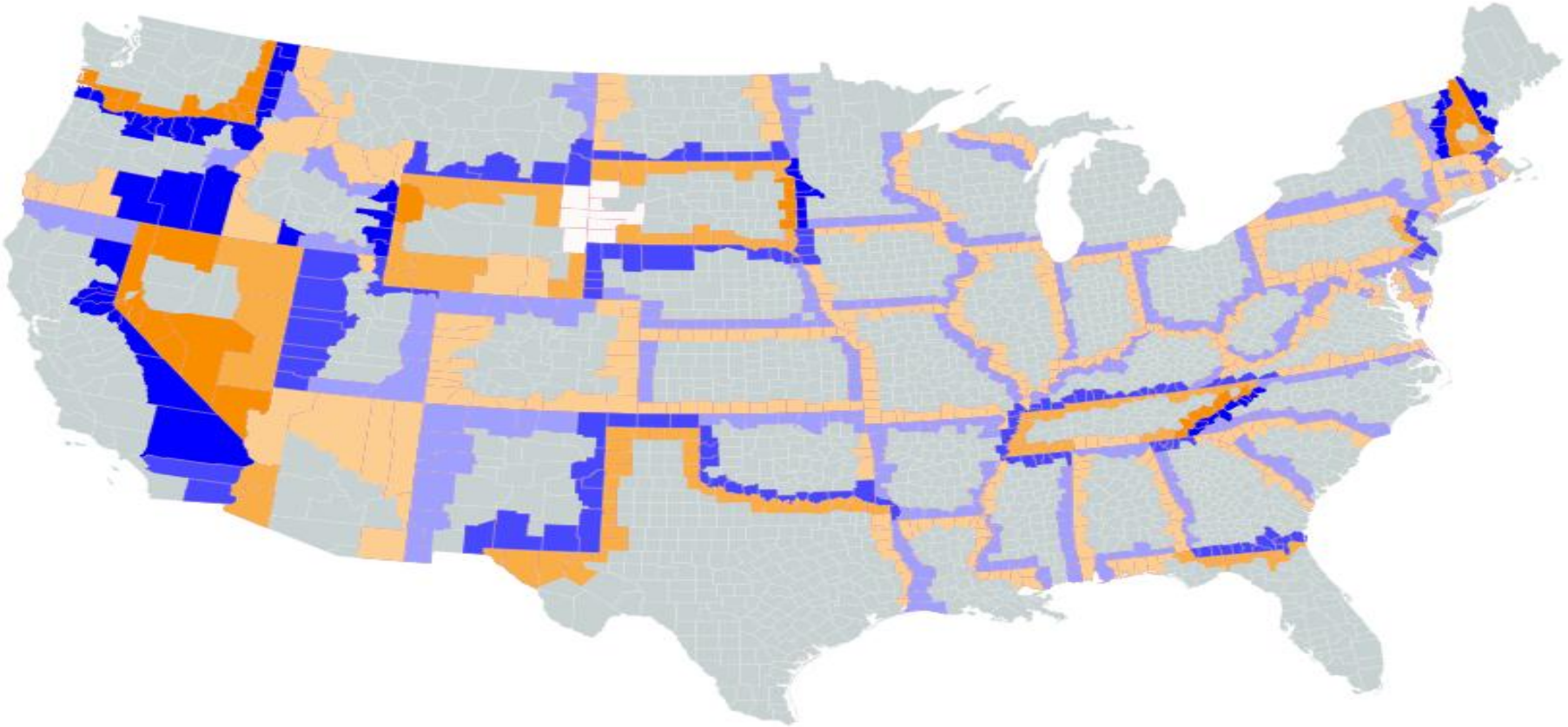
For state tax policy, these two factors would seem to largely cancel each other out. People with the strongest incentive to avoid state taxes are also most strongly embedded in their state.

Border-County Analysis

Goal: Narrow in on a space where geography matters little…

And where tax differences should matter more.

