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Which states lost or gained taxable income in 2021?



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Under provisions of the Tax Cuts and Jobs Act of 2017 that are still in effect, the amount of state and local taxes (SALT) that can be deducted by individual taxpayers is limited to \$10,000.

Government officials from states with higher-than-average tax rates on personal income and real estate property values are concerned that the inability to deduct those taxes has made them more burdensome to upper income taxpayers who typically itemize their deductions, and that the higher effective tax rates might motivate such taxpayers to move to states with lower tax rates.

The increase in the number of people who work remotely due to the Covid-19 pandemic has amplified the risk that states with high tax rates and high costs of housing may lose residents to states where the cost of living is lower.

DO HIGHER TAXES MOTIVATE RESIDENTS TO RELOCATE

Given the impact of the limitation on the SALT deduction, municipal analysts and investors would like to know whether the higher net cost of state and local taxes motivates upper income resident to relocate to states with lower perceived tax burdens. A critical resource for this analysis is a data set provided by the Internal Revenue Service that shows how many taxpayers were in one state in one year, but in a different state in the following year. The data show the number of returns that were filed by those who relocated, the number of personal exemptions taken on those returns, the amount of adjusted gross income reported on the returns during the second year, and the states from which, and to which, the taxpayers moved.

In analyzing the IRS numbers, we computed net migration by subtracting the number of returns filed by people who left the state from the number of returns by those who relocated to the state. We also computed the net change in the number of persons for which exemptions were claimed, and the net change in the amount of adjusted gross income (AGI) due to migration from state to state. To gauge the relative size of the change in AGI, we compared the net amount of AGI gained or lost to the amount of AGI reported by taxpayers who did not move but remained in the state during both years.

OPINION PIECE. PLEASE SEE IMPORTANT DISCLOSURES IN THE ENDNOTES.

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For example, in 2021, 150,686 tax returns were filed in the state of New York by people who had lived in other states in 2020 (Figure 1). Those returns represented 224,559 people claimed for personal exemptions. The amount of adjusted gross income reported by those taxpayers was \$13.6 billion.

However, people who had been residents of New York in 2020 filed 292,795 tax returns in states other than New York in 2021. Those returns covered 486,344 newly relocated residents, whose combined adjusted gross income totaled \$38.1 billion. As a result of these relocations, New York lost 261,785 residents and \$24.5 billion of adjusted gross income, which was equal to 3.27% of the adjusted gross income of people who filed returns in New York in both 2020 and 2021.

Figure 1: New York lost more than 250,000 residents and \$24.5 billion of AGI

New York	# Returns	# Persons	AGI net (\$000)
Arriving	150,686	224,559	13,612,448
Departing	292,795	486,344	38,079,284
Net	(142,109)	(261,785)	(24,466,836)

Data source: Internal Revenue Service.

NEW STATE RESIDENTS TENDED TO HAVE HIGHER AGI

Figure 2 shows data for the five states with the greatest net gain, or net loss, in adjusted gross income (expressed as a percentage of the AGI of those who were residents of the state in both 2020 and 2021). The table shows the net change in the number of returns, the number of personal exemptions, and the amount of adjusted gross income for each state. (See Figure 3 in the Appendix for data on all states for 2021, and Figure 4 for net migration values for the six years since 2015.)

Figure 2: Taxation may factor into relocation decisions

State	# Returns	Net migration		Net AGI/ Staying AGI	AGI per return	
		# Persons	AGI net (\$000)		In	Out
FL	128,228	255,834	39,187,045	5.70%	149,201	72,067
NV	12,026	18,728	4,617,504	4.89%	120,454	68,628
ID	14,081	31,821	2,153,211	4.31%	90,354	58,854
MT	7,465	14,741	1,111,271	3.57%	90,507	63,694
SC	29,981	64,724	4,193,460	3.23%	87,516	64,194
MA	(25,029)	(44,087)	(4,275,158)	-1.36%	98,945	117,214
CA	(158,220)	(331,760)	(29,070,963)	-1.92%	87,072	125,362
IL	(53,910)	(105,109)	(10,884,573)	-2.51%	74,010	118,148
NY	(142,109)	(261,785)	(24,466,836)	-3.27%	90,337	130,054
DC	(8,325)	(15,352)	(1,599,797)	-5.06%	95,091	117,697

Data source: Internal Revenue Service.

Figure 2 also includes columns showing the average AGI of those moving to a state, and those leaving that state. This analysis shows that the magnitude of the change in AGI was not just a function of the number of people moving from state to state, but also reflected the amount of AGI reported by those who migrated from state to state.

