



## Lost Revenue

### *New Analysis Shows Wisconsinites are Fleeing to Low Income Tax States, Taking Income and Tax Revenue Out of Wisconsin*

**SUMMARY:** Over 92,000 tax filers left Wisconsin in 2021, with almost 60 percent moving to states with a flat income tax or no income tax at all, according to data from the Internal Revenue Service (IRS).

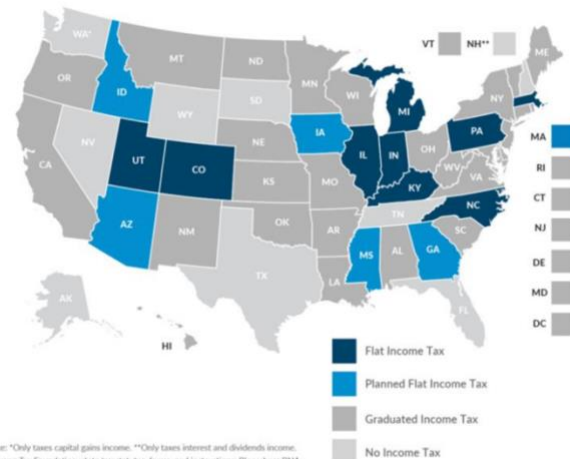
Similarly, over 62,000 Wisconsin driver's licenses were transferred to other jurisdictions in 2022. Those leaving took over \$4 billion of income from Wisconsin's economy, \$2.6 billion to low- or no-income tax states. That also means over \$400 million in state and local tax and fee revenue left the state. That's money not being spent at stores in Wisconsin, donated to charity in Wisconsin, or going to the state or municipal budgets via taxes or fees.

**ANALYSIS:** The IRS provides [data](#) on the number of individuals that move and establish residency in a new state each year. The Institute for Reforming Government (IRG) analyzed the most recent data, and found that, according to the latest data from tax year 2021, over 92,000 income tax filers left Wisconsin, taking over \$4 billion of income from the Wisconsin economy.

- **92,146** income tax filers moved to other states
  - 53,918 moved to states with a flat income tax or no income tax at all
  - With an average adjusted gross income of just over \$82,000, those moving to these states are clearly [middle-class Wisconsinites](#).
- **\$4 billion** in adjusted gross income was lost, **\$2.6 billion** to low- and no-income tax states.
- People are moving largely to states with a better tax climate, in-line with what academic [research](#) predicts.
- Those moving cut across all income demographics, including middle-class Wisconsinites moving for better opportunity.
  - \$75,182.05 average income lost per return
  - \$82,370.79 per return to states with a flat income tax or no income tax at all
- These facts are not a surprise, as [59% of people](#) in recent polling thought Wisconsin's income tax was too high and [75% supported](#) lowering the income tax.
- According to Wisconsin Policy Forum, [10.1%](#) of income in Wisconsin goes to pay state and local taxes and fees. That means over **\$400 million** in state and local revenue walked out of the state in 2021.
- In addition to tax data, 62,023 Wisconsin drivers licenses were transferred in 2022 to other jurisdictions, according to data obtained by the IRG Center for Investigative Oversight from the Wisconsin Department of Transportation.

#### States Inaugurate a Flat Tax Revolution

State Individual Income Tax Structures as of November 2022



Note: \*Only taxes capital gains income. \*\*Only taxes interest and dividends income.  
Sources: Tax Foundation; state tax statutes, forms, and instructions; Bloomberg BNA.

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The IRS data includes the number of income tax returns, the number of individuals, and the adjusted gross income (AGI) reported by those taxpayers. While the IRS also publishes data on individuals moving into Wisconsin, policymakers need to focus on why over 92,000 people left – and work to keep the inflow while stopping the loss of people and income.

