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Who Are Moving In and Out of Wisconsin?*

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Executive Summary

- We use population migration data from IRS to describe the age and income compositions of taxpayers and their dependents moving in and out of Wisconsin in each year between 2012 and 2022.
- Wisconsin lost about 8000 individuals (taxpayers and their dependents) and over $400 million of income to other states in each year between 2012 and 2016.
- The net inflows of individuals were around zero in each year between 2017 and 2022, while the net inflows of income remained negative, because average income was higher among outflows than inflows.
- Different from 2012, when Wisconsin lost taxpayers of all ages and all income levels to other states, Wisconsin gained some middle-aged and older taxpayers as well as taxpayers with relatively high income (e.g., $100,000-$200,000) in 2022.

Migration could contribute significantly to a state's economic growth by providing a source of skilled labor, filling labor gaps in certain industries, boosting tax revenue through new residents, and stimulating innovation through the introduction of new ideas and perspectives; it can also help manage demographic challenges like an aging population by bringing in younger workers.

This article describes the age and income compositions of households and individuals moving in and out of Wisconsin in each year between 2012 and 2022. We use the population migration data from the U.S. Internal Revenue Service (IRS). The data are constructed from year-to-year address changes reported on individual income tax returns. Tax returns are matched for two consecutive calendar years based on the filer's taxpayer identification number. Information on interstate migration is obtained from matched returns where the state in one year is different from the state in another year. Relative to other measures of state-to-state migration, such as estimates based on household surveys (the American Community Survey) released by the U.S. Census Bureau, the administrative data from IRS provide more accurate information about tax filers and their dependents, especially about their income. The disadvantage of the IRS data is that individuals not reflected on any tax returns are excluded.

Figure 1 plots the number of individuals (tax filers and their dependents listed on the tax returns) moving in and out of Wisconsin in each year between 2012 and 2022, the last year when data are available. Except for a steep drop in 2015 and a sharp jump in 2017, both the number of inflows and the number of outflows have been around 90,000 annually. While inflows were smaller than outflows in each year between 2012 and 2016, the two flows have been roughly equal to each other since 2017.

Figure 2 plots net inflows of both individuals and income into Wisconsin. Measured by the difference between the two lines in figure 1, net inflows of individuals were around negative 8000 in each year between 2012 and 2016, and around 0 in each year between 2017 and 2022. Throughout this article, income is measured by the Adjusted Gross Income (AGI) reported on federal tax returns. The net inflow of income in each year is the difference between the total AGI of tax returns where the tax filers moved into Wisconsin in that year and the total AGI of tax returns where the tax filers moved out of Wisconsin in that year. Wisconsin lost income to other states in each of the ten years. The loss was over $400 million in each year between 2012 and 2016, dropped to less than $100 million in 2021, and was about $300 million in 2022.

Figure 3 plots the average annual income of tax filers (and their dependents) in Wisconsin. For each of the three groups (inflows, outflows, and all tax filers), average annual income is defined as the total AGI of all tax returns from that group to the total number of individuals (tax filers and their dependents) listed on those tax returns. Average income

