Study dispels myth about millionaire migration in the US

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The view that the rich are highly mobile has gained much political traction in recent years and has become a central argument in debates about whether there should be "millionaire taxes" on top-income earners. But a new study dispels the common myth about the propensity of millionaires in the United States to move from high to low tax states.

"The most striking finding in our study is how little elites seem willing to move to exploit tax advantages across state lines," said Cristobal Young, an assistant professor of sociology at Stanford University and the lead author of the study. "Millionaire tax flight is occurring, but only at the margins of significance."

In any given year, Young and his fellow researchers found that roughly 500,000 individuals file tax returns reporting incomes of $1 million or more (constant 2005 dollars). From this population, only about 12,000 millionaires change their state each year. The annual millionaire migration rate is 2.4 percent, which is lower than the migration rate of the general population (2.9 percent). The highest rates of migration are seen among low-income tax filers: migration is 4.5 percent among people who earn around $10,000 a year.

"There is a widely held perception that elites are extremely mobile—that they are more attached to money than to place, and with money you can live anywhere you want," said Young, who noted that millionaires are no less likely to live in states with high income taxes (e.g., New Jersey or California) than in states with low or zero income taxes (e.g., Texas or

Florida). "We tend to think of migration as a form of freedom and one of the privileges enjoyed by the rich. In practice, migration comes with high social and economic costs—uprooting one's family, breaking away from one's social networks, and restarting in a new place."

The study finds that family responsibilities are a key factor that limit migration among top-income earners. "Very affluent people are much more likely to be married and to have school-age children, which makes moving more difficult," Young said.

Young also noted that most millionaires today are "the working rich" and do not live off inherited wealth, but instead rely on earnings from employment. "They work as lawyers, doctors, managers, and financial executives," he said. "They are at the peak of their careers and typically earn million-dollar incomes only for several years. People avoid potentially disruptive moves when they are performing at the very top of their game."

Titled, "Millionaire Migration and Taxation of the Elite: Evidence from Administrative Data," the study, which appears in the June issue of the *American Sociological Review*, relies on federal income tax returns from all U.S. tax filers who earned $1 million or more in any year between 1999 and 2011. This resulted in a dataset of 45 million tax records from 3.7 million unique tax filers over 13 years. For comparison, Young and his co-authors, Charles Varner, a sociologist and an associate director of the Center on Poverty and Inequality at Stanford University, and Ithai Z. Lurie and Richard Prisinzano, both financial economists at the Office of Tax Analysis at the U.S. Department of Treasury, also drew a 1 percent sample of the total population of tax filers, giving them an additional 24 million tax records from 2.6 million unique filers across the income distribution. The researchers tracked the income and residency of all of the filers over the entire study period.

"Previous studies on elite tax flight have struggled with data limitations either by using narrow segments of the millionaire population, such as professional athletes, or by analyzing limited geographic regions, such as one or two states," Young said. "This study includes every tax record filed by every U.S. millionaire over more than a decade."

According to the study, in the average state, which has an annual population of more than 9,000 individual millionaires, a one percent tax increase on this population would result in an expected loss of 23 of these economic elites. "Yes, a handful of top earners would leave," Young said. "But, more notably, virtually all of the millionaire population would stay."

While millionaire migration is extremely limited, there is a grain of truth in the worries about millionaire tax flight, the study finds. "When millionaires do migrate, they are more likely to move to a state with a lower tax rate, and that state is almost always Florida," Young said.

There are nine states without a state income tax, but only Florida disproportionally attracts millionaires from higher tax states, Young said. The other states, such as Texas, Nevada, and New Hampshire, do not.

"My guess is that if Florida established a 'millionaire tax,' elites would still find Florida appealing because of its climate and geography—and patterns of elite migration wouldn't really change," Young said.

In fact, the millionaire migration that does occur has so little to do with tax differences that Young and his co-researchers estimate that if all states had the same tax rate—so there were no tax incentives to move—there would only be approximately 2.2 percent or about 250 fewer millionaire migrations between states each year.

The study also looked at the millionaire population along the borders between states with different tax rates. "In these narrow geographic regions, you would expect millionaires to cluster on the low tax side of the border, but we see very weak evidence of this," Young said.

As for policy implications, Young said "millionaire taxes" result in minimal tax flight among millionaires and help states raise revenue to improve education, infrastructure, and public services, while reducing inequality.

"Our research indicates that 'millionaire taxes' raise a lot of revenue and have very little downside," Young said.

Provided by American Sociological Association

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