New Jersey Migration Survey

Executive Summary

A July 2011 survey of financial advisors finds that state and local taxation is a key factor spurring their clients' interest in leaving New Jersey. Clients leaving, or interested in leaving the state, appear to have higher incomes, more wealth, and larger New Jersey business interests than the smaller numbers who have recently moved to the state.

Introduction

There has been considerable discussion about the magnitude of and causes behind migration to and from New Jersey, particularly among upper-income households and business owners. In July 2011 the Office of the Chief Economist of the New Jersey Department of the Treasury administered a survey designed to gather more information about the matter. The survey group consisted of the notification list for updates to the Division of Taxation's *Tax E-News*, which is an on-line service providing information on changes in the state's taxes (both changes in the laws and changes in administration). At that time, there were 3,948 email addresses on the list. The Email soliciting responses stated:

"The New Jersey Department of the Treasury's Office of the Chief Economist is looking to collect information about the migration of affluent individuals and business owners into and out of the state. The goal is to understand and quantify the major forces behind relocations, identify the major states New Jerseyans move to and move from, and gain insight into how such moves may affect business operations in our state. As a financial advisor, you are in a unique position to provide information on these topics. Your answers will be anonymous. We would appreciate it if you could respond to the survey by close of business on Friday, July 29, 2011. If you have any questions about the survey, please contact Dr. Charles Steindel, Chief Economist, New Jersey Department of the Treasury, at 609-826-4769 (email, charles.steindel@treas.state.nj.us). Thank you for your cooperation."

The survey contained 19 questions , starting with requests for information about the nature of the respondent's business (such number and type of clients and location). The next set of questions dealt with migration from New Jersey. To what extent have clients been interested in leaving) New Jersey in recent years, or to what extent have they actually left? Of those in that group that have business interests in the state, what is their income and net worth, what were the five major reasons that appear to lie behind their interest in leaving (10 were specified with an option to name others),[1] where might they be going to, and what happens to their business interest when they leave? This was followed by a group of questions inquiring about individuals coming to New Jersey — the relative number compared to those leaving, their income and wealth, the extent of their New Jersey business interests, and where they come from. Finally, respondents were able to offer their own comments on the subject of migration to and from New Jersey. The specific questions and tabulated responses are attached.

[1] The wording of this question asked respondents to rank five major ones, but in actuality the survey only collected the numbers on each reason, not their ranking.

In general, respondents report wide interest in migration from New Jersey, particularly to Florida and other Southern states. Actual and potential out-migrants are concerned about New Jersey taxes. The numbers of out-migrants seem to be substantially larger than the number of in-migrants, typically have higher incomes and wealth, and are more likely to have direct interests in New Jersey businesses.

Survey Respondents

More than 200 answered all or part of the survey. Over 80% of the responses were from New Jersey-based firms (Question 1). These are generally fairly large firms— more than two-thirds have 100 or more clients (Question 2). The firms have varied clienteles, though it appears that there is a greater concentration in working-age individuals and families and less in corporations (Question 3; the appendix outlines how distributions were obtained from questions of this type). Over half the respondents report that at least 75% of their clients are from New Jersey (Question 5), and it seems about 40% of those New Jersey clients have active New Jersey business interests (Question 6).

Migrating from New Jersey

Nearly half the respondents report that since the start of 2009 they have advised household and small business clients about relocation from New Jersey (Question 7). The survey then focused on clients with New Jersey business interests. Since the start of 2009 roughly 100 responding firms report that about 20% of their clients with New Jersey business interests has either looked into, or actually moved from the state (Question 8). This is an affluent group; nearly three-quarters have incomes over $100,000, with a substantial number of millionaires (Question 9). From the pattern of the responses it seems that perhaps 15% of the group that has left, or looked to leave, have incomes over $1 million— in any case, half the firms responding to this question report that at least one millionaire New Jersey business owner client has recently left, or looked to leave, the state. It appears that more than half the group has net worth exceeding $1,000,000 and perhaps one-fifth has wealth exceeding $5,000,000 (Question 10).

Why are people interested in leaving New Jersey? By a large margin, the most cited reasons are income, property, and estate taxes (Question 11). Housing costs, corporate taxes, and retirement are less widely cited, as are regulations and quality or life. People have been going (Question 12) — or looking to go— to Florida and “other” states (Texas and the Carolinas were frequently mentioned). Pennsylvania is also an important destination; New York is minor.

