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New tax data confirm tax flight is a myth

Executive Summary

The 2025 New York mayoral race has reignited debates over whether increasing taxes on high earners will cause them to move away in search of lower tax rates. Critics of frontrunner Zohran Mamdani's plan to fund social programs argue that raising taxes on millionaires will lead to significant out-migration among the wealthy. However, new 2023 tax data from the New York Department of Taxation and Finance (DTF), analyzed by the Fiscal Policy Institute (FPI), refute this claim, confirming that tax flight among top earners is a myth.

- New York's top 1 percent of earners move out of state less frequently than all other income groups. This pattern was unaffected by the 2021 personal income tax (PIT) rate increases for single filers earning over $1.08 million and joint filers earning over $2.16 million.
- The 2021 PIT increases raise an estimated $3.6 billion annually (according to the New York State Division of the Budget), boosting state revenue without triggering increased out-migration among high earners.
- Following the 2021 PIT rate increases, the share of state personal income tax revenue paid by millionaires rose from 40 percent to approximately 50 percent, while their share of total income showed no significant changes—indicating that the rate increases did not have adverse effects on high earners' incomes.
- Migration data confirm that there was no notable increase in out-migration among high earners following the 2021 tax changes: Part-year resident filing rates for 2023 align closely with pre-pandemic levels (2015–2019), indicating similar migration patterns. In fact, observed out-migration rates of high-income New Yorkers fell starting in 2021.
- A spike in out-migration during the 2020–2021 pandemic years was driven by pandemic-related factors, not tax policy. Notably, those earning over $5 million saw out-migration rates return to pre-pandemic levels faster than any other group, further affirming that taxes do not drive wealthy New Yorkers to leave.
- New York State tax data from 2023 solidify FPI's prior findings: *top earners are less likely than any other income group to migrate out of New York*, and when taxes on top earners have increased

in recent years—2017 and 2021—there has been no significant increase in out-migration of those most affected.[1]

- Because fears of tax flight are unfounded, policymakers should support raising tax rates to fund essential programs such as universal childcare, affordable housing, Medicaid, and public transit.

Revenue increased due to 2021 tax hike on top earners

New York derives a majority of its revenue from the personal income tax, which is levied on both labor and capital income (i.e. income from financial assets such as stocks and bonds).

In fiscal year 2021, facing the Covid-19 pandemic, New York State Personal Income Tax (PIT) rates were raised for single filers with incomes over $1.08 million and joint filers with incomes over $2.16 million dollars. Previously all taxpayers in these income ranges paid the same top rate of 8.82 percent. The state raised PIT rates on taxpayers in these brackets in 2021, adding new brackets and rates for those earning over $5 million and for those earning over $25 million (regardless of filing status). These tax rates were originally enacted as temporary increases, set to expire in 2027. The fiscal year 2026 enacted budget maintained their temporary status but extended the top rates through 2032—although, as FPI has frequently noted, these taxes support overall state spending and should be made permanent in order to avoid drastic budget cuts in the future.[2]

These top PIT rates are estimated to raise $3.6 billion annually.[3] Figure 1 demonstrates that the discrete jump in personal income tax revenue to New York State started in tax year 2021, according to data from the State's Department of Taxation and Finance (DTF). We see in Figure 1 that while revenue received from those making less than $1 million annually has grown over time, there was a jump in revenue received from those making more than $1 million—and especially those making more than $10 million—starting in 2021.

[1] Emily Eisner and Andrew Perry, "Who is Leaving New York State? Part 1: Income Trends," Fiscal Policy Institute, December 5, 2023, https://fiscalpolicy.org/migration.
[2] See for instance: Andrew Perry, "The State of New York's Fiscal Outlook" Fiscal Policy Institute, October 28. 2024, https://fiscalpolicy.org/the-state-of-new-yorks-fiscal-outlook; Fiscal Policy Institute, "Debunking Common Misconceptions about the Size of the State Budget," Fiscal Policy Institute, March 29, 2024, https://fiscalpolicy.org/debunking-common-misconceptions-about-the-size-of-the-state-budget.
[3] This estimate comes from Kathy Hochul and Blake G. Washington, "Your Family is My Fight: FY 2026 Enacted Budget Financial Plan," New York State Division of the Budget, June 2025, https://www.budget.ny.gov/pubs/archive/fy26/en/fy26fp-en.pdf.

