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IRS Data Analysis: An Update

This article updates migration data presented in our report March 1, 2016 report “Who Is Leaving Illinois and Why? A review of data on migration patterns in Illinois”.¹ This report concluded that net out-migration in Illinois is not a new phenomenon – it has been occurring since at least the 1920s. The report found no relationship to increased migration and the temporary tax increase. However, using American Community Survey data, we did find an increase in net out migration in 2014 and called for subject matter experts to weigh in to what might be happening in Illinois and policy measures that could be considered to help mitigate this.

We are providing this report as new IRS migration data for tax year 2013 has become available since the original report’s publication. In sum, this data illustrates that fewer people are leaving Illinois. However even fewer people are coming into Illinois, so on net the out-migration number is increasing. This distinction is important for policy makers to understand, because from a policy standpoint there may be different solutions to attracting people compared with those to keep people from moving.

On a positive note, since publication of our initial report, we are pleased to see that that the conversation has changed in part - moving away from suggesting that the 2011 temporary tax increase was the cause of increased net out-migration.² For example, David Yepson, Director of the Paul Simon Public Policy Institute at Southern Illinois suggests that one reason might be that ““businesses don’t like taxes, they hate uncertainty” – referring to the State’s \$111 billion in unfunded pension liabilities³ In addition, the Illinois Policy Institute issued a report recently suggesting that “Illinois cannot fix its out-migration problem until it fixes its jobs problem. People are leaving Illinois in the heart of their working years, not only when it comes time for retirement. ”⁴.

In spite of the lengthy discussion of how to use and not use IRS information on migration presented in our original report, unfortunately there are some who continue to use this information incorrectly to draw conclusions such as “Illinois loses \$4,422 in net adjusted gross income every single minute – and between 1992 and 2014 (the most recent year for which IRS taxpayer data is available), Illinois lost a staggering \$41.86 billion in net adjusted gross income.⁵ While not rehashing the whole of the very detailed discussion of what the data did and did not say, we feel it is important to highlight why statements such as the one above is a misuse and misinterpretation of the data. IRS income data is not equivalent to the migration of money, primarily because the adjusted gross income (AGI) associated with a given migrant return is the total AGI for the filer *after migration*. To emphasis, it is not how much AGI they had prior to departure; it is how much AGI they had after arrival. Thus the AGI reported **cannot**

¹ <http://www.taxpolicyissues.com/WhoLeavingIllinois.pdf>

² <https://www.illinoispolicy.org/illinois%C2%92-high-tax-environment-causes-historical-out-migration/>

³ <http://www.chicagobusiness.com/article/20151211/NEWS02/151219969/illinois-unfunded-pension-liability-now-up-to-111-billion>

⁴ <https://www.illinoispolicy.org/illinois-is-losing-prime-working-age-adults/>

⁵ The Price Of Illinois’ Mass Exodus By Travis H. Brown, March 15, 2016, <http://www.howmoneywalks.com/the-price-of-illinois-mass->

be considered an “outflow of income.” Additionally, many migrants experience job transitions, moving out of one job to another. This is one of the most common reasons for migration. When a migrant moves from one state to another as a result of a job transition, it is likely that they move from a job that will still exist after their departure, to a job that existed before their arrival. In other words, the AGI they had before departure is likely to more-or-less remain in the previous state, while their new AGI in the arrival state likely existed prior to their arrival. In conclusion, AGI for the filer does not say anything about how much money is moving from one state to another.

Key Findings

- Both in-migration and out-migration are falling, but because in-migration is falling more quickly than out-migration Illinois’ net out-migration in 2013/14 is higher than in 2012/13.
- Texas and Florida overtook Indiana as the state where more Illinoisans migrated to. Indiana is now in third place, while Wisconsin is in 5th place.
- Net out-migration from Illinois to Indiana remained relatively unchanged while it declined by 7.7 percent in Wisconsin.
- Illinois’ migration pattern is similar to those of its neighboring states. Illinoisans tend to move to the same states as do residents of Indiana and Wisconsin. Indiana’s and Wisconsin’s largest out-migration is to Illinois.
- Illinois is a big state in terms of population so out-migration in absolute numbers is large. However, a larger percentage of both Indiana’s and Wisconsin’s population moves to Illinois than vice versa.
- New players in terms of states where many Illinoisans are moving two include: Georgia, Colorado, Tennessee, and North Carolina

We do want to remind the reader that looking at one data point does not necessarily tell the whole story – relationships among states vary over time, sometimes significantly. Second, one story does not fit all – relationships among states are not similar. Finally, each state’s migration story is complicated, non-generalizable and nuanced.