New Jersey businesses appear to have been negatively affected by outmigration. A series of five scenarios were described for the fate of the New Jersey interests of out-migrants, ranging from no change to outright liquidation (Question 13). While all the options appear to have been about equally likely to have been chosen by business owners, three of them involve reduction in scale, relocation, or liquidation, with only two suggesting little change in New Jersey operations.

Migrating to New Jersey

Clients appear to stay in, or move to, New Jersey primarily for personal or family reasons (Question 14). Open-ended responses to this query suggest that the recent unfavorable economic climate has made it difficult to sell businesses and property prior to moving out of state. Location was cited by some as a New Jersey advantage (one respondent did offer up “good parking” as a reason to stay!).

In-migrants have been few in recent years (Question 15); respondents typically reported that 4 or more clients leave, or look to leave, for every one that comes in. Close to half of the in-migrants appear to come from New York (Question 16), though there are some Pennsylvanians in the group (although the percentage of in-migrants from Pennsylvania is about equal to the percentage of out-migrants to that state, the numbers of individuals in each group is likely very different, with the out-migrant cohort being much larger). In–migrants are noticeably less well-to-do than the business owners leaving or looking to leave. Nearly 40% of the in-migrants appear to have incomes less than $100,000 (Question 17). Only 10 of the respondents to this question report that any clients with incomes over $1,000,000 have moved to the state in recent years. Nearly half the in-migrants have net worth under $500,000, and only about one-tenth has wealth of $5,000,000 or more (Question 18). About 20% of the in-migrants have active New Jersey business interests (Question 19)—a share about half that of the existing New Jersey client base.

Summarizing the results

The respondents clearly indicate that a noticeable fraction of their New Jersey clients have been expressing interest in, or leaving, the state. A potential or actual out-migrant is generally someone who has (or had) business interests in New Jersey, has high income, is concerned about taxes, and is greatly interested in relocating to the South (particularly Florida). Their New Jersey business operations may well be adversely affected by their move out of state. In-migration has been much less evident. In-migrants have been heavily New Yorkers; they generally have lower incomes and net worth than outmigrating New Jerseyans with business interests, and typically do not have business interests of their own in New Jersey.

The implications of these results, if they are characteristic for the state at large, are sobering. New Jersey has been, or is at risk of, losing affluent households who contribute to the state not only as taxpayers but also as operators of businesses. Their New Jersey businesses seem to be at risk on their departure. In-migrants are less numerous, and contribute less to the state as taxpayers and employers.

Of course, this survey has its limitations. As noted, the number of respondents was limited. In principle, respondents could have been a self-selected group particularly concerned with out-migration and taxes. However, we believe that the wording of both the solicitation note and the survey questions would not lead to a focus on taxation as the factor behind interstate migration. Also, the survey did not directly request any opinions about state policy changes. Of course, people who subscribe to a service called *Tax E-News* would have a natural interest in taxation, but such people likely have good insight into the behavior of the more affluent. We believe that these results can be seen as showing reasonably representative views about migration patterns and some of the forces behind them.

Appendix

Transforming the Responses

The attached tables show the questions and tabulated responses (open-ended responses are not shown, except for the names of states). A number of the questions requested answers in the form of range percentages. For example, a respondent to Question 3 may have answered that "25% or more, but less than 50%" of the firm's clientele was corporations. For responses in this range, it was assumed that the true proportion was 37.5%. Similarly, the assumed true proportion for responses in the 50% to 75% range was 62.5%, etc. These assumptions, along with the number of responses in each range in each category, allowed the construction of preliminary estimates of the average fraction of clientele in each category by summing across the rows. However, the sum of these preliminary percentages across categories in many instances did not equal 100%. In such cases, the percentages reported in the columns labeled "summary percentages" are the product of the preliminary estimates and the ratio of 100 to the sum of the preliminary estimates (This transformation was not done for the responses to Questions 4, 5, 7, and 19, since there is no assumption that the sum of the percentages equals 100. In those responses the sum of the percentages is reported beneath those for individual categories).

This procedure may be questioned since a firm's true percentages could be substantially different from the mid-point of the ranges (that is a possible reason why the preliminary estimates of average fractions don't necessarily sum to 100; for instance a respondent could conceivably have checked the 25% to 50% range for all four client types in question 3, which under the procedure used would result in a weighted sum of 150%). Moreover, the responses are not weighted by the number of the firm's clients—a firm with 20 clients will contribute as much to the results as a firm with 500 clients. Still, we believe that these results, both raw and transformed, likely present meaningful summaries of the views of the respondents.