**WHY IT MATTERS:** State lawmakers are currently debating income tax reform as part of the 2023-2025 biennial budget, while working with a historic [\\$6.9 billion surplus](#). With divided government, comprehensive tax reform like [eliminating the income tax](#) proposed by IRG, is not likely to come to Wisconsin in the near future. That’s why IRG released the [Playbook for Income Tax Relief in Divided Government](#), with reasonable options that would deliver much needed income tax relief, grow the economy, and make Wisconsin more competitive. According to researchers at UW-Madison’s [Center for Research on the Wisconsin Economy](#), reducing Wisconsin’s income tax would significantly increase Wisconsin’s economic growth, boosting capital investment, wages, and labor. All this while increasing corporate and sales tax revenue to the state and sending a signal to Wisconsinites thinking about moving and those considering a move from a different state that Wisconsin is fighting for them.

**A LOOK AT THE DATA.** Where people are moving, and how much money is going with them.  
**Outward Migration by State, 2021, to states without an income tax or flat tax rates.**

State	AGI From WI	AGI per Return	AGI per Person	Individuals
Florida	\$722,557,000	\$133,239.35	\$75,676.27	9,548
Illinois	\$453,137,000	\$62,918.22	\$39,850.23	11,371
Arizona	\$260,544,000	\$93,519.02	\$54,724.64	4,761
Texas	\$255,110,000	\$68,302.54	\$36,564.43	6,977
Michigan	\$158,354,000	\$63,544.94	\$36,203.47	4,374
Colorado	\$142,763,000	\$67,245.88	\$46,915.22	3,043
North Carolina	\$131,060,000	\$92,101.19	\$50,291.63	2,606
Tennessee	\$105,150,000	\$77,373.07	\$41,942.56	2,507
Washington	\$98,312,000	\$83,812.45	\$56,794.92	1,731
Indiana	\$68,803,000	\$63,354.51	\$35,667.71	1,929
Nevada	\$67,147,000	\$100,670.17	\$59,739.32	1,124
Utah	\$33,365,000	\$81,378.05	\$48,007.19	695
Kentucky	\$33,281,000	\$65,772.72	\$34,381.20	968
South Dakota	\$21,702,000	\$66,981.49	\$35,930.46	604
Idaho	\$12,955,000	\$60,537.38	\$32,797.47	395
Mississippi	\$12,058,000	\$44,659.26	\$23,143.95	521
Alaska	\$11,374,000	\$56,870.00	\$33,851.19	336
Wyoming	\$11,185,000	\$68,201.22	\$42,048.87	266
New Hampshire	\$9,167,000	\$87,304.76	\$56,586.42	162
<b>Total</b>	<b>\$2,608,024,000</b>	<b>\$82,370.79</b>	<b>\$48,370.19</b>	<b>53,918</b>

*Darker shading denotes a no income tax state, all others are flat tax states*  
*Source: Internal Revenue Service*

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## DRIVER'S LICENSES FOLLOW TAX RETURNS

According to data obtained from the Wisconsin Department of Transportation by the IRG Center for Investigative Oversight, over 62,000 Wisconsinites transferred their driver's license to a new state in 2022.

### Transferred Wisconsin Driver's License by State, 2022

State	Number of Licenses	State	Number of Licenses
Minnesota	9,603	Maryland	641
Michigan	4,200	Nevada	629
Arizona	3,776	South Dakota	579
Texas	3,519	Mississippi	515
Florida	2,966	Kentucky	502
Colorado	2,958	Kansas	501
Illinois	2,484	North Dakota	492
North Carolina	2,400	New Mexico	452
Tennessee	2,342	Nebraska	391
Georgia	2,261	Hawaii	362
Iowa	1,973	Idaho	311
Washington	1,859	Louisiana	277
Indiana	1,780	Alaska	240
Ohio	1,563	Wyoming	231
Missouri	1,419	New Hampshire	187
Virginia	1,199	District Of Columbia	140
Pennsylvania	1,192	California	131
Utah	1,191	Delaware	97
New York	1,061	Maine	88
Oregon	1,053	Rhode Island	85
South Carolina	1,026	Vermont	72
Alabama	1,007	Oklahoma	63
Massachusetts	773	New Jersey	14
Arkansas	717	Connecticut	13
Montana	681	West Virginia	7
		<b>Total</b>	<b>62023</b>

*Darker shading denotes state with flat tax of no income tax*

*Source: Wisconsin Department of Transportation*