In general, states that recorded a net increase in the number of taxpayers due to migration tended to receive new residents whose AGI was greater than that of those who departed, while those states which lost population tended to lose higher income taxpayers while taking in those with lower incomes.

For example, in Florida, the average new taxpayer reported AGI of \$149,201, while the average AGI of those who left the state was \$72,067, while those who immigrated to California from other states had average AGI of \$87,072, while departing taxpayers had average AGI of \$125,362. Of the 22 states and the District of Columbia which had a net loss of adjusted gross income in 2021 due to migration, in only one did incoming residents report more AGI per return than departing residents, while of the 28 states which gained AGI, in only four states did incoming residents report less AGI per return than departing residents.

Which states lost or gained taxable income in 2021?

For states with a net loss in AGI in 2021, the average AGI per return of arrivals was \$73,308, while those departing reported \$86,195 per return. For states with a net gain, the average newcomer had AGI of \$88,165, while the average income of those leaving was \$71,146.

MARGINAL TAX RATES MAY BE A MOTIVATING FACTOR IN RELOCATING

The consistency of the distinction between those states that are attractive to upper income taxpayers, and those that are unattractive to such taxpayers, supports the notion that marginal tax rates, which in most states are higher for those with more income, can be a motivating factor in the decision to relocate.

We should also note that the rate of migration has accelerated since the passage of the Tax Cuts and Jobs Act of 2017 and became even greater since the start of the COVID-19 pandemic. The amount of AGI that moved from state to state has increased from \$36.8 billion in 2016, to \$45.8 billion in 2017, \$40.8 billion in 2018, \$42.6 billion in 2019, \$62.7 billion in 2020, and \$87.1 billion in 2021. While we cannot be sure to what extent, if any, changes in tax law have encouraged more migration, it appears that the potential to lose taxable income due to migration is a matter of increasing importance to states that appear to be less attractive to affluent taxpayers.

APPENDIX

Figure 3: Net migration in 2021

State	Net migration				AGI per return	
	# Returns	# Persons	AGI net (\$000)	Net AGI/Staying AGI	In	Out
AL	8,468	21,376	738,143	0.64%	66,091	62,197
AK	(1,741)	(4,333)	(226,634)	-1.03%	60,422	67,936
AZ	32,636	57,075	4,439,302	2.20%	89,898	75,140
AR	6,627	15,643	537,621	0.79%	59,902	55,280
CA	(158,220)	(331,760)	(29,070,963)	-1.92%	87,072	125,362
CO	5,868	(4,213)	2,123,323	1.04%	91,221	77,235
CT	(465)	538	57,416	0.04%	135,759	133,409
DE	5,643	10,638	537,052	1.79%	89,144	87,065
DC	(8,325)	(15,352)	(1,599,797)	-5.06%	95,091	117,697
FL	128,228	255,834	39,187,045	5.70%	149,201	72,067
GA	25,535	53,845	1,267,644	0.46%	69,424	73,527
HI	(4,044)	(11,159)	103,547	0.25%	86,725	70,881
ID	14,081	31,821	2,153,211	4.31%	90,354	58,854
IL	(53,910)	(105,109)	(10,884,573)	-2.51%	74,010	118,148
IN	3,189	10,963	(167,170)	-0.09%	61,674	67,162
IA	(468)	(1,188)	(259,644)	-0.28%	53,359	59,821
KS	(2,859)	(4,114)	(234,270)	-0.28%	65,494	66,603
KY	2,443	6,149	(122,451)	-0.12%	57,746	63,464
LA	(14,113)	(28,502)	(861,755)	-0.86%	57,593	58,585
ME	7,391	12,344	922,591	2.36%	93,153	77,351
MD	(12,955)	(24,041)	(1,856,911)	-0.85%	81,613	89,969
MA	(25,029)	(44,087)	(4,275,158)	-1.36%	98,945	117,214
MI	(5,444)	(5,316)	(1,068,754)	-0.37%	75,900	84,412
MN	(9,146)	(16,021)	(1,562,517)	-0.78%	70,215	86,013
MS	(1,916)	(2,399)	49,283	0.09%	54,549	49,767
MO	3,636	10,627	(219,592)	-0.13%	63,480	69,994
MT	7,465	14,741	1,111,271	3.57%	90,507	63,694
NE	(2,241)	(3,938)	(206,495)	-0.35%	61,661	64,564
NV	12,026	18,728	4,617,504	4.89%	120,454	68,628
NH	5,528	9,661	1,464,718	2.72%	117,102	82,068
NJ	(12,806)	(25,894)	(3,794,238)	-1.05%	102,327	122,637
NM	(432)	(3,420)	95,132	0.20%	66,762	62,795
NY	(142,109)	(261,785)	(24,466,836)	-3.27%	90,337	130,054
NC	40,828	76,720	4,543,641	1.60%	79,123	68,700
ND	(3,190)	(6,276)	(248,535)	-1.01%	54,149	58,924
OH	(6,285)	(7,991)	(2,072,205)	-0.63%	64,769	81,764
OK	9,232	21,332	505,137	0.58%	55,849	56,120
OR	(829)	(9,461)	(121,550)	-0.10%	74,227	75,104
PA	(8,869)	(14,376)	(1,858,853)	-0.45%	79,243	88,167
RI	(9)	(1,079)	189,471	0.54%	90,530	79,589
SC	29,981	64,724	4,193,460	3.23%	87,516	64,194
SD	3,094	6,266	450,854	1.60%	76,414	59,837
TN	30,292	62,015	4,145,718	2.27%	82,581	63,031
TX	82,842	174,866	10,901,303	1.32%	88,798	73,200
UT	6,965	12,960	1,639,756	1.66%	95,022	69,853
VT	1,490	3,050	365,548	1.86%	92,349	71,043
VA	(2,634)	(9,293)	(1,857,934)	-0.64%	81,433	93,706
WA	3,718	(14,407)	177,669	0.06%	92,638	94,058
WV	682	2,084	32,629	0.09%	56,255	56,542
WI	(916)	(587)	(61,455)	-0.03%	75,319	75,182
WY	1,067	2,101	548,300	2.52%	101,287	65,961

