



Still leaving Illinois

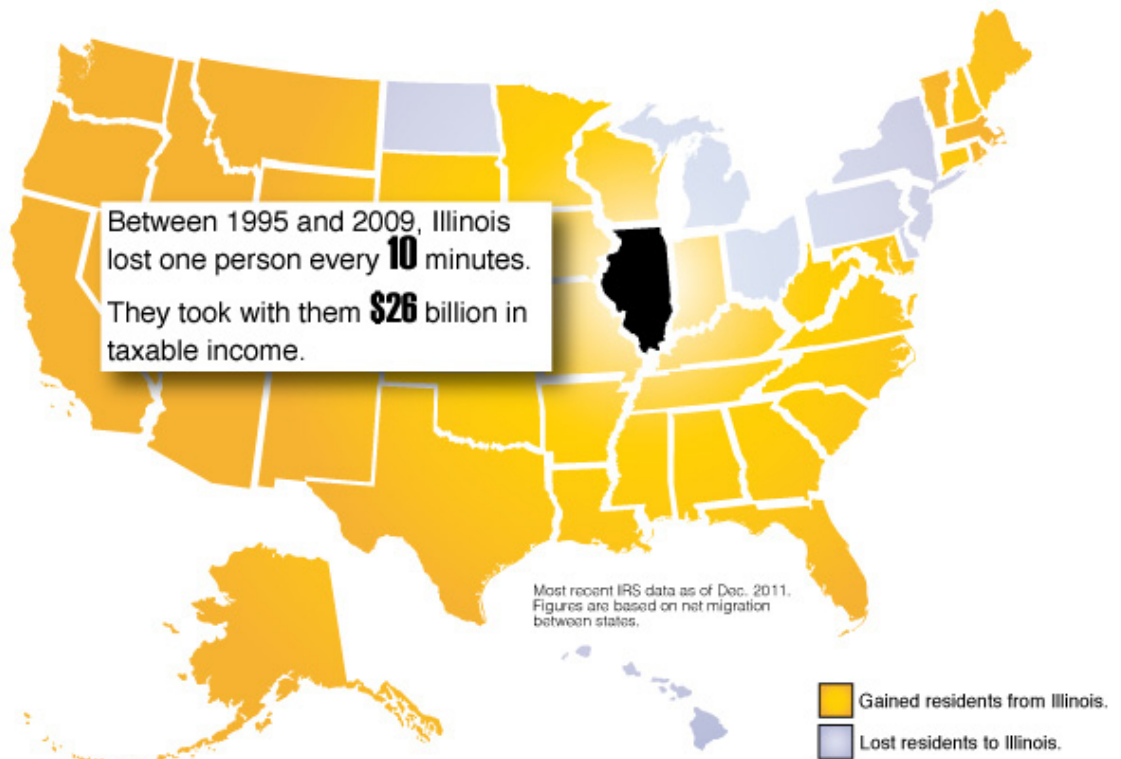
An exodus of people and money

Illinois once was a magnet for people in pursuit of the American Dream. People from across the country and around the world flocked to Chicago. Parents willingly took the risk of uprooting their families because they believed that Illinois offered better opportunities.

Times have changed. For more than a decade,

more people have moved out of Illinois than have moved in. Between 1995 and 2009, Illinois has lost people on a net basis to other states at a rate of 1 person every 10 minutes. In 2009 alone, Illinois lost more than 40,000 people to other states. In total, the most recent federal tax filings show that Illinois has netted a loss of residents to 42 states.¹

**GRAPHIC 1. NET OUT-MIGRATION FROM ILLINOIS
1995-2009**



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People are not just leaving Illinois for states with warmer climates or more scenic living; over the past decade, Illinois has lost thousands of residents to each of its neighbors: Indiana, Kentucky, Missouri, Iowa and Wisconsin.

