Abstract

This paper explores the implications of tax policy on the migration habits of the wealthiest of tax paying groups in certain U.S. states, and quantifies those implications for readers so they have a better understanding of how human behavior and tax systems interact. This is done so by examining the general phenomena of tax related migration as it manifests itself in specific real-world examples.

As such, this paper projects the number of high-income taxpayers lost based on increases to the rates of personal income tax, and the associated tax dollar gains/losses (i.e. to what extent are top-tax bracket filers “voting with their feet”?). The paper provides calculations for three different rates of population sensitivity, and the corresponding numbers of lost tax payers in relation to a tax increase. The paper then goes on to show the diminishing returns of tax rate increases on top-tax bracket payers by calculating the amount of time needed for migration to completely offset the original gains from the high rate of taxation.

The findings of this paper, which examine the states of New York, California, and Connecticut, conclude that these states will exhaust tax gains from a 5% income tax increases on top-tax bracket payers in the long term (46 – 142 years), and further concentrate their top-tax bracket into a smaller number of payers. These results suggest that there is short to medium-term flexibility in top-tax bracket rates; however, these increases are not a sustainable long-term solution.

Keywords


Title of Thesis in Czech: Sociálně-Ekonomicky Motivovaná Migrace a Daňová Politika; Jaký má Dopad "Hlasování Nohama" Američanů s Nejvyšším Daňovým Zatížením/Nejvyšší Daňovou Sazbou na Rozpočty Států USA?