Figure 1. Total Personal Income Tax Revenue to New York State, by calendar year and income group

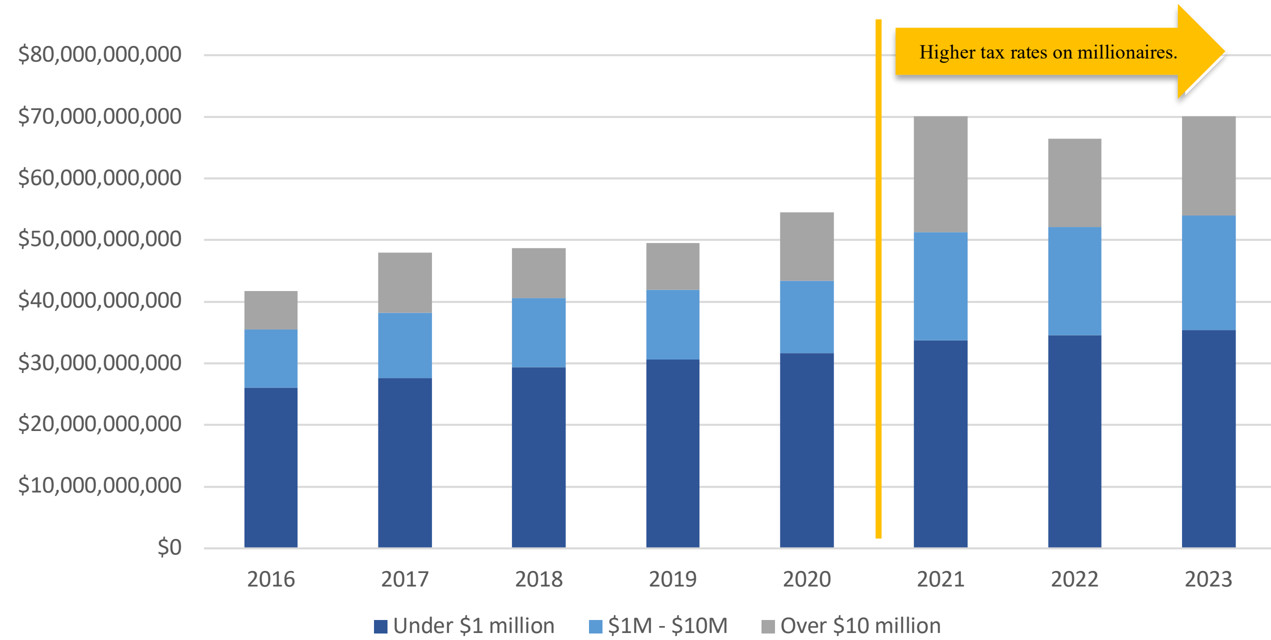


Table 1. Pre-2021 and current PIT rates for top earners

<table>
<tr><th colspan="4">Pre-2021 Rates</th><th colspan="4">Current Rates</th></tr>
<tr><th colspan="2">Single Filer</th><th colspan="2">Joint Filer</th><th colspan="2">Single Filer</th><th colspan="2">Joint Filer</th></tr>
<tr><th>Income</th><th>Tax Rate</th><th>Income</th><th>Tax Rate</th><th>Income</th><th>Tax Rate</th><th>Income</th><th>Tax Rate</th></tr>
<tr><td>$215,400</td><td>6.85%</td><td>$323,200</td><td>6.85%</td><td>$215,400</td><td>6.85%</td><td>$323,200</td><td>6.85%</td></tr>
<tr><td rowspan="3">$1.08M</td><td rowspan="3">8.82%</td><td rowspan="3">$2.16M</td><td rowspan="3">8.82%</td><td>$1.08M</td><td>9.65%</td><td>$2.16M</td><td>9.65%</td></tr>
<tr><td>$5M</td><td>10.3%</td><td>$5M</td><td>10.3%</td></tr>
<tr><td>$25M</td><td>10.8%</td><td>$25M</td><td>10.8%</td></tr>
</table>

