

Macro Roundup Article

Headline: [Taxes, Revenues, and Net Migration In California](#)

Article Link: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=4037764

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Tweet: .@joshrauh of the Stanford Graduate School of Business presents evidence that migration from California is being driven by high taxes rates, suggesting California has limited ability to raise taxes without losing revenue.

Summary: Figure 2 shows the net departure rates from the state by income tax bracket between 2003 and 2018. Since 2003, only middle-income earners in the 9.3 percent income tax bracket have entered California at higher rates than left during any year over the time period. The top bracket, and the highest earners within the top bracket in particular, display the highest net out-migration rate over the whole period. Higher-income earners who leave the state are not being replaced by other high earners at the same rate. California's top earners are particularly mobile, showing the highest rates of departure around tax policy changes such as Proposition 30 in 2012 and the Tax Cut and Jobs Act (TCJA) of 2017 as well as the COVID-19 pandemic in 2020. Consequently, potential net outflows of taxable income spiked to nearly \$4 billion in the year TCJA was implemented and \$10.7 billion around COVID-19. High-earning movers have been consistently more likely to leave California for zero-income tax states since 2012, and those who experienced larger tax increases under TCJA were more likely to depart.

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