Border-County Analysis



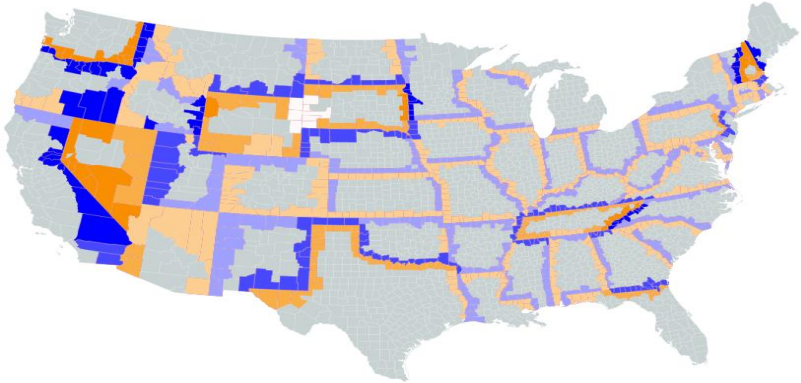
Border-County Analysis

1,134 border counties

Mean tax diff at the border = 2.3 pp

Range: 0.0 to 7.3 pp

16 years: 1996-2011



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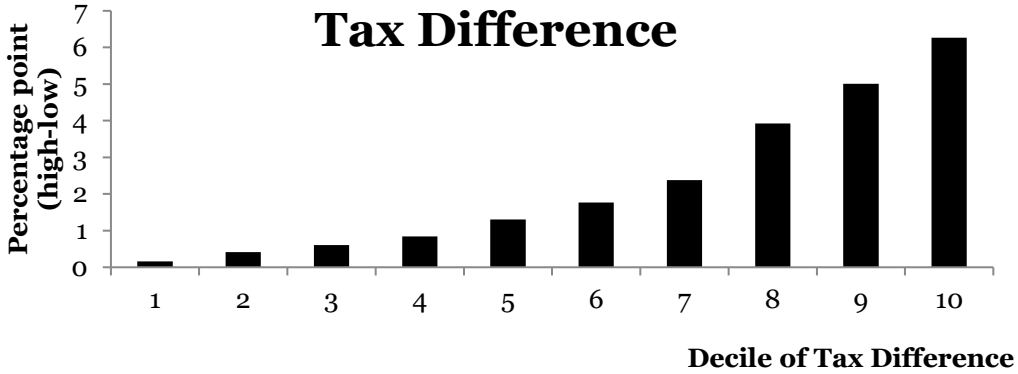
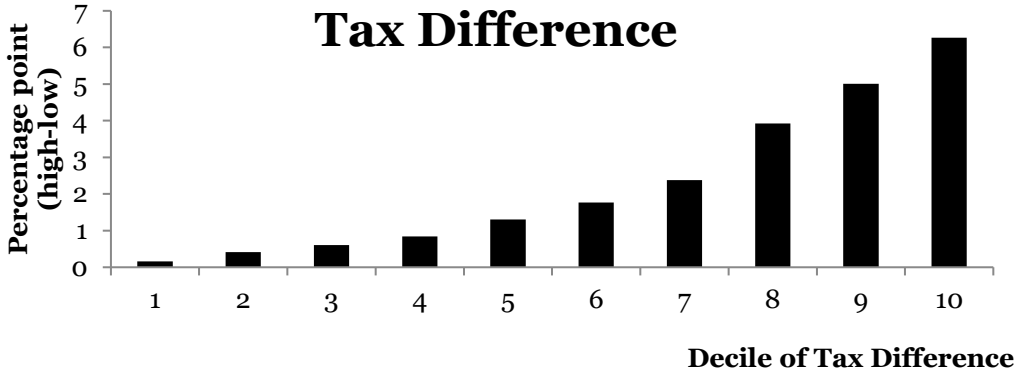
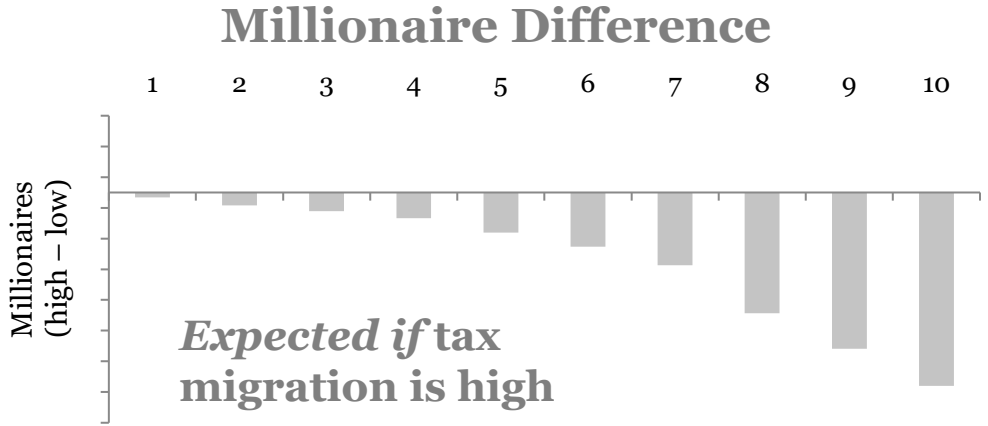