Fiscal hawks and tax skeptics often warn that tax increases will drive away high earners, businesses, and potentially reduce the labor supply of high earners (i.e. will reduce their hours or their efforts, thus decreasing overall economic activity). The theorized tradeoff between higher taxes and economic activity posits that there is a point at which raising taxes will cease to increase revenue—instead reducing revenue as the tax base starts to contract. While the empirical validity of this tradeoff remains unclear, the concept intuitively captures a concern held by policymakers—that taxes will be "too high" and will start to suppress overall economic activity. In New York, this debate concerns the possibility that the state's very high income earners will move if their taxes go up. To determine whether the fear is grounded, we must observe how tax revenue, high earner income, and migration behavior change around a tax hike.

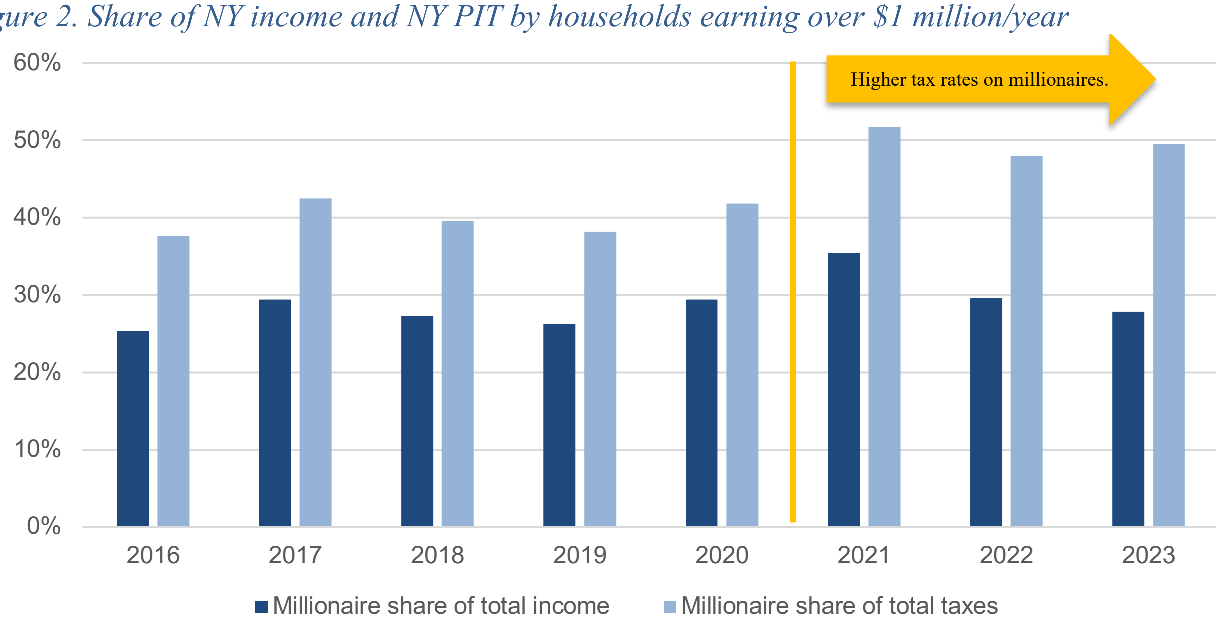
That revenue was raised by the 2021 tax increases should mitigate concerns that heightened taxes might actually *reduce* New York's revenue. The question of whether higher taxes may reduce the labor supply (and thus earnings) of affected high earners also appears to be of little consequence.

Figure 2 plots the share of New York Personal Income Tax contributions by households earning more than $1 million annually, confirming that the proportion of PIT revenue paid by millionaire earners in New York has risen since top earner tax rates were increased in 2021, as one would expect. Previously, millionaire earners paid about 40 percent of all PIT revenue, they now appear to be paying about 50 percent of it. While not conclusive, this provides evidence that the feared tradeoff between raising taxes and suppressing economic activity has not caused major problems in New York. In fact, the choice to raise taxes on those earning over $1 million clearly benefited the state's annual revenue.