What is driving people to leave Illinois? The answer can be found in Illinois' non-competitive public policies. Residents are leaving for states that, on average, have lower state and local taxes. In fact, the average state that Illinois residents move to has estate taxes that are 73 percent lower than taxes in the Land of Lincoln.² Residents are also leaving for states with significantly lower union membership and cheaper housing costs.

Public policies matter. Illinois' current trajectory of people migrating out of the state is unsustainable because when people leave they take their money with them. In 2009 alone, Illinois lost a net of \$1.5 billion in taxable income through out-migration. Illinois must reverse course immediately to retain its people and to become a future source of economic opportunity.

Background

A review of data from the U.S. Census Bureau will show that Illinois' population has grown over the past decade. For that, Illinois can be thankful to international immigrants and expanding families. However, a review of new data from the Internal Revenue Service, or IRS, points to a long trend of out-migration from Illinois.³ As explained below, people move for many reasons. But public policies are one of the things that significantly influence where people choose to live.

The IRS provides an annual snapshot of taxpayer migration through information collected from tax returns. There are several reasons why this data paints a rich picture of migration out of Illinois.

First, the IRS has access to actual tax returns, which serve as a good proxy for the number of households in a given state. Second, the agency also provides the number of exemptions per household, which provides a strong indicator of the number of people in a given household. Last, by examining taxable income – known as Adjusted Gross Income, or AGI – the IRS has access to household incomes reported across the nation. Reported household income is an indicator of how much money a state loses when people leave.

Residents flee Illinois

Illinois has the potential to regain its stature as a destination for economic opportunity. The state boasts rich natural resources and the headquarters of many of the world's leading companies. It is a major transportation hub in the country and has vast financial and technological industries.

To regain its position as the economic engine of the Midwest and potentially the nation, Illinois must reverse a decade of poor fiscal policies. Currently, Illinois' unemployment rate is 10.1 percent and the state is in the midst of a fiscal crisis. Poor public policies are a key driver chasing Illinois residents from the state. In 2009, Illinois netted a loss of 20,725 households to out-migration.

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GRAPHIC 2. ILLINOIS LOST 40,000 RESIDENTS IN 2009

	Households	People
In-migrants	88,260	155,553
Out-migrants	108,985	196,522
Total	-20,725	-40,969

The total number of out-migrants from Illinois is 196,522. As the state saw in-migration of 155,553, Illinois suffered a total net loss of 40,969 people. Imagine half of the city of Decatur disappearing in one year. That's what this number is like.

Losing residents isn't a new phenomenon in Illinois. In fact, the state has lost people to other states for more than a decade. Between 1995 and 2009, Illinois lost 366,616 households, representing 806,054 people, to other states.

In fact, Illinois has posted a net loss of residents every single year for the past 15 years. Graphic 3 shows the net loss of Illinois residents between 1995 and 2009.

Because Illinois' negative migration began before the current economic downturn, it's clear that people are not fleeing Illinois simply because of the poor economy. Instead, people have been responding to the failed public policies of the past 15 years. The data indicates that for more than a decade, residents have decided Illinois cannot offer the quality of life they seek.

GRAPHIC 3. ILLINOIS RESIDENTS HAVE FLED FOR PAST 15 YEARS

Year	In-migrants	Out-migrants	Net
1995	173,253	223,482	-50,229
1996	172,479	230,076	-57,597
1997	172,687	233,970	-61,283
1998	176,244	233,706	-57,462
1999	175,355	236,802	-61,447
2000	173,700	234,245	-60,545
2001	167,186	229,344	-62,158
2002	158,871	222,264	-63,393
2003	160,616	224,506	-63,890
2004	165,589	228,355	-62,766
2005	177,346	228,971	-51,625
2006	177,872	218,027	-40,155
2007	180,856	218,270	-37,414
2008	172,546	207,667	-35,121
2009	155,553	196,522	-40,969
Total	2,560,153	3,366,207	-806,054

Billions of taxable income has left Illinois

When people leave, they take their talent and their income with them. The IRS data revealed that in 2009, in-migrants had \$4 billion AGI, while out-migrants had \$5.5 billion AGI. As residents moved to other states, Illinois suffered a net loss of \$1.5 billion in taxable income.

