Don’t Blame Higher Taxes for Loss of New Jersey’s Rich

A report last week about missing millionaires of New Jersey has turned into a political bonfire.

The report, called “Migration of Wealth in New Jersey and the Impact on Wealth and Philanthropy” by Boston College’s Center on Wealth and Philanthropy, sounds mild-mannered enough. It found that New Jersey lost nearly $70 billion in net wealth from 2004 to 2008 because fewer rich people moved in than out.

The data was filled with expert caveats, shades of gray and limitations. Yet it erupted into a storm of black-and-white anti-tax headlines and became the latest exhibit in the case against recent state taxes on millionaires. “New Jersey Wealth Residents Flying the Coop,” “New Jersey’s Richest Citizens Flee its Taxes,” and “Departing Wealth Hurts New Jersey Charities.”

The message seemed clear: New Jersey’s 2004 millionaire tax had killed the golden goose.

Or did it? More sober-minded articles and commentary have since cast doubts on the public response.

The study’s author, John Havens, says the study never identified taxes as the cause of the change. “Taxes,” he said, “are just one possibility.”

A Census Bureau survey of wealthy New Jerseyans found their top reason for leaving, by far, was a new job offer. Family reasons loomed large as well.

In fact, the study says the rate of rich departures actually slowed in 2004 after the state income tax rate was raised. What did change was the number of rich people moving to New Jersey from overseas. That number fell markedly, leading to a net loss. (Perhaps reflecting slower immigration nationwide).

On NJ.Com, Thurman Hart points out that the income of people leaving and coming to New Jersey during the study period was relatively constant. He also cites the study’s findings that the people leaving New Jersey tended to be older, retired and wealthier than the young folks moving in. Perhaps cold winters, as much as taxes, should be blamed.

Of course, taxes always play a role, especially for the highly mobile rich. And the study was partially funded by the New Jersey Chamber of Commerce—probably no big fan of taxes.
Still, the study should be read for what it is, not for what politicians say it should be.

Do you think higher taxes chased the rich out of New Jersey?