

Illinois lost 1 resident and \$50,000 in taxable income every 6.5 minutes in 2013

By Michael Lucci, Vice President of Policy

Illinois lost 81,000 people and \$4.1 billion of taxable income during the 2013 tax year on net, by far the worst loss Illinois has ever seen, according to newly released IRS migration data. This amounts to losing one resident and \$50,000 worth of taxable income every 6.5 minutes. The IRS data compare where taxpayers filed tax returns in spring 2014 with where they filed tax returns in spring 2013.

Illinois is also home to the worst employment recovery in the country since the Great Recession, and is the only state in the region where more people have begun receiving food stamps than have started jobs since the Great Recession ended.

Out-migration from Illinois has spiked as taxes have shot up and job creation has faltered. During the first three years of Illinois' 2011 income-tax hike, Illinois lost increasing numbers of people and income:

- **2011:** 49,728 taxpayers plus dependents and \$2.5 billion of taxable income
- **2012:** 66,922 taxpayers plus dependents and \$3.8 billion of taxable income
- **2013:** 81,117 taxpayers plus dependents and \$4.1 billion of taxable income

Illinois lost one person and \$48,000 of taxable income on net every 10 minutes in 2011. By 2013, that rate had accelerated to one person and \$50,000 of taxable income every 6.5 minutes.

All told, Illinois sustained a net loss of 200,000 people and \$10.4 billion of taxable income from 2011-2013. That makes the first three years of the record 2011 income-tax hike Illinois' worst three years ever recorded for loss of taxable income.

The IRS numbers paint a dismal picture for Illinois:

1. Illinois lost a record number of taxpayers, dependents and taxable income in 2013.

During the 2013 tax year, Illinois sustained net losses of 38,600 taxpayers, 81,100 taxpayers plus dependents, and \$4.1 billion of taxable income.

Illinois had record migration losses in tax year 2013

Illinois' net loss of taxpayers plus dependents, taxable income, tax year 2013

	Entered Illinois	Exited Illinois	Net loss
Taxpayers	92,973	-131,605	-38,632
Taxpayers + dependents	165,404	-246,521	-81,117
Total taxable income	\$5.5 billion	-\$9.6 billion	-\$4.1 billion

Source: Internal Revenue Service

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2. The average income of people who left Illinois in 2013 was \$13,750 higher than the average income of people who entered Illinois.

Not only is Illinois losing more people than it gains, but the people who move out make a lot more money than the people who move in.

Average taxpayer who left Illinois in 2013 earned \$13,750 more than average taxpayer who entered Illinois

Number and taxable income of taxpayers who entered and exited Illinois, tax year 2013

	Entered Illinois	Exited Illinois
Total taxable income	\$5.5 billion	\$9.6 billion
Taxpayers	92,973	131,605
Average taxable income per taxpayer	\$59,136	\$72,888

3. Illinois lost state-to-state migration battles with 45 of 50 states, plus Washington, D.C., in tax year 2013.

Texas' strong jobs growth and lower cost of living attracted more Illinoisans than did any other state – the Lone Star State gained a record of nearly 15,000 Illinoisans on net in 2013. The other states to which large numbers of Illinoisans flocked were primarily warmer states and neighboring states with better jobs growth.

Top 10 states to which Illinoisans fled during record year of migration losses

Illinois' net loss of taxpayers plus dependents, tax year 2013

State	Entered Illinois	Exited Illinois	Net loss
Illinois' total migration to and from other states	165,404	-246,521	-81,117
Texas	11,294	-26,033	-14,739
Florida	11,130	-21,796	-10,666
Indiana	15,169	-21,744	-6,575
California	12,381	-18,921	-6,540
Arizona	4,440	-9,225	-4,785
Wisconsin	12,074	-16,831	-4,757
Georgia	4,805	-8,232	-3,427
Colorado	3,173	-6,548	-3,375
Tennessee	3,749	-6,964	-3,215
Missouri	11,193	-14,231	-3,038

Source: Internal Revenue Service

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4. Illinois lost migration battles with every neighboring state and every state in the Midwest.

Illinois' regional migration losses prove that Illinoisans are heading for states with better economic climates and job opportunities, not just warmer weather. Even Rust Belt states like Michigan and Ohio, which have lost people to Illinois in the past, now gain Illinoisans every year.