From 1995 through 2009, Illinois lost \$26.3 billion in AGI (nominal dollars).

This loss of people and revenue hurts a state in fiscal crisis. It's not just people and their taxable income the state loses, but also their spending power and entrepreneurial activity. When people leave, they no longer pay taxes, invest in the economy, buy homes or start businesses.

Moreover, when citizens leave, Illinois doesn't just lose income for a single year; the state loses taxable income for all future years, as well. Compounding these figures over the past 15 years reveals that, due to out-migration, Illinois lost a cumulative \$215 billion in taxable net income.

GRAPHIC 4. ILLINOIS HAS LOST MORE THAN \$26 BILLION TO OUT-MIGRATION

Year	Income (AGI) gained by in-migration (in dollars)	Income (AGI) lost from out-migration (in dollars)	Net
1995	3,402,190	4,677,365	-1,275,175
1996	3,584,034	5,018,441	-1,434,407
1997	3,944,832	5,888,893	-1,944,061
1998	4,258,435	6,110,558	-1,852,123
1999	4,624,392	6,664,003	-2,039,611
2000	4,845,957	7,157,114	-2,311,157
2001	4,428,194	6,444,727	-2,016,533
2002	3,934,219	5,884,819	-1,950,600
2003	4,038,622	5,823,687	-1,785,065
2004	4,377,533	6,437,106	-2,059,573
2005	4,942,723	6,760,393	-1,817,670
2006	5,115,973	6,728,674	-1,612,701
2007	5,437,422	6,796,652	-1,359,230
2008	4,916,653	6,270,995	-1,354,342
2009	4,002,288	5,543,378	-1,541,378
Total	\$65,853,467	\$92,206,805	-\$26,353,626

When citizens leave, Illinois doesn't just lose income for a single year; the state loses taxable income for all future years, as well.

On net, Illinois lost residents to 43 different states and loses income to 46 states in 2009.

Where are people migrating to?

In 2009, households from Illinois fled in largest droves to Texas. Netting 3,539 households, Texas was the largest recipient state of Illinois out-migrants: Illinois lost a net of 7,615 people and more than \$188 million in income to the Lone Star State.

Two of Illinois’ neighbors were in the top five states in which Illinois residents relocated: Indiana and Wisconsin. The top ten states Illinois residents migrated to also includes neighboring states Missouri and Iowa. Illinois’ other neighbor, Kentucky, was in the top 15 states that Illinois residents migrated to.

On net, Illinois gained residents from eight states, but netted a loss of residents from 42 states.

Where is the money going?

Apart from losing thousands of people, Illinois has lost billions of dollars of taxable income. The top income out-migrant state is Florida. The Sunshine State received \$294 million in taxable income from Illinois in 2009 – a net average of \$127,942 per household!

On net, Illinois lost income to 45 states in 2009. This indicates that Illinois is not competing nationally. How does Illinois rank regionally? When comparing Illinois’ migration pattern to

its neighbors, the Land of Lincoln ranks at the bottom. Illinois is not only a net loser to all of its neighbors, but it loses to all neighboring states in every category – households, people and taxable income.

Graphic 6 shows that among the neighboring states – Indiana, Kentucky, Missouri, Iowa and Wisconsin – Illinois lost a net 5,949 households representing 12,467 people. Even more, this net out-migration reflects a loss of \$302 million in taxable income to neighboring states.

Failed public policies chase residents away

Illinois is hemorrhaging people and money. On net, Illinois lost residents to 43 different states and lost income to 46 states in 2009. The question is why.

The most common explanation people give for migration is weather. Many have argued that people migrate out of states in search of a better climate. Yet, this argument does little to explain why people leave Illinois for neighboring states such as Wisconsin, Iowa, Missouri, Kentucky and Indiana.

