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Which states have lost or gained taxable income?



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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.

DO HIGHER TAXES MOTIVATE RESIDENTS TO RELOCATE?

Given the impact of the limitation on the SALT deduction, municipal analysts and investors want to know whether the higher net cost of state and local taxes motivates upper income residents 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 a given state from the number of returns filed by those who relocated to the state. We also computed the net change in the number of persons for whom 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.

For example, in 2020, 147,867 tax returns were filed in the state of New York by people who had lived in other states in 2019 (Figure 1). Those returns represented 228,826 people claiming personal exemptions. The amount of adjusted gross income reported by those taxpayers was \$12.32 billion. However, people who had been residents

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of New York in 2019 filed 278,489 tax returns in states other than New York in 2020. Those returns covered 477,131 newly relocated residents, whose combined adjusted gross income totaled \$31.8 billion.

As a result of these relocations, New York lost 248,305 residents and \$19.5 billion of adjusted gross income, which was equal to 2.57% of the adjusted gross income of people who filed returns in New York in both 2019 and 2020.

Figure 1: New York lost nearly 250,000 residents and \$19.5 billion of AGI

New York	# Returns	# Persons	AGI (\$000)
Arriving	147,867	228,826	12,348,002
Departing	278,489	477,131	31,848,236
Net	(130,622)	(248,305)	(19,500,234)

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 2019 and 2020). The table shows the net change in the number of returns, the number of personal exemptions, and amount of adjusted gross income for each state. (See Figure 3 in the Appendix for data on all states for 2020, and Figure 4 for net migration values for the five years from 2016 to 2020.)

Figure 2: Taxation may factor into relocation decisions

State	Net migration			Net AGI/ Staying AGI	AGI per return	
	# Returns	# Persons	AGI (\$000)		In	Out
ID	15,300	36,655	2,054,013	4.55%	84,671	54,297
WY	397	1,460	862,770	4.40%	133,748	68,928
MT	5,481	12,189	1,050,293	3.61%	89,824	54,689
FL	81,401	166,707	23,677,598	3.60%	121,820	68,104
NV	16,380	28,073	2,619,471	2.86%	85,586	63,516
CA	(117,475)	(263,344)	(17,815,116)	-1.22%	83,066	105,085
AK	(2,805)	(7,118)	(286,268)	-1.27%	59,907	66,994
IL	(50,769)	(100,921)	(8,461,854)	-1.95%	75,265	105,871
NY	(130,622)	(248,305)	(19,500,234)	-2.57%	83,507	114,361
DC	(8,002)	(15,330)	(1,440,199)	-4.43%	81,932	103,780

Data source: Internal Revenue Service.

Figure 2 also includes columns showing the average AGI of those moving to, and those leaving, a 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 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 \$121,820, while the average AGI of those who left the state was \$68,104. Of the 25 states (and D.C.) which had a net loss of adjusted gross income in 2020 due to migration, in only four did incoming residents report more AGI per return than departing residents, while of the 26 states which gained AGI, in only three did incoming residents report less AGI per return than departing residents.

For states with a net loss in AGI in 2020, the average AGI per return of arrivals was \$71,728, while those departing reported \$80,597 per return. For states with a net gain, the average newcomer had AGI of \$83,377, while the average income of those leaving was \$67,165.

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. The amount of AGI that moved from state to state has increased from \$23.6 billion in 2015 to \$36.8 billion in 2016, \$45.8 billion in 2017, \$40.8 billion in 2018, \$42.6 billion in 2019, and \$62.7 billion in 2020. 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 2020