Big Picture – What in Illinois Has Changed?

In March 2016 the IRS released 2013/14 Statistics of Income migration data for 2013/2014. This data represents changes in address that occurred on tax returns filed in 2014 (income earned in 2013) compared with tax returns filed in 2013 (income earned in 2012).⁶ Table 1 illustrates that gross migration (the number of people moving into and out of Illinois) fell in 2013/14 compared to 2012, while net out-migration increased by 13,932. However, we disagree with the Illinois Policy Institute’s conclusion that increases in Illinois net out-migration “is being driven by losing people to other states”.⁷ Recent IRS data indicates that this increase is actually being driven by a declining number of people moving into Illinois. For 2013/14 the state actually saw a reduction of 6,764 in the number of people

⁶<https://www.irs.gov/uac/soi-tax-stats-migration-data-2013-2014>

⁷ <https://www.illinoispolicy.org/illinois-is-losing-prime-working-age-adults/>

leaving Illinois. This point is critical to policy makers – what it would take to attract people to Illinois is not necessarily the same as what it would take for them to stay.

Table 1: IRS Migration Summary Statistics: Illinois 2012/13 – 2013/14

| Illinois | 2012/13 | 2013/14 |
|------------------------|---------|---------|
| In Flow | 190,210 | 169,508 |
| Out Flow | 259,153 | 252,389 |
| Net Migration | -68,943 | -82,881 |
| Gross Migration | 449,363 | 421,897 |

Gross Migration

Analyzing this data in more detail we first present state’s with which Illinois has had gross migration flows of greater than 10,000 in either of the last two tax years for which data is available (Table 2).

There appears to be a downward movement in gross migration in all states with the exception of Texas. This implies that overall fewer people are moving either into or out of Illinois in 2013/14 compared with 2012/13.

Table 2: IRS Gross Migration Between Illinois and Selected States, 2012/13 to 2013/14

| State Name | 2012/13- Gross Migration | 2013/14- Gross Migration | Percent Change |
|-----------------------|--------------------------------|--------------------------------|----------------|
| Texas | 35,223 | 37,268 | 5.8% |
| Indiana | 40,631 | 36,924 | -9.1% |
| Florida | 35,555 | 32,900 | -7.5% |
| California | 33,018 | 31,304 | -5.2% |
| Wisconsin | 31,319 | 28,913 | -7.7% |
| Missouri | 26,793 | 25,426 | -5.1% |
| Michigan | 18,743 | 16,631 | -11.3% |
| Iowa | 17,623 | 16,287 | -7.6% |
| Arizona | 14,003 | 13,654 | -2.5% |
| Georgia | 14,194 | 13,026 | -8.2% |
| New York | 13,229 | 11,694 | -11.6% |
| Ohio | 12,788 | 11,669 | -8.8% |
| Tennessee | 11,072 | 10,707 | -3.3% |
| North Carolina | 10,361 | 10,230 | -1.3% |
| Colorado | 10,000 | 9,722 | -2.8% |

Net Migration

In order to dig below this gross number, Table 3 presents net flows for states with a net out-migration from Illinois of greater than 1,000 in either year. Fourteen of the 18 states meeting this criterion had an increase in net out-migration, albeit a relatively modest 23 people in the case of Indiana. In four of our Midwestern state neighbors (Wisconsin, Michigan, Missouri and Iowa) net out-migration from Illinois fell. We observe North Carolina, Georgia, Colorado, Washington and Tennessee enter into the top 10 states with which Illinois has significant net out-migration. New York and Kentucky have fallen off our list of highest ranking net out-migration states.

Table 3: IRS Net Out-Migration from Illinois to Selected States, 2012/13 and 2013/14

| State Name | 2012/13 Net Migration | 2013/14 Net Migration | Percent Change |
|----------------|-----------------------|-----------------------|----------------|
| Texas | -10,493 | -14,728 | 40.4% |
| Florida | -7,749 | -10,652 | 37.5% |
| Indiana | -6,561 | -6,584 | 0.4% |
| California | -4,714 | -6,534 | 38.6% |
| Arizona | -3,701 | -4,780 | 29.2% |
| Wisconsin | -4,913 | -4,759 | -3.1% |
| Georgia | -2,512 | -3,430 | 36.5% |
| Colorado | -2,730 | -3,372 | 23.5% |
| Tennessee | -2,410 | -3,217 | 33.5% |
| Missouri | -3,587 | -3,036 | -15.4% |
| Iowa | -2,693 | -2,267 | -15.8% |
| North Carolina | -1,431 | -2,208 | 54.3% |
| Washington | -1,314 | -2,057 | 56.5% |
| Michigan | -2,121 | -1,953 | -7.9% |
| Minnesota | -1,240 | -1,315 | 6.0% |
| South Carolina | -1,017 | -1,184 | 16.4% |
| Nevada | -1,046 | -1,155 | 10.4% |
| Ohio | -496 | -1,059 | 113.5% |