Figure 2 also plots the share of income earned by New York's millionaire earners. We see that the overall proportion of income earned by millionaires was 25 to 30 percent before the 2021 tax hike and—excepting 2021 itself, in which the stock market performed unusually well—remained at 25–30 percent for the following two years. This confirms that tax revenue from top earners did not increase simply because their share of income in the state increased but because their tax rates were raised. That is, if the share of tax revenue coming from high earners had increased alongside growth in their share of income, it could be explained by the rising relative incomes of high earners. However, since there is no parallel increase in the *share* of overall New York income earned by millionaires, we can safely assume that the growth in revenue share is driven by the tax rate increase in 2021.

While this is not direct evidence against the concern of tax flight, the fact that revenue clearly increased after a tax hike on high earners provides substantial evidence that the benefits of increasing taxes at current rates outweighs the negative consequences warned against by fiscal hawks.

Figure 2. Share of NY income and NY PIT by households earning over $1 million/year



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Migration has returned to pre-pandemic norm for high earners

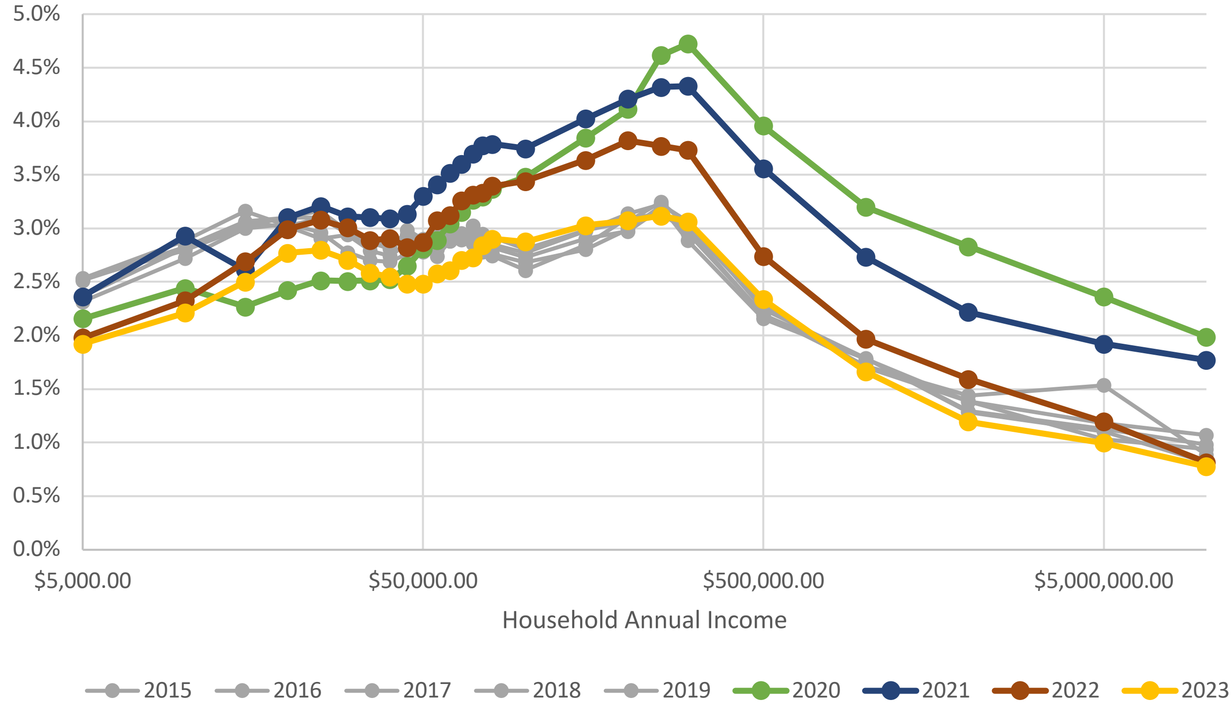
Tax data on part-year residents in New York provides further information on migration patterns by income group, showing how many of the state's tax filers were residents for only part of the year. We infer that part-year residents in the tax data are those moving either to or from New York, and thus that an increase in the number of part-year filers in a given year indicates an increase in gross migration to and from the state. Because New York experiences net out-migration across all income groups (except for those in the top 1%, which saw no in- or out-migration on net in the most recent census data), we can safely assume that a higher percentage of New York filers labeled as "part-year residents" means higher out-migration rates among those filers.[4]

