# New York’s wealthy warn of a tax exodus after Mamdani’s win – but the data says otherwise

Cristobal Young, Associate Professor of Sociology, Cornell University

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Wealthy New Yorkers have threatened to leave the city if Mayor-elect Zohran Mamdani follows through on his promise to raise taxes on the rich.

*Charly Triballeau/AFP via Getty Images*

New York’s mayor-elect, Zohran Mamdani, campaigned on a promise to raise the city’s income tax on its richest residents from 3.9% to 5.9%. Combined with the state income tax, which is 10.9% for the top bracket, the increase would cement the city’s position as having the highest taxes on top earners in the country.

It set off a chorus of warnings about the tax flight of the city’s wealthiest residents.

Hedge fund billionaire Bill Ackman claimed that both the city’s businesses and wealthy residents “have already started making arrangements for the exits.”

New York Gov. Kathy Hochul echoed the concern, opposing the proposal "because we cannot have them leave the state." Before the election, Mamdani's opponent, former New York governor Andrew Cuomo, joked that if Mamdani won, "even I will move to Florida."

I research whether high earners actually move when their taxes go up. My colleagues and I have analyzed millionaire taxes in New Jersey and California, the migration of Forbes billionaires globally and decades of IRS data tracing where Americans with million-dollar incomes live.

Top earners are often thought of as "mobile millionaires" who are ever searching for lower-tax places to live. In reality, they're often reluctant to leave the places where they built their careers and raised their families.

At the same time, there are grains of truth in the tax migration arguments, so it's important to carefully parse the evidence.

## A small fraction of a small fraction

The first fact is simple: Millionaires have low migration rates.

Mobility in America is highest among people who are still searching for their economic place in life. Workers who earn the lowest wages move across state lines at relatively high rates, about 4.5% per year, often in search of more affordable housing. People making $1 million-plus a year move only half as often: Just 2.4% of them pack up each year.

When millionaires do move, it rarely appears to be for tax reasons. For example, Florida is the top destination for New York movers in general. But among the richest 1% of New Yorkers, the top destination is Connecticut, followed by New Jersey and California, all three of which levy a millionaire tax.

Some millionaires certainly do favor lower-tax destinations. But many moves to low-tax states are offset by moves in the opposite direction to higher-tax states, and many other moves take place between states that have the same tax rate.

Overall, only about 15% of millionaires who move end up with a lower tax bill. That shows the rich are willing and able to move for tax reasons. But because only about 2.4% of millionaires move each year – and only a fraction of those moves reduce their taxes – overall tax migration ends up being a small fraction of a small fraction. Not never, but not often.

## Some benefits don't have a dollar sign

Migration is mostly a young person's game.

The most mobile Americans are recent college graduates who are brimming with potential, searching for work and unburdened by major responsibilities. Their rate of migration from one state to another is over 12%, more than four times the rate of millionaires.

The typical adult mover is about 30 years old, while the highest income earners are typically about 50. People choose where to build their careers and families decades before they reach their peak earnings phase.

By the time someone earns enough to be taxed in the highest brackets, they're usually late into their careers. They are almost always married, often have children at home, own their homes and, in many cases, own a business. Their social lives and their economic success are linked to local networks of colleagues, clients and connections built up over a long career. Moving away from those networks means giving up a great deal of social capital and starting over somewhere new.

Top earners know that some states have lower taxes, but for most, tax flight is simply a bad deal. The social and economic costs of uprooting are bigger than the tax savings.

## When your social world collapses

Two recent events showed why the rich generally stay where they are – and what it takes to move them.

The first was the Tax Cuts and Jobs Act, which President Donald Trump signed into law in late 2017. The tax reform package capped the federal deduction for state and local taxes and raised taxes on high earners in states like New York, New Jersey and California. In a Wall Street Journal op-ed titled "So Long, California. Sayonara, New York," economists Arthur Laffer and Stephen Moore predicted that 800,000 people a year would flee those states.

They didn't. A colleague and I studied every millionaire tax return in the country for two years before and after the reform. Nothing happened. There was no increase in migration out of the states where tax burdens rose. The predicted exodus simply did not occur.

We were about to wrap up the study and call it case closed. Then something unexpected did happen: In early 2020, millionaires began leaving high-tax states in large numbers. Low-tax states saw no comparable outflows. The pattern matched those tax-flight predictions from just a few years earlier.

It was the COVID-19 pandemic, and it brought a profound shock to the social lives of city residents.

Offices emptied out, with entry swipes in major cities dropping by nearly 90%. Time spent at work fell sharply, local amenities were shuttered, and time spent alone grew as in-person contact became a health risk. K–12 schools closed, disrupting children's relationships with teachers and classmates.

The COVID-19 pandemic briefly turned downtowns into ghost towns.
*Spencer Platt/Getty Images*

For many households, this was also a strange form of freedom, and a chance to rethink the geography of work and life, especially for top earners who could work remotely from anywhere. Disconnected from the bonds of place, top earners moved and clearly favored low-tax destinations.

The lesson is that social lives and economic policies are deeply intertwined. The 2017 tax reform had no effect on migration because the social cost of moving is high – especially for people at the peak of their careers who are enjoying the many social benefits of economic success. As long as those connections to others are strong, they outweigh the appeal of moving to lower-tax states.

When the pandemic broke apart so much of social life, the ledger shifted. If your office, school, friendships and daily routines no longer anchor you in place, what is keeping you in a high-tax place?

But by early 2023, as social and economic life returned to normal, we found that millionaire migration patterns mostly reverted to their prepandemic baselines.

In other words, the surge in tax flight was temporary.

## If you want the rich, appeal to the young

There is a big lesson here for state and city policies.

Every place wants to attract high-income earners and the spending power and tax dollars that accompany their salaries. Many policymakers think that tax cuts will lure them in, but this is mostly a fool’s errand. In normal times, the rich are deeply rooted and not movable.

The real opportunity lies in attracting and retaining the next generation of top earners – young people who are unattached to place and looking for opportunities to build their careers and their lives. Places that draw young professionals build the pipeline of future top earners.

Those early-career folks are mobile, but they are not thinking about the top tax rate. Their salaries are low. They are trying to find good jobs, pay the rent, form relationships and start families. They hope to be successful enough to one day be paying Mamdani’s millionaire tax. For the time being, though, they need the basic costs of living to be manageable. Soon they will need affordable child care and good public schools for their kids.

If the city helps them that far along, many of them would gladly pay a millionaire tax when and if the time comes. In this light, the Mamdani plan is simply practical: Higher taxes at the top support the services and quality of life that keep the next generation in the city.

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