Maryland’s Millionaire Migration Debate
Understanding the Relevance of the New Jersey Migration Studies

As the debate over extending the Maryland “millionaires’ tax” continues, numerous lawmakers and advocates have recently begun to look toward New Jersey’s experience with its own “half-millionaires’ tax” to help inform their understanding of the issues at work. In particular, two studies of New Jersey’s migration patterns—one from Boston College and one from Princeton University—have been frequently cited in recent weeks by those claiming that an exodus of Maryland’s millionaires has occurred in spite of data from the Maryland Comptroller undermining those claims.¹ As this brief explains, while the Princeton University study does contain some lessons for lawmakers, the Boston College study offers no information whatsoever that is applicable to Maryland’s current situation—and neither study suggests that state taxes affect interstate migration in a substantial way.

Boston College “Migration of Wealth” Study

Opponents of the Maryland “millionaires’ tax” have recently begun to tout a study from Boston College’s Center on Wealth and Philanthropy as evidence that New Jersey’s recently increased income tax rate on “half-millionaires”—i.e. those taxpayers earning $500,000 per year, or more—has contributed to an exodus of $70 billion in wealth from the state.² Such claims could not be further from the truth.

The Boston College study does show that roughly $70 billion in wealth left the state between 2004 and 2008, but nowhere in the study are taxes mentioned—even in passing—as a potential explanation of this finding. The lack of any discussion of taxes is both unsurprising and appropriate, as the study also makes no effort to focus its analysis on those few high-income New Jerseyans actually affected by the state’s recent income tax increases. Instead, the Boston College study looks at all New Jerseyans, with a specific focus on individuals with large amounts of accumulated wealth—not large annual incomes. This distinction matters, as the study makes clear that fully one half of households with large amounts of accumulated wealth—defined as $1 million or more—earn less than $159,000 in income each year.³ And only 6% of those with $1 million in wealth actually earn $1 million or more in income per year. Clearly, the families examined in the Boston College study are a very different group from those affected by New Jersey’s “half-millionaires’ tax.”

³ Id. at 4.
While the Boston College study makes no claims about the role of taxes in migration decisions, it does address a variety of other explanations for why some New Jerseyans are leaving the state. Using data from the U.S. Census Bureau, the study provides a table analyzing New Jersey heads of households’ stated reasons for moving out of New Jersey during the 2004-2008 period—which coincides with the implementation of the state’s “half-millionaires’ tax.”4 Job-related issues, family reasons, and retirement rank among the top explanations. Nowhere in the table are taxes identified as a contributing factor.

**Princeton University “Trends in New Jersey Migration” Study**

Unlike the Boston College study, a recent study out of Princeton University’s Policy Research Institute for the Region does provide a migration analysis focusing specifically on those high-income individuals potentially affected by the “half-millionaires’ tax.”5

The Princeton study finds that the impact of the “half-millionaires’ tax” on the migration of the state’s high-income earners is “small,” and that the change in the net out-migration rate following the enactment of the tax is “negligible.”6 Specifically, the study estimates that 67 half-millionaires leave each year as a result of the tax, while 287 more may choose not to move into the state. These figures represent less than 1% of a total population of 44,000 half-millionaire households residing in New Jersey.7 (This is generally consistent with the most recent data from the Maryland Comptroller.) The researchers then go on to note that the $37.7 million in revenue lost as a result of this out-migration is only a “small opportunity cost” relative to the over $1 billion raised each year as a result of this policy change.8

In sharp contrast to the Boston College study (which has absolutely no relevance to the Maryland “millionaires’ tax” debate), the Princeton University researchers include a short discussion of the relevance of their findings to Maryland. They conclude that “if the New Jersey experience is any guide, [Maryland’s “millionaires’ tax”] is likely to generate substantial revenues and very little out-migration.”

The researchers do offer one warning for Maryland—namely, that New Jersey’s proximity to “the socio-economic epicenter of New York City” may provide it with a unique advantage in retaining high-income individuals. Not discussed by the researchers, however, is the comparatively modest nature of Maryland’s “millionaires’ tax” relative to the larger version enacted by New Jersey. While New Jersey’s “half-millionaires’ tax” raised the state’s top rate by a full 2.5 percentage points on all taxable income over $500,000, Maryland’s “millionaires’ tax” raised its top rate by only 0.75 percentage points, and applies only to incomes over $1 million. Presumably, the less dramatic nature of Maryland’s tax change should significantly reduce the already small likelihood that it could drive millionaires from the state.

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4 Id. at Table 7.
6 Id. at 2 and 28.
7 Id. at 5.
8 Id. at 34.