Instead, comparing various characteristics of Illinois against characteristics of destination states clarifies why residents are leaving. In economic terms, out-migrants express their

GRAPHIC 5. ILLINOIS NETTED A LOSS OF RESIDENTS TO 43 STATES IN 2009

State	People	Rank
Texas	-7,615	1
Indiana	-4,458	2
Florida	-4,133	3
California	-2,803	4
Wisconsin	-2,661	5
Missouri	-2,616	6
Arizona	-2,346	7
Iowa	-1,752	8
Colorado	-1,544	9
North Carolina	-1,470	10

GRAPHIC 6. ILLINOIS NETTED A LOSS OF \$302 MILLION TO BORDER STATES IN 2009

State	Households	People	Income (AGI) in dollars (in thousands)
Indiana	-1,759	-4,458	-120,551
Kentucky	-482	-980	-25,877
Missouri	-1,668	-2,616	-71,418
Iowa	-909	-1,752	-39,998
Wisconsin	-1,131	-2,661	-44,466
Total	-5,949	-12,467	-\$302,310

**GRAPHIC 7. PUBLIC POLICIES, OTHER ILLINOIS CHARACTERISTICS
DON'T STACK UP AGAINST COMPETITOR STATES**

Category	Illinois	Average migration state (using AGI)
State and local tax burdens	10.27%	10.13%
Income tax burdens	1.81%	1.65%
Estate tax burdens	0.06%	0.02%
Union membership participation	18%	10.03%
Population density	224.2 ppl/sq. mile	184.81 ppl/sq. mile
Housing costs	\$130,800	\$121,526
Average temperature	50 degrees	61.6 degrees

*Illinoisans
left for states
where estate
tax burdens
were lower.*

“revealed preferences” by moving to another state more in-line with their preferences and values.

The seven common variables used in migration studies include: state and local tax burdens, income tax burdens, estate tax burdens, union membership, population density, housing costs and average temperature. The Institute’s previous study – Leaving Illinois: An Exodus of People and Money – compared characteristics of Illinois in all of these categories with the states to which Illinoisans fled.⁴ The study used IRS data from 2007 to examine Illinoisans’ migrations patterns. The results are compiled below.

As shown in Graphic 7 and explained below, the average out-migration state had better conditions than Illinois across all the key variables measured.

State and local tax burdens: State and local tax burdens measure total state and local taxes collected as a percent of personal income, averaged over a 12-year time span ending in 2007. Illinois’ average tax burden was 10.27 percent. Households left for states where tax burdens were 1.03 percent lower, and people left for states where it was 1.08 percent lower. For AGI, tax burdens were 1.41 percent lower.

Overall, the most sensitive indicator to state and local tax burdens was AGI. This means

that people were acutely aware of moving their income to states where less of it would be taxed away. This means they can keep more money for them and their families.

Income tax burdens: Income tax burden measures total state and local income taxes collected as a percent of personal income, averaged over the 1995 to 2007 time-period. Illinois’ average income tax burden was 1.81 percent. Households left for states where income tax burdens were a 0.15 percent lower and for people it was 0.11 percent lower. Again, AGI was the most sensitive to this burden. For AGI, the total was 8.94 percent lower.

Estate tax burdens: Estate tax burdens measure estate taxes collected as a percent of personal income in 2009. Illinois’ average estate tax burden was 0.06 percent. Households left for states where estate tax burdens were a whopping 71.6 percent lower. For people, it was 65.03 percent lower. For AGI, it was 73.34 percent lower.

Union membership: Union membership measures the percent of the state’s employed labor force that are members of labor unions, as averaged over the 1995 to 2007 time period. Illinois’ average union membership was 18 percent. Households left for states where union membership was 41.89 percent lower, while for people it was 42.74 percent lower. For AGI, it was 44.28 percent lower.

Illinois lost taxpayers to each of its border states: Indiana, Wisconsin, Iowa, Missouri and Kentucky. Though policymakers can't change every variable, they can bring the state in line with the better public policies of surrounding states.