Border counties by tax rate difference

Border-County Analysis





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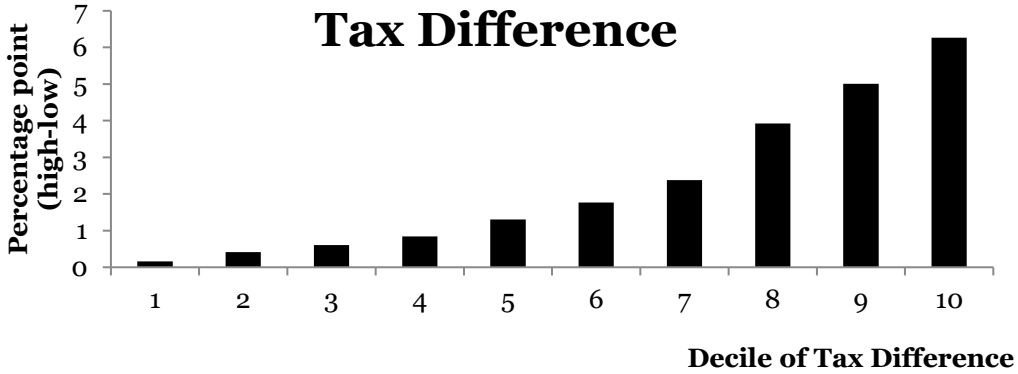
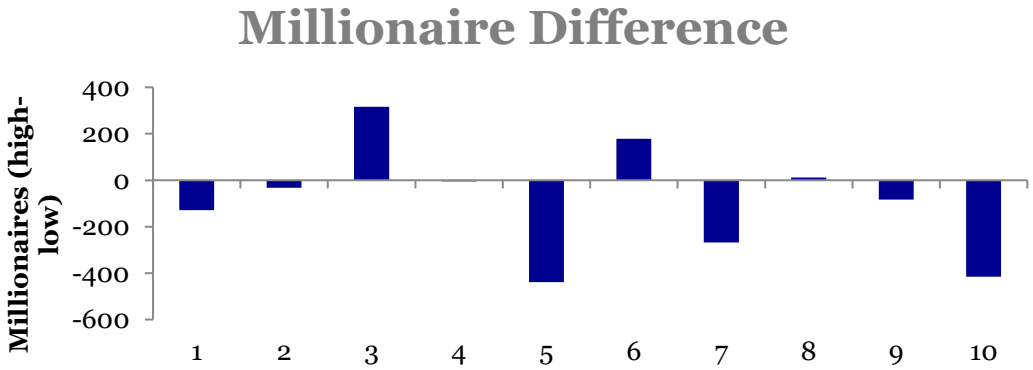




Millionaire tax flight *does* sometimes occur.

The magnitude is small

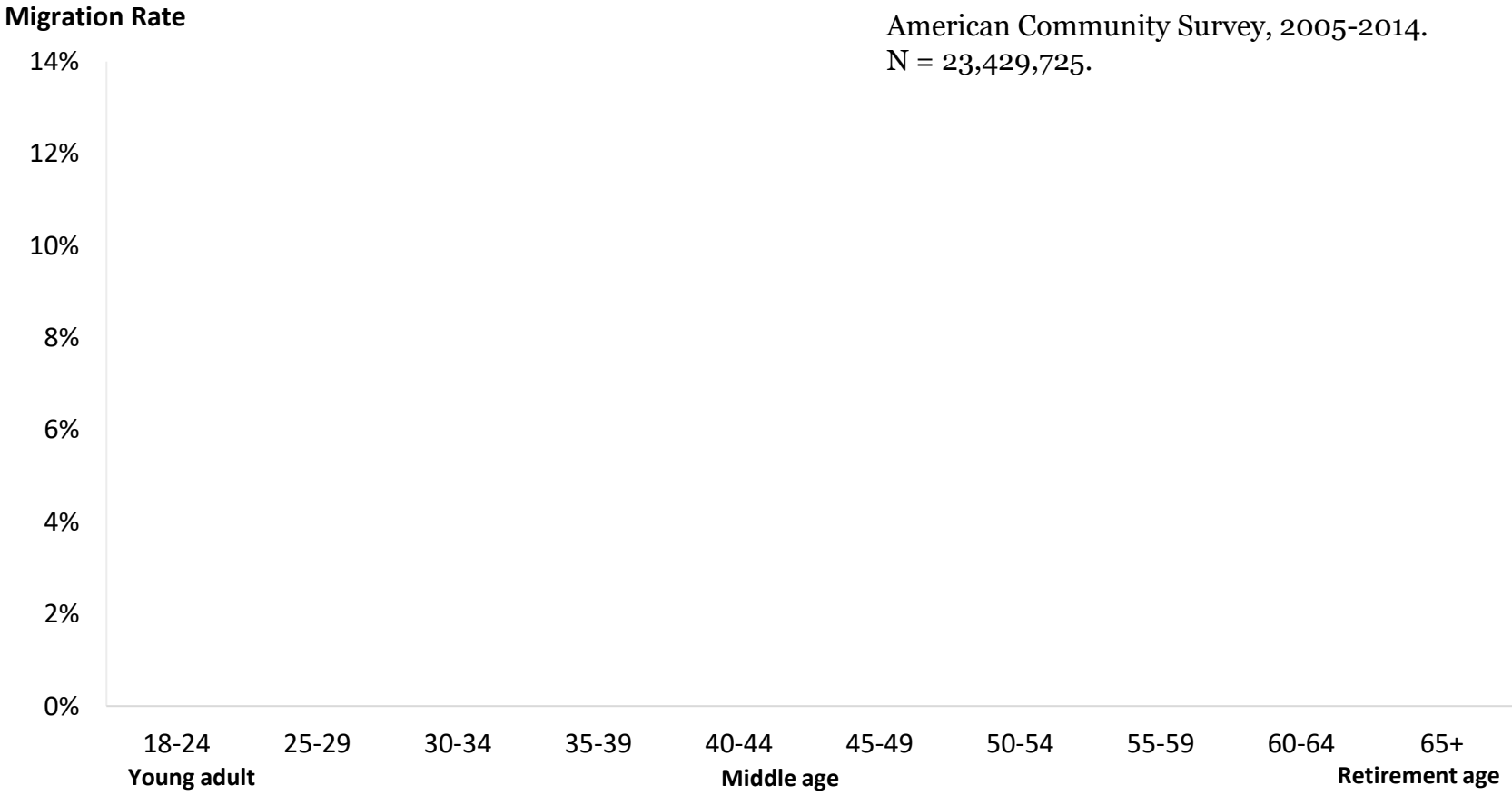
has little impact on the stock of millionaires in a state