Although Census data may have more specific information about those migrating to and from the state, tax data is more complete and reliable than that collected by surveying a relatively small sample of New Yorkers. The summary tax data published by the Department of Taxation and Finance, used in this report, reflect microeconomic data collected on the entire population of tax filers in New York and thus gives much more accurate information. This is especially true for the data on the top 1 percent of income earners, who are under-represented in almost all survey data but must file taxes and thus are accurately reflected in the state tax data.

FPI has consistently found that the New York's top 1 percent of earners move out of the state at the lowest rate of all income groups. Further, when high earners do relocate it is primarily to other high-tax states, indicating that they are not moving away in search of lower taxes.[5] The new 2023 tax data confirm our earlier findings, which used American Community Survey data to demonstrate that there was no out-migration on net for millionaire earners in 2023.[6] Most notably, the new data show that there was no significant increase in high earner migration trends after the 2021 PIT hikes. Part-year resident rates in 2023 almost exactly match their pattern from before the pandemic. Figure 4 depicts the percent of tax filers in New York that were part-year residents (vertical axis) and their reported annual earnings (horizontal axis). The 2023 line (yellow) matches with the 2015–2019 lines (grey), indicating that, for households earning roughly $80,000 or more in 2023, the percentage of tax filers who were part-year residents returned to the pre-pandemic rate (at lower incomes, the rate of part-year residency is even lower in 2023 than pre-pandemic).

[4] Technically, part-year filer rates show gross-migration rates rather than net-migration rates.
[5] Emily Eisner and Andrew Perry, "Who is Leaving New York State? Part 1: Income Trends," December 2023, https://fiscalpolicy.org/migration.
[6] Andrew Perry and Emily Eisner, "New Census Data Show Population Growth as well as Continuing Affordability Challenges," January 2025, https://fiscalpolicy.org/new-census-data-show-population-growth-as-well-as-continuing-affordability-challenges.

Figure 4. Part-year residents of NY as a percent of all filers, by annual income and tax year



For the years 2020, 2021, and 2022 (green, blue, and red lines), the percent of tax filers in New York that were part-year residents is elevated relative to the years 2015–2019, particularly for households with annual income over $50,000. In these three pandemic-era years the state lost over 500,000 residents, many of whom moved to other states. FPI has documented that those who could work from home were more likely to move, and many individuals and families moved back to the states in which they were born.[7] Nonetheless, it is important to note that this movement was a pandemic-induced phenomenon that started in tax year 2020, before the 2021 tax changes were imposed (and out of step with the 2017 Tax Cuts and Jobs Act that increased New Yorkers' tax liabilities by eliminating the State and Local Taxes cap). In the wake of the 2021 tax increase, observed out-migration rates of high-income New Yorkers did not rise—they fell. The observed part-year resident rate returned to its pre-pandemic level faster for New Yorkers making more than $5 million annually than for other high income New Yorkers, further indicating that out-migration was induced *not* by tax increases, but by the pandemic's historic disruption of daily life.

[7] Emily Eisner and Andrew Perry, "Who is Leaving New York State? Part 1: Income Trends," December 2023, https://fiscalpolicy.org/migration.

Figure 5. Part-year residents as a percent of all filers, by annual income and tax year

