



ADDITIONAL NOTES ON THE MYTH OF THE MOVING MILLIONAIRES

Opponents of raising income taxes often argue that higher rates will cause affluent residents to flee to lower-tax states, weakening the state's economy and undercutting revenues. But mainstream research does not support these claims.

A landmark analysis in 2016 by researchers from Stanford University and the U.S. Treasury Department reviewed tax returns for all million-dollar earners nationwide over 13 years and found that millionaires rarely move from one state to another, and when they do, it's usually not because of taxes.^A

Of the roughly 500,000 households that report income of \$1 million or more, only about 12,000, or 2.4 percent, move to a new state in any given year, compared to 2.9 percent among the general population.^B

“The most striking finding of this research is how little elites seem willing to move to exploit tax advantages across state lines,” the researchers note. “Millionaire tax flight is occurring, but only at the margins of statistical and socioeconomic significance.”

The primary reasons cited for low migration are family obligations, such as the desire to remain close to grandchildren, and business needs, such as a company's founder needing to stay close to existing professional networks and customers.

As one expert put it following California's 2013 income tax hikes: “Moving out of state is actually one of the most costly responses [millionaires] could make. . . . Moving to Nevada or Texas or Florida is a very big life change, and means leaving behind family, friends, colleagues and business connections.”^C

Another carefully designed study reviewed New Jersey's 2004 personal income tax increase on high-income households, finding that it “raises nearly \$1 billion per year, and tangibly reduces inequality, with little cost in terms of tax flight.”^D

A later replication of the study by a group of skeptical researchers found that slightly more millionaires may have moved than originally thought, though not nearly enough to sizably reduce the policy's revenue gains.^E



^A For example, see Ross Marchand, “Raising Millionaires’ Taxes Will Drive Them Away,” Foundation for Economic Education, January 20, 2018, <https://fee.org/articles/raising-millionaires-taxes-will-drive-them-away/>; Kari Jahnsen, “Millionaire’s Tax Would Revive ‘Taxachusetts,’” Tax Foundation, June 13, 2017, <https://taxfoundation.org/millionaires-tax-massachusetts/>.

^B Cristobal Young *et al.*, “Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data,” *American Sociological Review*, Vol. 81 No. 3, 2016, <https://web.stanford.edu/~cy10/public/Jun16ASRFeature.pdf>

^C Adam Nagourney, “Two-Tax Rise Tests Wealthy in California,” *New York Times*, February 6, 2013, <https://www.nytimes.com/2013/02/07/us/millionaires-consider-leaving-california-over-taxes.html>

^D Cristobal Young and Charles Varner, “Millionaire Migration and State Taxation of Top Incomes: Evidence from a Natural Experiment,” *National Tax Journal*, June 2011

^E See Roger S. Cohen, Andrew E. Lai, and Charles Steindel, “A Replication of “Millionaire Migration and State Taxation of Top Incomes: Evidence from a Natural Experiment,” 2014, <https://journals.sagepub.com/doi/abs/10.1177/1091142114537893?journalCode=pfrb>; and Cristobal Young and Charles Varner, “A Reply to ‘A Replication of Millionaire Migration and State Taxation of Top Incomes: Evidence from a Natural Experiment,’” 2015, <https://web.stanford.edu/~cy10/public/Reply-Public-Finance-Review-2015.pdf>.

NOTE: This material is sourced from the Center on Budget and Policy Priorities.