Too small to matter for current tax policy

Part IV:
Migration is a Young Person's Game

Not about rich people, its about *recent college graduates*

Migration Rates by Age, for different education groups



American Community Survey, 2005-2014.
N = 23,429,725.

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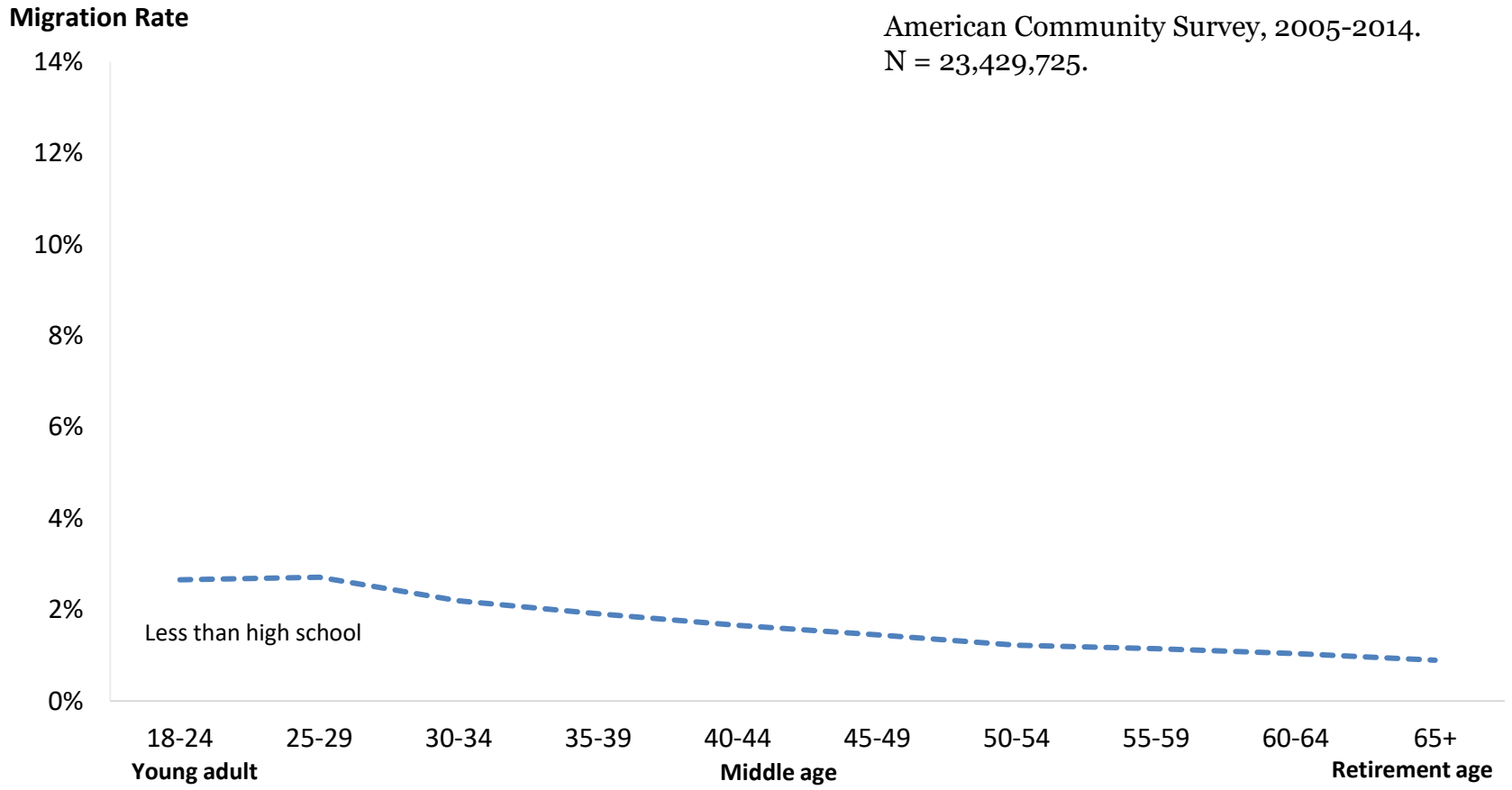