Illinois lost taxpayers and dependents to every Midwestern and neighboring state in tax year 2013

Illinois' net loss of taxpayers and dependents, tax year 2013

State	Entered Illinois	Exited Illinois	Net loss
Illinois' total migration to and from neighboring and Midwestern states.	68,410	-91,337	-22,927
Indiana	15,169	-21,744	-6,575
Wisconsin	12,074	-16,831	-4,757
Missouri	11,193	-14,231	-3,038
Iowa	7,010	-9,272	-2,262
Michigan	7,342	-9,295	-1,953
Minnesota	3,763	-5,076	-1,313
Ohio	5,303	-6,362	-1,059
Kentucky	2,894	-3,887	-993
Nebraska	1,069	-1,391	-322
North Dakota	400	-659	-259
Kansas	1,824	-2,059	-235
South Dakota	369	-530	-161

Source: Internal Revenue Service

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5. Illinois lost taxable income to 43 of 50 states, plus Washington, D.C., in tax year 2013.

Illinois lost taxable income to a vast majority of states because its residents are pursuing better economic opportunities elsewhere.

However, higher-income Illinoisans move for a variety of reasons, and therefore, Illinois' migration of income does not perfectly align with its migration of residents. For example, Texas ranks No. 1 in gaining people from Illinois, but ranks No. 3 in gaining Illinois income.

Illinois' income-tax hikes would have encouraged higher-income earners to relocate to zero-income-tax states like Florida, Texas and Tennessee. And although states like Florida and Arizona do outpace Illinois in jobs and economic growth, the magnitude of income losses to Florida and Arizona are influenced in part by retirement migration, which is often higher-income migration.

Illinois' migratory losses to Texas and California provide an interesting comparison. Both Texas and California have experienced a more robust economic recovery than Illinois, with Texas' energy boom and broad economic growth outpacing California's tech-driven growth. Texas is attracting Illinoisans through job creation at all income levels, which likely explains why the Lone Star State ranks No. 1 for gaining Illinoisans.

By comparison, one of the great success stories of the post-recession American economy is the growth of technology firms in Silicon Valley, along with related service providers. High-earning engineers and tech-sector workers have likely moved to California from Illinois, which would explain why Texas gained more people from Illinois, but California gained more income.

Top 10 states that gained from Illinois' record loss of \$4.1 billion of taxable income, tax year 2013

Illinois' loss of taxable income, tax year 2013 (in thousands)

State	Entered Illinois	Exited Illinois	Net loss
Illinois' total taxable income lost to and gained from other states	\$5,498,008	-\$9,592,474	-\$4,094,466
Florida	\$440,125	-\$1,728,739	-\$1,288,614
California	\$482,409	-\$1,063,678	-\$581,269
Texas	\$368,102	-\$798,863	-\$430,761
Arizona	\$137,155	-\$347,931	-\$210,776
Indiana	\$358,323	-\$528,088	-\$169,765
Wisconsin	\$335,151	-\$487,656	-\$152,505
Colorado	\$101,444	-\$238,318	-\$136,874
Tennessee	\$97,442	-\$222,770	-\$125,328
Georgia	\$138,800	-\$263,013	-\$124,213
North Carolina	\$116,402	-\$236,279	-\$119,877

Source: Internal Revenue Service

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The IRS data show that Illinois' No. 1 budget problem is taxpayers fleeing the state, and that only structural economic reforms that lead to job creation can keep Illinois' residents working and paying taxes in Illinois. The IRS data also reveal the folly of a state's trying to tax its way out of its revenue problems. Gov. Bruce Rauner is demanding structural economic reforms because Illinois will never end its annual budget crises without sustained growth.

The alternative to Rauner's proposal is to repeat the 2011 disaster: more massive tax hikes with no reform. This path leads inevitably to less economic growth, fewer jobs, more out-migration and even worse budget problems down the road.

Taxpayers move to where they can best fulfill their dreams, taking jobs and economic growth with them. Until Illinois implements structural reforms, taxpayers will continue to view the Land of Lincoln in the rearview mirror.

Note: IRS migration data should not be confused with U.S. Census Bureau migration data. The IRS data are an important input for the Census Bureau's data, but the census data usually show larger changes in the number of people moving. This is because IRS data capture only taxpayers and their dependents, while the Census Bureau also estimates the movement of people who are not filing taxes, such as new students out of college.

APPENDIX A

Illinois' record migration loss in tax year 2013, state by state

Illinois' losses and gains of taxpayers plus dependents by each state, tax year 2013