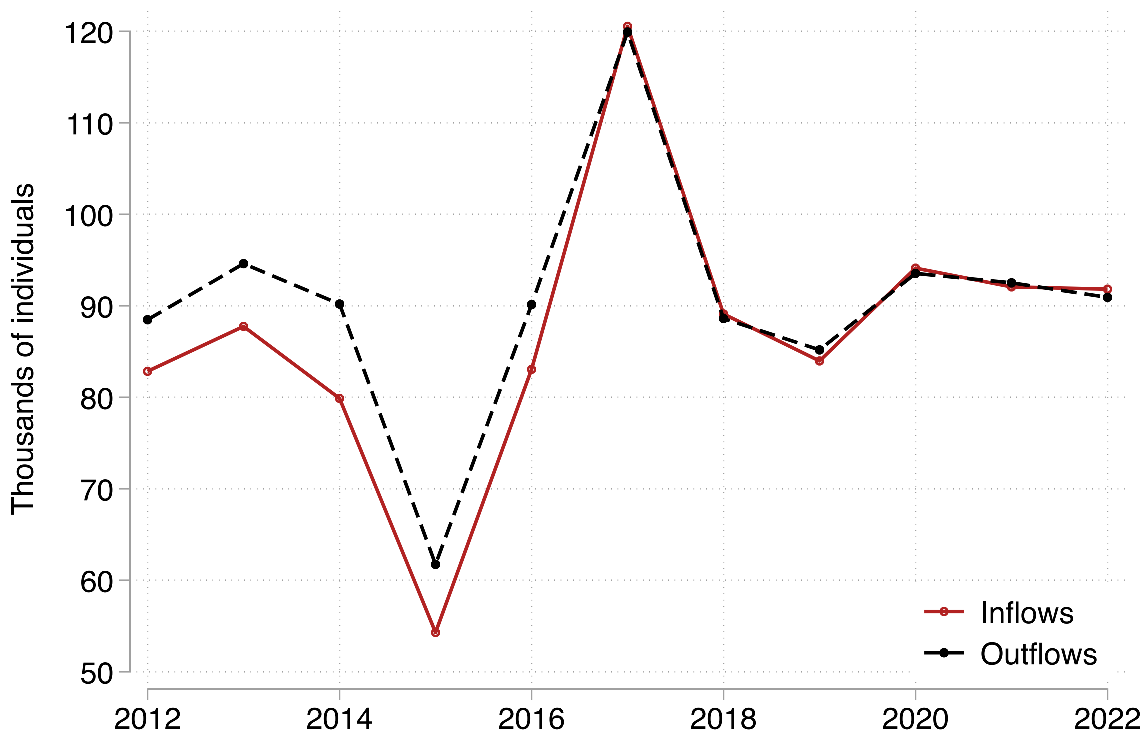

Figure 1: Number of Individuals Moving in and out of Wisconsin

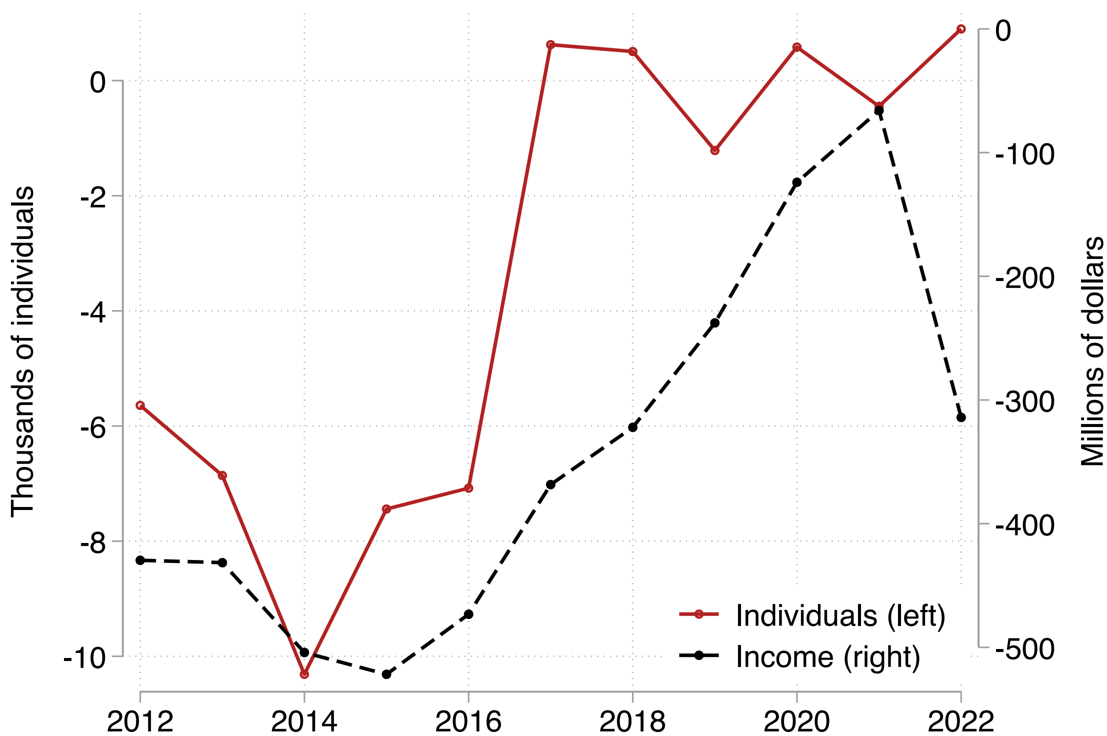

Figure 2: Net Inflows of Individuals and Income into Wisconsin

is higher among outflows than both inflows and all tax filers in each of the ten years. On the other hand, average income was lower among inflows than all tax filers before 2018 but higher since 2019. The difference in average income between inflows and outflows is one reason why Wisconsin lost significant amount of income to other states in each year between 2012 and 2016, and it also explains why the net