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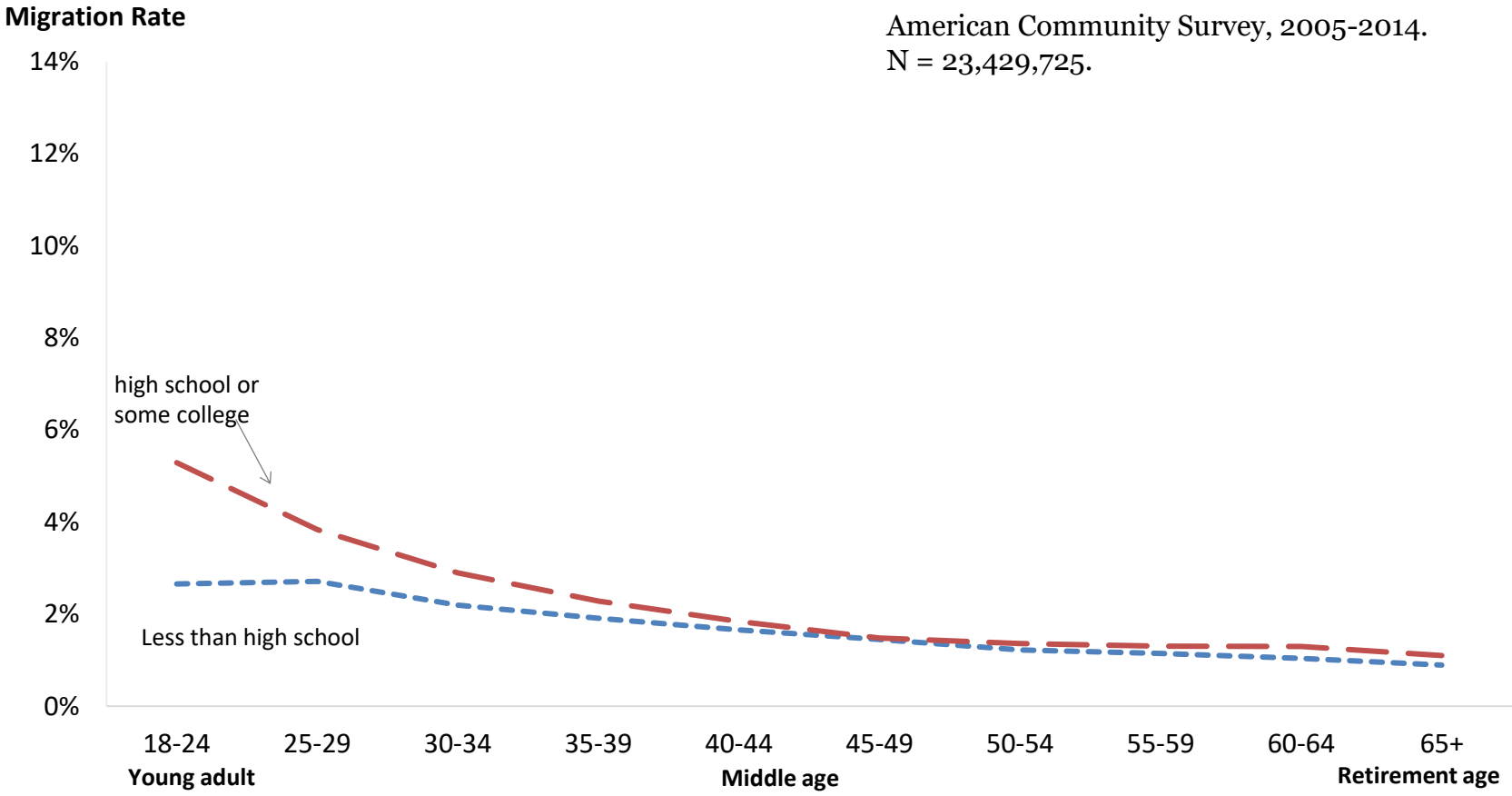