State	Entered Illinois	Exited Illinois	Net loss
Illinois' total migration to and from other states	165,404	-246,521	-81,117
Texas	11,294	-26,033	-14,739
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Missouri	11,193	-14,231	-3,038
Iowa	7,010	-9,272	-2,262
North Carolina	4,011	-6,201	-2,190
Washington	2,421	-4,478	-2,057
Michigan	7,342	-9,295	-1,953
Minnesota	3,763	-5,076	-1,313
South Carolina	1,558	-2,748	-1,190
Nevada	1,696	-2,855	-1,159
Ohio	5,303	-6,362	-1,059
Kentucky	2,894	-3,887	-993
Oregon	976	-1,790	-814
Virginia	4,139	-4,930	-791
Alabama	1,389	-2,004	-615
Arkansas	1,659	-2,168	-509
Louisiana	1,197	-1,689	-492
Mississippi	1,371	-1,839	-468
Oklahoma	1,401	-1,794	-393
Nebraska	1,069	-1,391	-322
Utah	947	-1,249	-302
Maryland	1,854	-2,153	-299
North Dakota	400	-659	-259
New Mexico	691	-933	-242
Kansas	1,824	-2,059	-235
Montana	345	-548	-203
South Dakota	369	-530	-161
Idaho	425	-580	-155
Wyoming	305	-410	-105
Maine	232	-315	-83
New Hampshire	340	-413	-73
Hawaii	853	-911	-58
Rhode Island	267	-313	-46
District Of Columbia	746	-784	-38
Delaware	311	-323	-12
Massachusetts	2,299	-2,307	-8
Pennsylvania	3,388	-3,392	-4
Alaska	478	-472	6
West Virginia	330	-314	16
Vermont	195	-159	36
Connecticut	1,191	-1,145	46
New Jersey	2,914	-2,628	286
New York	6,093	-5,620	473

APPENDIX B

Illinois' record loss of taxable income in tax year 2013, state by state

Illinois' losses and gains of taxable income by each state, tax year 2013 (in thousands)

State	Entered Illinois	Exited Illinois	Net loss
Illinois' total taxable income lost to and gained from other states	\$5,498,008	-\$9,592,474	-\$4,094,466
Florida	\$440,125	-\$1,728,739	-\$1,288,614
California	\$482,409	-\$1,063,678	-\$581,269
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Arizona	\$137,155	-\$347,931	-\$210,776
Indiana	\$358,323	-\$528,088	-\$169,765
Wisconsin	\$335,151	-\$487,656	-\$152,505
Colorado	\$101,444	-\$238,318	-\$136,874
Tennessee	\$97,442	-\$222,770	-\$125,328
Georgia	\$138,800	-\$263,013	-\$124,213
North Carolina	\$116,402	-\$236,279	-\$119,877
Michigan	\$262,692	-\$379,054	-\$116,362
Missouri	\$284,003	-\$386,778	-\$102,775
Washington	\$89,257	-\$175,773	-\$86,516
South Carolina	\$40,553	-\$116,719	-\$76,166
Iowa	\$159,864	-\$218,942	-\$59,078
Minnesota	\$124,391	-\$165,620	-\$41,229
Ohio	\$202,312	-\$242,158	-\$39,846
Nevada	\$56,723	-\$95,543	-\$38,820
Oregon	\$31,664	-\$65,366	-\$33,702
Utah	\$23,121	-\$52,947	-\$29,826
Kentucky	\$63,786	-\$92,776	-\$28,990
Virginia	\$149,195	-\$175,239	-\$26,044
Alabama	\$29,900	-\$51,998	-\$22,098
South Dakota	\$9,066	-\$30,467	-\$21,401
Arkansas	\$37,772	-\$56,658	-\$18,886
Maryland	\$75,622	-\$88,165	-\$12,543
Louisiana	\$31,093	-\$42,642	-\$11,549
New Hampshire	\$12,141	-\$22,994	-\$10,853
Kansas	\$54,147	-\$64,144	-\$9,997
District Of Columbia	\$44,711	-\$53,944	-\$9,233
New Mexico	\$21,368	-\$30,496	-\$9,128
Mississippi	\$26,525	-\$35,137	-\$8,612
Oklahoma	\$33,061	-\$41,051	-\$7,990
Wyoming	\$8,426	-\$16,017	-\$7,591
Idaho	\$11,000	-\$17,195	-\$6,195
Montana	\$13,907	-\$19,199	-\$5,292
North Dakota	\$10,958	-\$15,239	-\$4,281
Alaska	\$11,386	-\$14,628	-\$3,242
Maine	\$8,326	-\$10,879	-\$2,553
Hawaii	\$23,281	-\$25,650	-\$2,369
Rhode Island	\$10,117	-\$12,031	-\$1,914
Vermont	\$5,630	-\$6,571	-\$941
Massachusetts	\$142,846	-\$142,301	\$545
West Virginia	\$8,634	-\$7,768	\$866
Delaware	\$11,434	-\$10,407	\$1,027
Nebraska	\$39,750	-\$36,821	\$2,929
Connecticut	\$74,978	-\$65,296	\$9,682
New Jersey	\$146,437	-\$129,940	\$16,497
New York	\$328,122	-\$309,629	\$18,493
Pennsylvania	\$204,458	-\$152,956	\$51,502