inflows of income remained negative in 2017-22 even when net inflows of individuals were around zero.

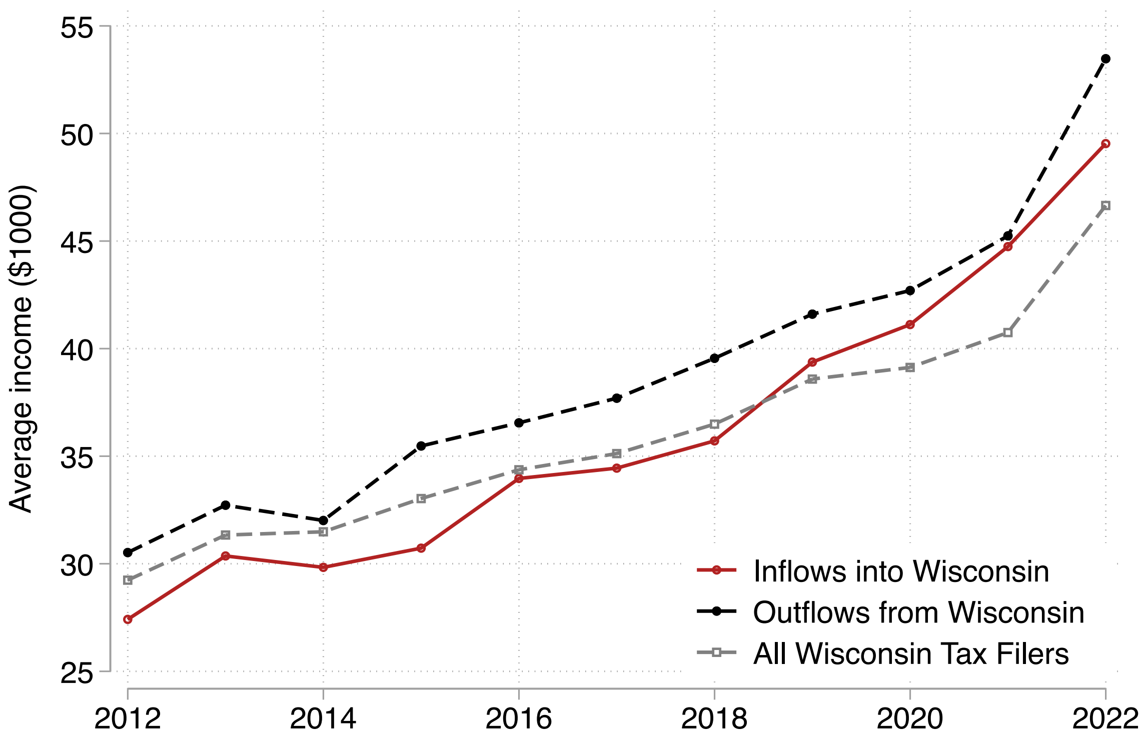

Figure 3: Average Annual Income of Tax Filers (and Their Dependents) in Wisconsin

Focusing on the number of tax returns, as opposed to the number of individuals listed on those returns, Table 1 reports the rate of inflows (tax returns where the filer moved into Wisconsin as a percentage of all tax returns in Wisconsin), the rate of outflows (tax returns where the filer moved out of Wisconsin as a percentage of all tax returns in Wisconsin), and the ratio of inflows to outflows.