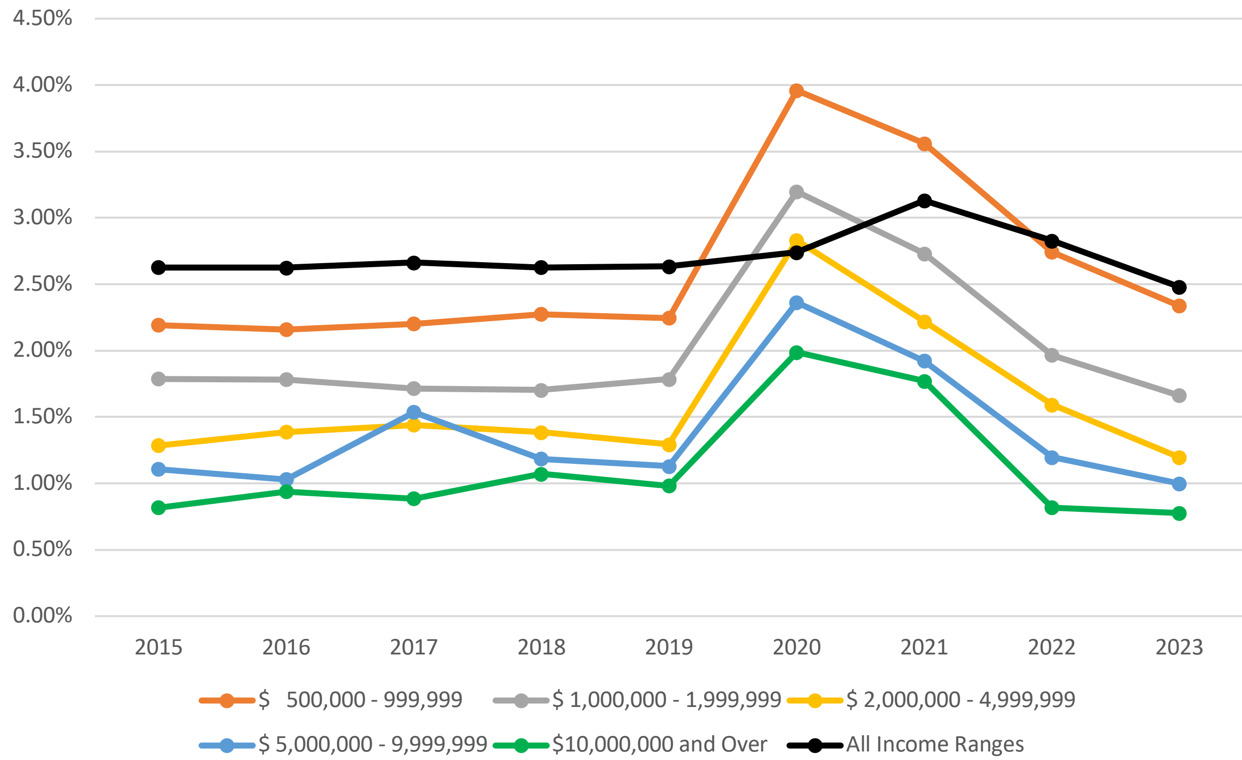


Figure 5 shows migration patterns among New York's top earners by plotting the percent of part-year residents from 2015 through 2023. We see that out-migration was elevated for all top income groups at the height of the Covid pandemic in 2020 and has gradually returned to its previous level. Notably, the average migration rate for all *other* New York taxpayers did not peak until 2021, reflecting the fact that moving is costly and slow process for most households, but is comparatively easy and quick for high earners who have the resources. These new data confirm FPI's previous findings that the 2021 tax increase on New York's high earner class *did not* induce out-migration.[8]

Conclusion

As we get more data on the post-pandemic period, we increase our knowledge of the major upheavals that took place in New York between 2020 and 2022. Despite the state suffering a deep recession and massive out-migration during the pandemic, data show that New York's tax base remains resilient. When taxes on millionaire earners were raised in 2021, tax revenue to the state increased by an estimated $3.6 billion and there was no detectable increase in high earner out-migration. In fact, following the Covid-era bump in out-migration, high earners returned to normal, pre-pandemic migration behaviors *faster* than those with lower incomes. Because, as of 2023, households earning $500,000 and above have the lowest rate of gross migration to or from New York, and because the state has consistent net out-migration across all income groups, we can conclude that top earners are moving away at a lower rate

[8] Emily Eisner and Andrew Perry, "Who is Leaving New York State? Part 1: Income Trends," December 2023, https://fiscalpolicy.org/migration.

than all other New Yorkers. Taken together, the increased PIT revenue and stabilizing migration patterns of top earners indicate that there is room to further increase taxes in New York without great risk of tax flight. Given the fiscal challenges facing Medicaid and ongoing policy priorities that require new revenue—including universal childcare, affordable housing, and public transit—New York policymakers should take note.