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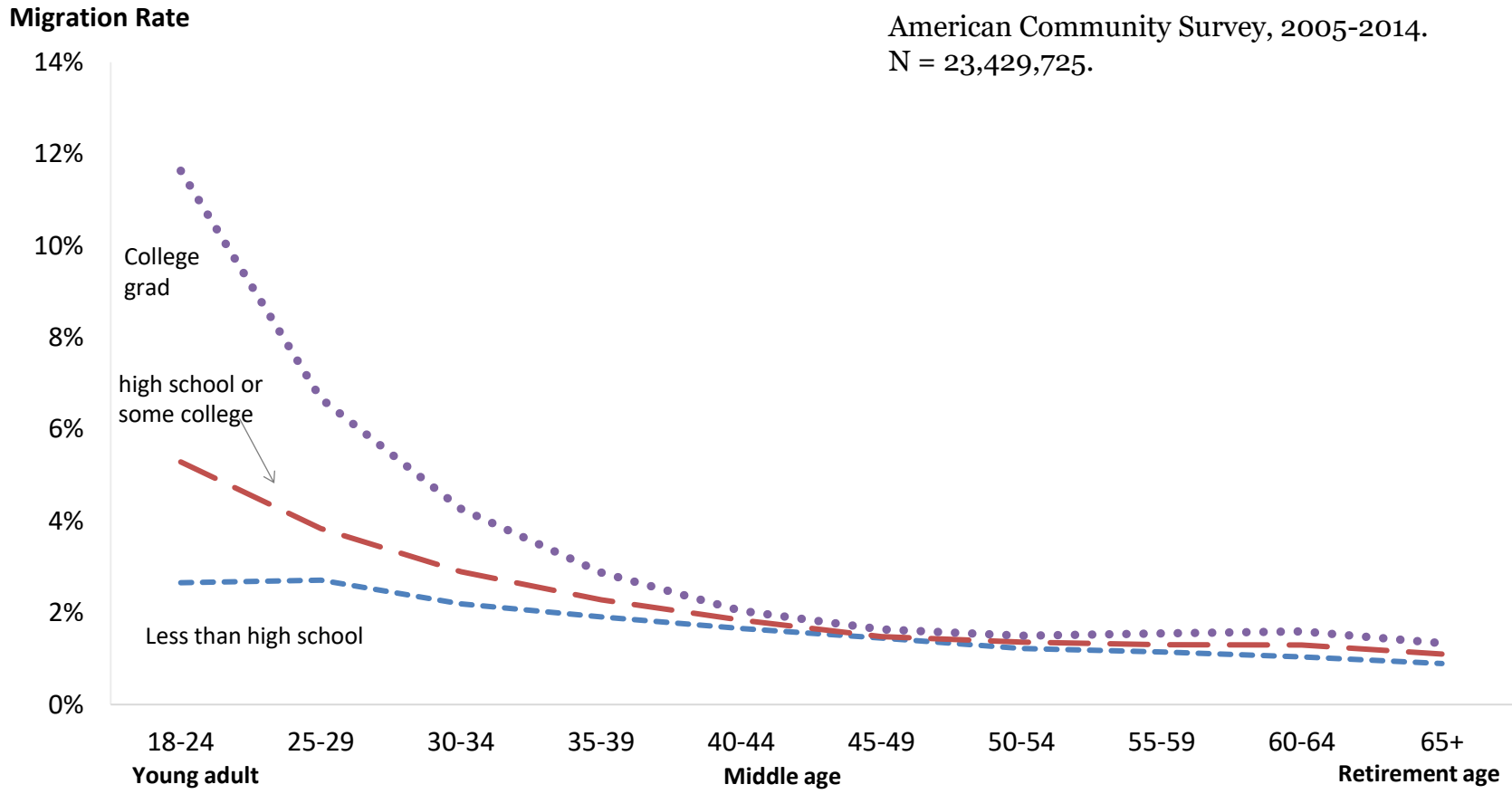

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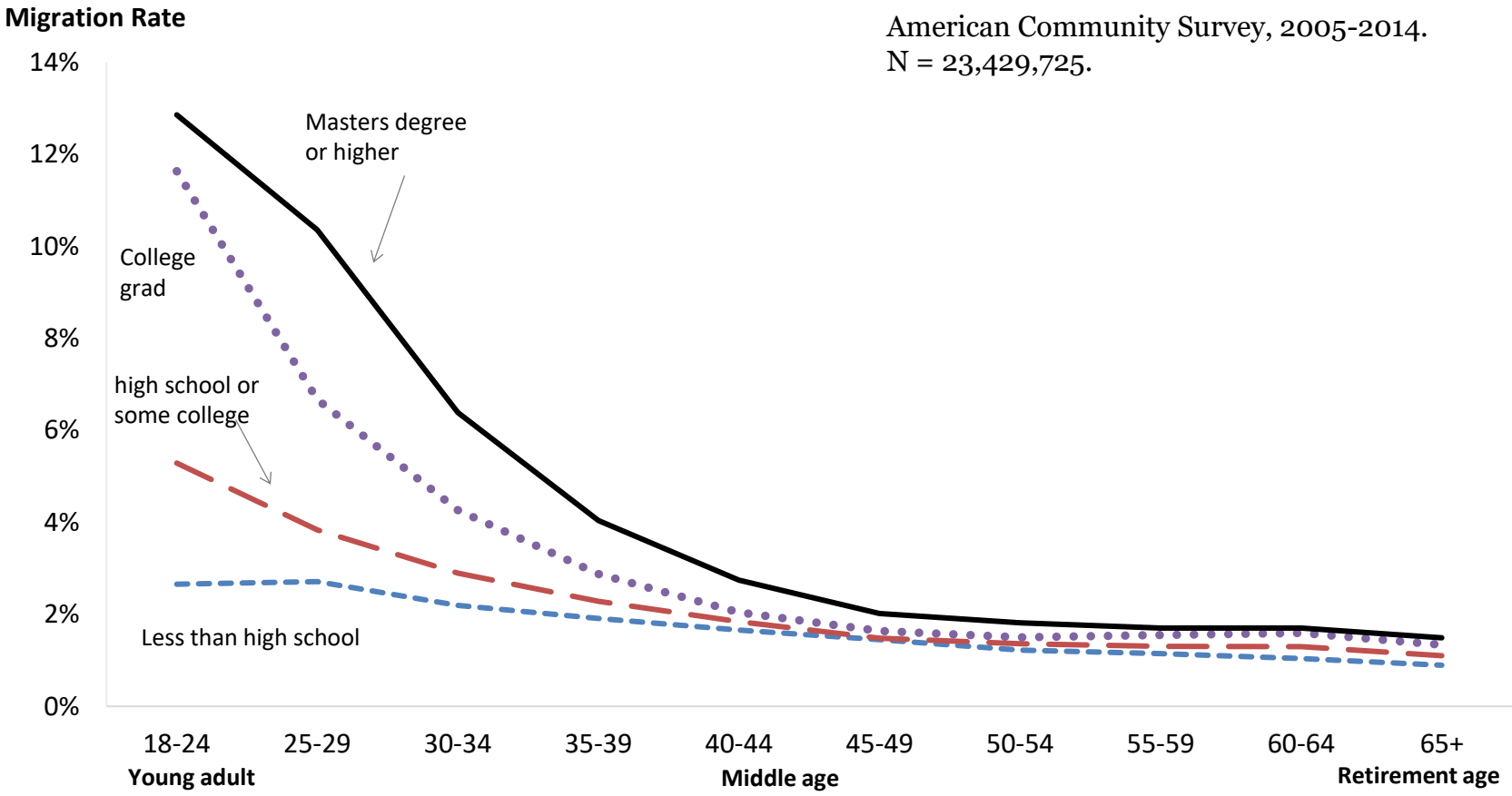

