



*A Union of Professionals*

## **Higher Taxes on the Rich Won't Create a Wave of Tax Flight**

One of the most common arguments against higher taxes on the rich is that they will cause those most affected to flee the state, even if their effective tax rate is still lower than what the rest of us pay. But the research indicates that this is an issue that is overstated.

A review by the Center on Budget and Policy Priorities found: “The vast majority of academic research using sophisticated statistical techniques concludes that differences in state tax systems and levels do not have a significant impact on interstate migration.”

The center cited 15 studies on state taxes and migration since 2000, including six in peer-reviewed economics journals. Twelve of these studies concluded that taxes had no effect on migration or that the effect was small or inconsistent. Among the studies:

- “Millionaire Migration and the Taxation of the Elite: Evidence from Administrative Data,” by Cristobal Young et al. (April 2015). Using data on tax returns for all million-dollar income earners in the United States over 13 years, the authors analyzed state-to-state migration of millionaires over the long term. They found limited evidence of millionaire tax flight across states.
- “Millionaire Migration in California: The Impact of Top Tax Rates,” by Charles Varner and Cristobal Young (2012). This study found that changes in California’s top income tax rates accounted for, at most, 1.2 percent of the annual changes in the state’s millionaire population. The remaining 98.8 percent of changes in the millionaire population are due to income dynamics at the top—California residents growing into the millionaire bracket or falling out of it again. Fewer millionaires left the state after the passage of tax increases.
- “State Taxes Have a Negligible Impact on Americans’ Interstate Moves,” by Michael Mazerov (May 2014). This study found no evidence that large numbers of citizens “vote with their feet” by moving from high-tax states to low-tax states. Using IRS and Census data from the last 20 years, Mazerov found that those who migrate from high-tax to low-tax states are not disproportionately high-income earners and are often replaced by new residents who bring as much or more income to the state as the residents who left the state.
- “The Impact of Taxes on Migration in New England,” by Jeffrey Thompson (April 2011). This study specifically looked at the relationship between migration and taxes of New England states (Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island and Vermont) from 1988 to 2006. In Connecticut, for example, net migration to the state rebounded in the early 1990s after the state adopted broad tax increases. The author’s analysis found that net migration in each state rises and falls along with relative employment growth, and “if anything, higher state income taxes are shown to decrease the numbers of people leaving the state,” especially if higher taxes are used to create jobs and reduce unemployment.

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The preponderance of research shows that even in relatively high-tax states, policymakers should not be concerned that tax increases will drive residents and businesses out of the state. Indeed, if the alternative is to cut services, states would be better served to increase taxes on high-income earners to strengthen the state's infrastructure and its support for higher quality of life.