State	Net migration				AGI per return	
	# Returns	# Persons	AGI (\$000)	Net AGI/Staying AGI	In	Out
AL	7,084	17,135	511,410	0.46%	63,924	62,607
AK	(2,805)	(7,118)	(286,268)	-1.27%	59,907	66,994
AZ	42,552	80,033	4,800,358	2.51%	86,255	73,751
AR	3,940	9,570	247,581	0.38%	59,743	59,337
CA	(117,475)	(263,344)	(17,815,116)	-1.22%	83,066	105,085
CO	12,892	10,209	2,321,646	1.15%	84,665	72,946
CT	(2,947)	(3,003)	(273,281)	-0.17%	119,104	117,578
DE	5,117	9,913	752,648	2.54%	88,329	69,143
DC	(8,002)	(15,330)	(1,440,199)	-4.43%	81,932	103,780
FL	81,401	166,707	23,677,598	3.60%	121,820	68,104
GA	17,338	37,074	1,112,905	0.42%	68,127	68,688
HI	(3,152)	(9,336)	70,821	0.17%	75,214	64,267
ID	15,300	36,655	2,054,013	4.55%	84,671	54,297
IL	(50,769)	(100,921)	(8,461,854)	-1.95%	75,265	105,871
IN	1,318	8,465	(214,359)	-0.12%	61,723	66,249
IA	(2,594)	(3,126)	(285,180)	-0.32%	58,460	62,307
KS	(3,861)	(6,489)	(294,660)	-0.35%	62,624	63,872
KY	1,814	5,419	(274,801)	-0.27%	58,220	66,718
LA	(9,836)	(21,029)	(573,302)	-0.55%	58,307	58,302
ME	6,336	11,274	870,092	2.31%	87,905	66,014
MD	(10,163)	(20,309)	(1,853,927)	-0.85%	75,492	86,982
MA	(20,395)	(36,982)	(2,551,512)	-0.82%	94,551	101,192
MI	(6,755)	(6,858)	(388,579)	-0.14%	74,345	72,854
MN	(6,238)	(11,307)	(1,208,676)	-0.61%	71,661	85,404
MS	(2,752)	(4,052)	(52,754)	-0.09%	54,015	50,994
MO	3,076	8,928	(194,982)	-0.12%	63,025	68,752
MT	5,481	12,189	1,050,293	3.61%	89,824	54,689
NE	(2,303)	(4,218)	(498,673)	-0.89%	58,392	74,095
NV	16,380	28,073	2,619,471	2.86%	85,586	63,516
NH	5,309	9,905	958,824	1.82%	95,989	76,442
NJ	(12,798)	(23,272)	(2,323,303)	-0.63%	98,771	107,709
NM	1,837	1,648	435,860	0.92%	73,287	63,093
NY	(130,622)	(248,305)	(19,500,234)	-2.57%	83,507	114,361
NC	36,086	68,174	3,644,174	1.33%	76,681	69,469
ND	(2,692)	(5,484)	(262,349)	-1.05%	54,488	61,763
OH	(7,187)	(8,204)	(1,446,342)	-0.44%	66,211	76,326
OK	5,797	14,792	74,378	0.08%	54,862	61,258
OR	9,515	11,645	600,019	0.48%	71,885	73,288
PA	(3,344)	(4,866)	(1,197,455)	-0.29%	75,003	82,771
RI	332	59	297,619	0.88%	89,631	73,835
SC	24,917	53,992	3,585,618	2.84%	85,853	63,217
SD	1,002	2,628	207,801	0.81%	70,925	60,707
TN	11,398	19,323	1,248,127	0.72%	68,459	62,726
TX	62,667	133,450	6,346,965	0.78%	81,165	75,386
UT	6,810	17,157	1,260,634	1.39%	88,031	69,805
VT	1,454	3,119	448,360	2.29%	95,948	66,254
VA	(3,795)	(9,549)	(1,094,050)	-0.38%	78,088	84,079
WA	13,437	8,155	1,224,248	0.41%	85,272	84,530
WV	(491)	(335)	(69,973)	-0.18%	54,851	57,001
WI	(371)	507	(117,214)	-0.06%	72,182	73,875
WY	397	1,460	862,770	4.40%	133,748	68,928

Data source: Internal Revenue Service.