In-Flow and Out-Flow

Table 4 below provides in and out-migration information for states with which Illinois had a net out-migration of over 1,000 in either year. Note that while we have less in-migration in 2013/14 compared to 2012/13 from all states that meet the criterion, the result for out-migration is somewhat mixed. Half of the states had increased out-migration from Illinois while all states had reduced in-migration to Illinois.

Table 4: IRS In- and Out-Migration: Illinois and Selected States, 2012/13 to 2013/14

| State Name | 2012/13 In-Migration To Illinois From | 2013/14 In-Migration To Illinois From | Percent Change In-Migration | 2012/13 Out-Migration From Illinois To | 2013/14- Out-Migration From Illinois To | Percent Change Out-Migration |
|----------------|---------------------------------------|---------------------------------------|-----------------------------|--|---|------------------------------|
| Texas | 12,365 | 11,270 | -8.9% | 22,858 | 25,998 | 13.7% |
| Florida | 13,903 | 11,124 | -20.0% | 21,652 | 21,776 | 0.6% |
| Indiana | 17,035 | 15,170 | -10.9% | 23,596 | 21,754 | -7.8% |
| California | 14,152 | 12,385 | -12.5% | 18,866 | 18,919 | 0.3% |
| Arizona | 5,151 | 4,437 | -13.9% | 8,852 | 9,217 | 4.1% |
| Wisconsin | 13,203 | 12,077 | -8.5% | 18,116 | 16,836 | -7.1% |
| Georgia | 5,841 | 4,798 | -17.9% | 8,353 | 8,228 | -1.5% |
| Colorado | 3,635 | 3,175 | -12.7% | 6,365 | 6,547 | 2.9% |
| Tennessee | 4,331 | 3,745 | -13.5% | 6,741 | 6,962 | 3.3% |
| Missouri | 11,603 | 11,195 | -3.5% | 15,190 | 14,231 | -6.3% |
| Iowa | 7,465 | 7,010 | -6.1% | 10,158 | 9,277 | -8.7% |
| North Carolina | 4,465 | 4,011 | -10.2% | 5,896 | 6,219 | 5.5% |
| Washington | 2,942 | 2,416 | -17.9% | 4,256 | 4,473 | 5.1% |
| Michigan | 8,311 | 7,339 | -11.7% | 10,432 | 9,292 | -10.9% |
| Minnesota | 4,284 | 3,762 | -12.2% | 5,524 | 5,077 | -8.1% |
| South Carolina | 1,628 | 1,558 | -4.3% | 2,645 | 2,742 | 3.7% |
| Nevada | 1,968 | 1,700 | -13.6% | 3,014 | 2,855 | -5.3% |
| Ohio | 6,146 | 5,305 | -13.7% | 6,642 | 6,364 | -4.2% |

Illinois Compared with Wisconsin and Indiana

In our initial report we presented data indicating that Illinois' migration pattern is similar to those of its neighboring states. Illinoisans tend to move to the same states as do residents of Indiana and Wisconsin. This remained true for Indiana and Illinois in 2013/14. In the case of Illinois, the top three states for out-migration were Texas, Florida and Indiana. In Indiana, the top three states were Florida, Texas and Illinois. Wisconsin fell to 16th. In the case of Wisconsin, states receiving the most residents were Illinois, Minnesota, Texas and Florida. Finally, while we continue to find that although Illinois (a larger state) has larger out-migration to Wisconsin and Indiana than vice versa in absolute terms, a larger percentage of both Indiana's and Wisconsin's population continue to move to Illinois than vice versa. Finally, and perhaps most surprisingly, we continue to find that net out-migration from Illinois to Wisconsin continued to decline while it remained relatively flat with Indiana.

Conclusion

As highlighted in the introduction, the most important take away from the IRS data for 2013/14 is that fewer people are leaving Illinois compared with the previous year. However, even fewer people are

moving to Illinois, resulting in a net increase in net out-migration. This is very important for policy makers to recognize, as initiatives to attract individuals to Illinois may be very different than those used to retain existing taxpayers.

We will provide our next update on what is happening with net out-migration trends in Illinois after the release of the US Census, 2015 American Community Survey data which is scheduled for release in September 2016.