Data source: Internal Revenue Service.

Figure 4: Net migration in 2016 to 2021

State	# Returns	Net migration	
		# Persons	AGI net (\$000)
AL	23,872	69,551	2,112,554
AK	(20,836)	(48,926)	(2,002,016)
AZ	208,807	390,816	22,200,048
AR	13,399	36,138	764,509
CA	(499,597)	(1,184,570)	(72,560,362)
CO	105,540	117,198	12,772,898
CT	(46,982)	(68,178)	(7,633,528)
DE	23,020	44,309	2,442,540
DC	(25,064)	(61,256)	(5,564,484)
FL	513,455	1,044,197	129,098,604
GA	117,719	247,678	5,146,695
HI	(23,609)	(68,637)	(160,510)
ID	69,253	161,557	8,548,589
IL	(298,591)	(596,019)	(42,402,114)
IN	(3,599)	28,637	(2,105,060)
IA	(17,113)	(19,684)	(2,158,387)
KS	(35,160)	(64,815)	(2,509,487)
KY	(370)	6,967	(1,183,181)
LA	(61,645)	(127,899)	(3,413,086)
ME	25,867	47,622	3,160,837
MD	(67,341)	(124,134)	(10,827,975)
MA	(109,999)	(197,327)	(13,087,597)
MI	(47,863)	(47,483)	(4,325,420)
MN	(16,152)	(19,341)	(5,257,857)
MS	(20,333)	(34,191)	(597,183)
MO	37	13,787	(2,086,281)
MT	23,496	50,382	3,827,294
NE	(14,152)	(24,582)	(1,843,884)
NV	104,629	183,567	14,430,335
NH	20,297	39,984	3,740,219
NJ	(113,526)	(201,577)	(18,646,120)
NM	(3,877)	(19,337)	310,486
NY	(609,047)	(1,210,809)	(81,902,790)
NC	195,402	373,368	19,874,485
ND	(19,546)	(36,829)	(1,579,996)
OH	(54,888)	(63,964)	(9,727,762)
OK	7,876	27,808	(240,137)
OR	74,701	106,271	5,068,354
PA	(64,466)	(95,457)	(10,362,544)
RI	(5,352)	(12,036)	(100,786)
SC	142,501	309,919	18,414,516
SD	4,958	11,677	1,078,498
TN	112,071	219,060	11,921,875
TX	290,619	650,439	30,036,297
UT	30,272	66,127	5,514,412
VT	151	2,524	815,249
VA	(32,743)	(71,719)	(8,803,019)
WA	125,916	163,703	9,286,413
WV	(13,911)	(22,152)	(992,112)
WI	(12,622)	(7,257)	(1,602,629)
WY	(1,366)	(1,231)	2,045,853

Data source: Internal Revenue Service.

For more information, please visit nuveen.com.

Endnotes

Sources

Internal Revenue Service data on tax migration

<https://www.irs.gov/statistics/soi-tax-stats-migration-data-2020-2021>

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