The first row shows that, in 2012, inflows accounted for 1.94% of all tax returns in Wisconsin, outflows accounted for 2.13%, and the ratio of inflows to outflows was 0.91, i.e., there were 0.91 inflows for each outflow. In 2022, the rate of inflows rose to 2.22%, the rate of outflows rose to 2.26%, and the ratio rose to 0.98. The changes in these measures based on the number of returns are consistent with the corresponding changes in the number of individuals reported in figure 1.

The middle panel reports the same statistics by the age of the primary filer on each tax

Table 1: Inflows and Outflows of Wisconsin Tax Filers by Age and Income

	2012			2022		
	Inflows (%)	Outflows (%)	Ratio	Inflows (%)	Outflows (%)	Ratio
All	1.94	2.13	0.91	2.22	2.26	0.98
			Age of the Primary Filer			
25 or under	4.32	4.87	0.89	4.72	5.69	0.83
26 – 34	3.56	3.89	0.92	3.98	4.05	0.98
35 – 44	1.81	1.96	0.93	1.98	1.91	1.04
45 – 54	1.12	1.21	0.92	1.36	1.31	1.04
55 – 64	0.90	1.06	0.85	1.26	1.17	1.07
65 or above	1.10	1.15	0.96	1.28	1.13	1.14
			Income/AGI ($1000)			
10 or less	3.21	3.34	0.96	2.70	2.84	0.95
10 – 25	2.70	2.95	0.91	2.91	3.05	0.96
25 – 50	1.87	2.08	0.90	2.39	2.43	0.98
50 – 75	1.35	1.56	0.86	2.05	2.14	0.96
75 – 100	1.16	1.27	0.91	1.84	1.85	1.00
100 – 200	1.34	1.43	0.93	1.69	1.60	1.06
200 or more	1.99	2.37	0.84	2.32	2.32	1.00

return. In 2012, both the rate of inflows and the rate of outflows decreased from over 4% among those aged 25 or under to about 1% among those aged 55-64 before rising slightly to about 1.1% among those aged 65 or above. The ratio of inflows to outflows was less than 1 for all age groups, suggesting that Wisconsin lost taxpayers of all ages to other states in 2012. For most age groups, both the rate of inflows and the rate of outflows were higher in 2022 than 2012. Moreover, in 2022, the rate of inflows declined almost monotonically across the age groups, with only a very small rebounding for those aged 65 or above, and the rate of outflows declined monotonically across the age groups, with no rebounding at all for those aged 65 or above. Finally, in 2022, the ratio of inflows to outflows was above one for all but the two youngest groups, suggesting that Wisconsin lost young taxpayers to other states but gained some middle-aged and older taxpayers.

The bottom panel reports the same statistics by income of each tax return. In 2012, both the rate of inflows and the rate of outflows decreased from over 3% among those with $10,000 or less to about 1.2% among those with $75,000–$100,000, and then rose to about 1.4% among those with $100,000–$200,000 and about 2% among those with $200,000 or more. The ratio of inflows to outflows was less than 1 for all income groups, suggesting that Wisconsin lost taxpayers of all income levels to other states in 2012. For most income groups, both the rate of inflows and the rate of outflows were higher in 2022 than 2012. One notable exception is the group with the lowest income, where both the rate of inflows and the rate of outflows were lower in 2022 than 2012. Moreover, in 2022, the ratio of inflows to outflows was around or above one for some groups with relatively high income, suggesting that Wisconsin gained some taxpayers with relatively high income even though it lost more taxpayers with relatively low income.