Figure 4: Net migration in 2016 to 2020

State	Net migration				AGI per return	
	# Returns	# Persons	AGI (\$000)	Net AGI/Staying AGI	# Returns	# Persons
AL	15,404	48,175	1,374,411	1.32%	59,400	57,411
AK	(19,095)	(44,593)	(1,775,382)	-8.54%	54,698	62,657
AZ	176,171	333,741	17,760,746	10.56%	74,747	64,465
AR	6,772	20,495	226,888	0.35%	54,605	55,521
CA	(341,377)	(852,810)	(43,489,399)	-3.20%	78,478	88,500
CO	99,672	121,411	10,649,575	5.96%	74,184	67,642
CT	(46,517)	(68,716)	(7,690,944)	-4.86%	101,710	113,079
DE	17,377	33,671	1,905,488	6.99%	75,569	68,157
DC	(16,739)	(45,904)	(3,964,687)	-13.66%	78,056	93,972
FL	385,227	788,363	89,911,559	16.31%	102,265	62,236
GA	92,184	193,833	3,879,051	1.58%	61,597	64,547
HI	(19,565)	(57,478)	(264,057)	-0.66%	66,721	59,791
ID	55,172	129,736	6,395,378	16.52%	71,422	51,289
IL	(244,681)	(490,910)	(31,517,541)	-7.64%	70,055	88,951
IN	(6,788)	17,674	(1,937,890)	-1.17%	57,227	61,850
IA	(16,645)	(18,496)	(1,898,743)	-2.27%	55,225	60,754
KS	(32,301)	(60,701)	(2,275,217)	-2.97%	58,997	60,633
KY	(2,813)	818	(1,060,730)	-1.11%	55,372	59,257
LA	(47,532)	(99,397)	(2,551,331)	-2.58%	56,181	55,671
ME	18,476	35,278	2,238,246	6.51%	73,886	62,190
MD	(54,386)	(100,093)	(8,971,064)	-4.33%	68,117	79,025
MA	(84,970)	(153,240)	(8,812,439)	-3.00%	85,964	89,290
MI	(42,419)	(42,167)	(3,256,666)	-1.22%	67,495	68,504
MN	(7,006)	(3,320)	(3,695,340)	-2.00%	65,532	77,500
MS	(18,417)	(31,792)	(646,466)	-1.22%	50,302	48,571
MO	(3,599)	3,160	(1,866,689)	-1.23%	59,514	64,253
MT	16,031	35,641	2,716,023	10.36%	70,882	51,534
NE	(11,911)	(20,644)	(1,637,389)	-3.15%	55,465	63,679
NV	92,603	164,839	9,812,831	12.04%	72,397	60,392
NH	14,769	30,323	2,275,501	4.72%	83,336	74,511
NJ	(100,720)	(175,683)	(14,851,882)	-4.23%	90,050	99,842
NM	(3,445)	(15,917)	215,354	0.51%	62,006	59,233
NY	(466,938)	(949,024)	(57,435,954)	-7.69%	79,676	95,863
NC	154,574	296,648	15,330,844	6.19%	69,860	62,547
ND	(16,356)	(30,553)	(1,331,461)	-5.99%	50,725	56,505
OH	(48,603)	(55,973)	(7,655,557)	-2.51%	62,185	71,479
OK	(1,356)	6,476	(745,274)	-0.88%	53,726	56,993
OR	75,530	115,732	5,189,904	4.50%	65,874	65,122
PA	(55,597)	(81,081)	(8,503,691)	-2.20%	70,356	77,693
RI	(5,343)	(10,957)	(290,257)	-0.91%	73,152	71,970
SC	112,520	245,195	14,221,056	12.61%	76,008	58,062
SD	1,864	5,411	627,644	2.68%	62,795	55,111
TN	81,779	157,045	7,776,157	4.87%	64,944	58,820
TX	207,777	475,573	19,134,994	2.63%	73,298	69,885
UT	23,307	53,167	3,874,656	4.93%	74,410	62,224
VT	(1,339)	(526)	449,701	2.46%	71,792	61,859
VA	(30,109)	(62,426)	(6,945,085)	-2.59%	71,370	78,394
WA	122,198	178,110	9,108,744	3.48%	75,081	75,213
WV	(14,593)	(24,236)	(1,024,741)	-2.85%	51,734	54,284
WI	(11,706)	(6,670)	(1,541,174)	-0.92%	65,436	68,275
WY	(2,433)	(3,332)	1,497,553	8.03%	88,138	60,477

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-2018-2019>

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