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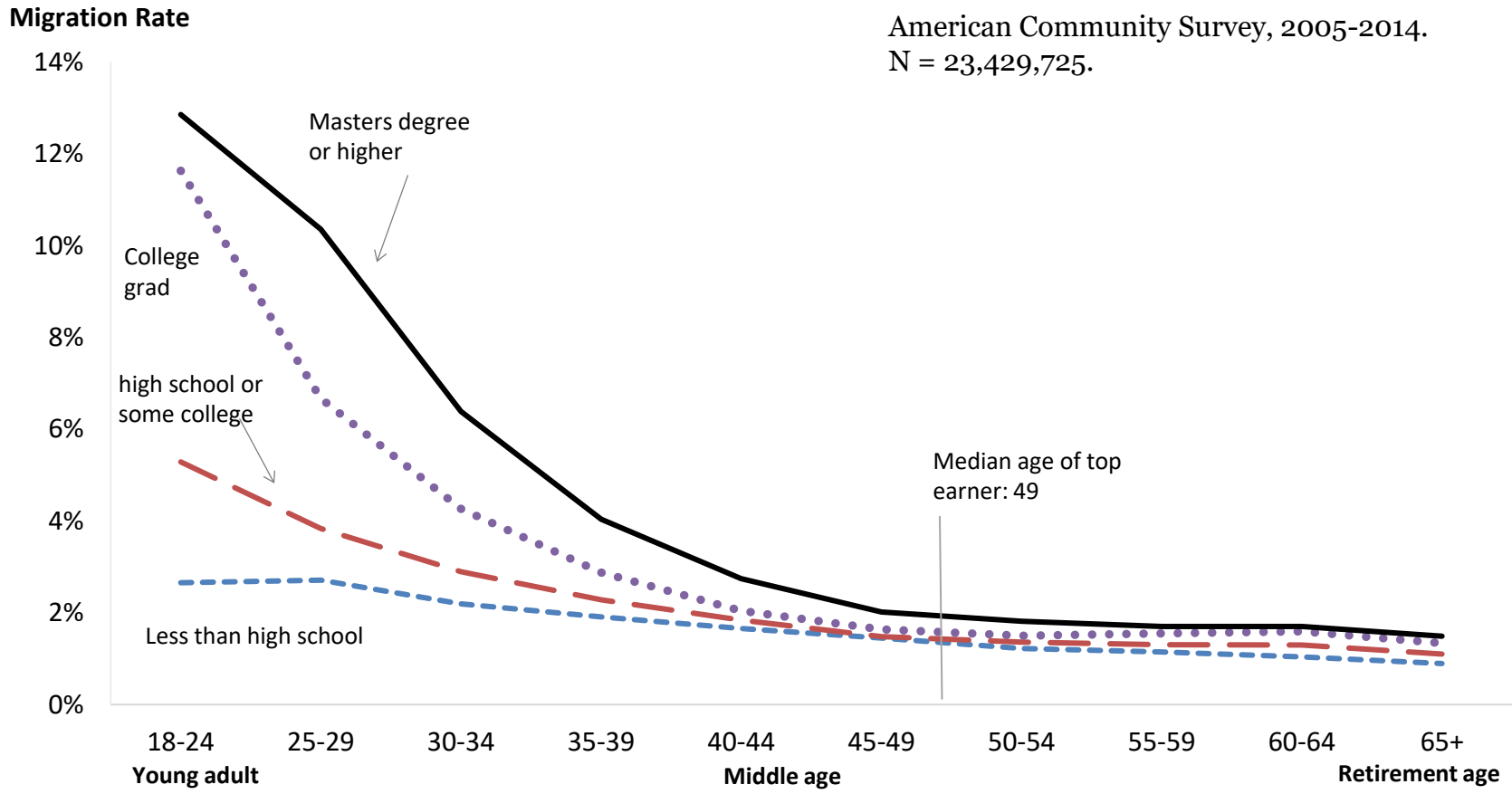


Conclusion:

Rich people are the wrong focus. Every state wants more rich people but they are not mobile

Future top earners are highly mobile

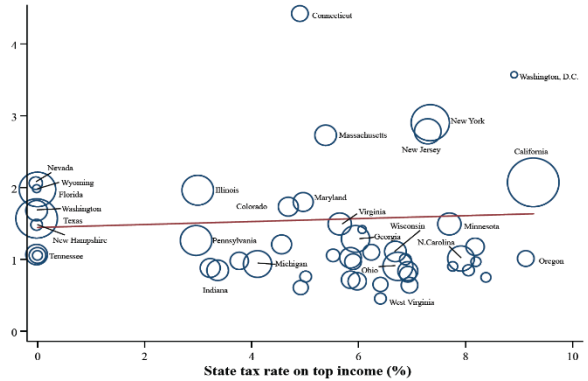
Conclusion:

Rich people are the wrong focus. Every state wants more rich people but they are not mobile

Future top earners are highly mobile

Focus on attracting / retaining people at the beginning of their career

> *Quality of life, urban amenities, child care, good schools and supports for young families*



Thank you!

Comments & questions:

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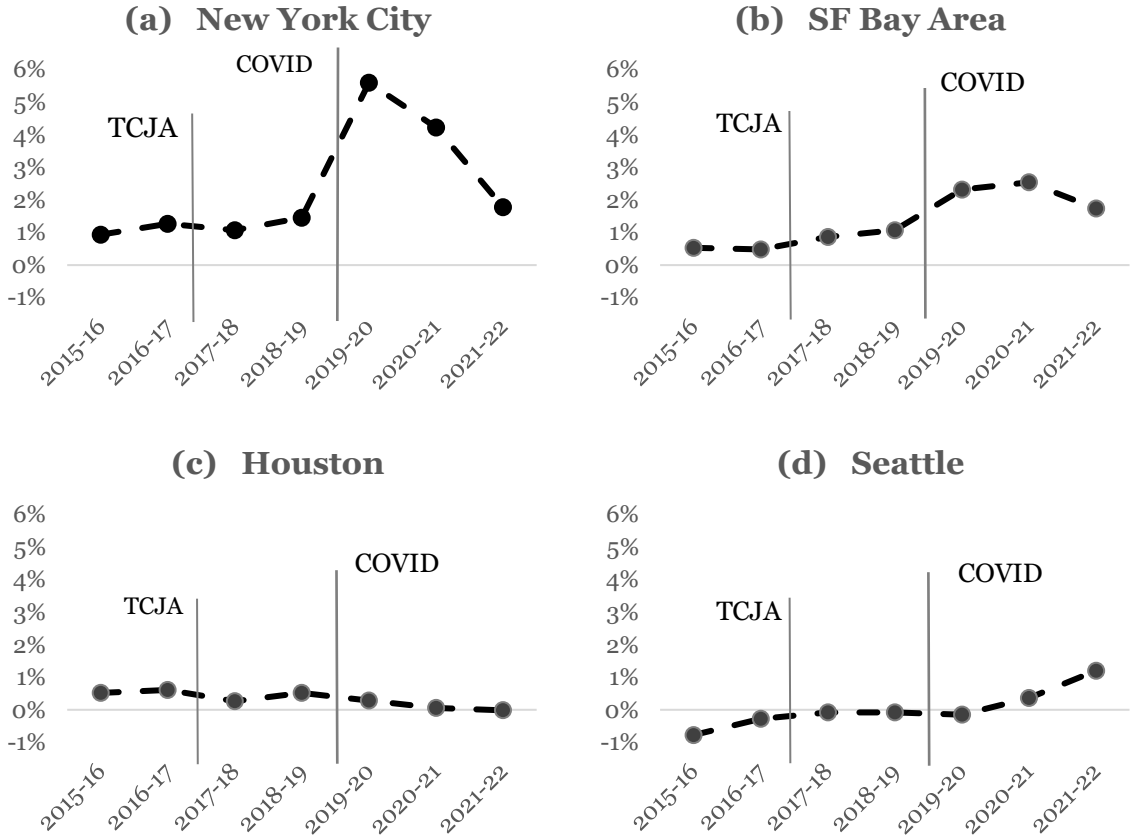
Net out-migration of millionaires, by city, 2015-2022



What's wrong with the intuition about millionaire migration?

Places are sticky.

What's wrong with the intuition about millionaire migration?

Places are sticky.

As people advance in their careers, they accumulate a lot of things that tie them to place:

Marriages

Children

Businesses

Place-specific social capital