Population density: Population density measures total population divided by land area, and is averaged over the 1995 to 2007 time period. During this time, Illinois' population density was 224.2 people per square mile. Households left for states where the population density was 22.78 percent lower (173.2 people per square mile), while people left for states where it was 31.9 percent lower (152.7 people per square mile). For AGI, it was 17.57 percent lower (184.8 people per square mile). Overall, people were the most sensitive to population density.

Housing costs: Housing costs measure the median housing cost as reported by the U.S. Census Bureau. In 2000, Illinois' median housing cost was \$130,800. Households left for states where the housing cost was 9.1 percent lower (\$118,894). However, for people the cost of housing was 14.74 percent lower (\$111,518), and for AGI it was 7.09 percent lower (\$121,520). Again, people were the most sensitive to housing costs.

Average temperature: Average temperature measures the annual average of the daily mean temperature. Illinois' temperature by this measure was 50 degrees Fahrenheit. Households left for states where temperatures were 20.96 percent higher (60.4 degrees), while for people it was 19.54 percent higher (59.7 degrees). For AGI, it was 23.19 percent higher (61.5 degrees). For average temperature, AGI is the most sensitive.

Conclusion

In a country where states use public policies to compete for residents and money, Illinois is failing. Americans vote with their feet and they are voting against Illinois. They are leaving the state in droves and in return, the state is losing billions of dollars of taxable income. Overall, Illinois residents are fleeing and moving to places where they can have a higher standard of living. In other words, people actively pursue the American Dream.

Every family calculates where they can access the greatest opportunity and quality of life. Although residents leave a state for many reasons, Illinoisans may now fear that overspending will lead to over taxation. The recent series of tax increases causes the average family

of four to lose an additional \$1,500 to taxes. While some policymakers advocate for even more rate hikes, that action may simply force more families to leave the state.

The empirical data demonstrates that people are moving to states where taxes (especially estate taxes), union membership, population density and cost-of-housing are lower. The data shows that people and their income are leaving Illinois for states that fit most or all of these characteristics.

Notably, Illinois lost taxpayers to each of its border states: Indiana, Wisconsin, Iowa, Missouri and Kentucky. Though policymakers can't change every variable, they can bring the state in line with the better public policies of surrounding states. For starters, policymakers should reduce overall tax burdens.

Last, policymakers should pay close attention to policies instituted by Texas and Florida. These states could serve as models for reform because they are the leading places to which Illinois residents and their money flee.

With a double-digit unemployment rate, Illinois needs to do everything it can to bring the billions in taxable income back to the state. Reforming the policies that chase residents away could make Illinois a leading hub of in-migration and a desirable destination in which to live and do business.

GRAPHIC 8. NET ILLINOIS MIGRATION TO OTHER STATES AND D.C. SORTED BY PEOPLE 1995 - 2009

State	Household	People	Rank	AGI In dollars (in thousands)
Florida	-58,249	-114,533	1	-6,219,773
Indiana	-33,551	-100,790	2	-1,706,305
Wisconsin	-34,246	-88,799	3	-1,863,645
Texas	-32,734	-78,922	4	-1,981,037
Arizona	-38,543	-72,219	5	-2,465,049
Georgia	-17,526	-39,200	6	-1,020,750
California	-33,912	-34,581	7	-2,494,288
Missouri	-18,643	-32,166	8	-606,327
Tennessee	-14,505	-31,140	9	-844,229
Colorado	-18,082	-30,425	10	-1,322,615
Nevada	-14,626	-26,817	11	-924,020
North Carolina	-11,175	-23,175	12	-915,405
Minnesota	-6,265	-18,333	13	-408,812
Kentucky	-7,485	-16,810	14	-339,760
Arkansas	-6,347	-14,256	15	-313,019
Iowa	-2,847	-12,791	16	-43,438
Virginia	-6,799	-12,294	17	-335,699
Alabama	-4,924	-10,958	18	-247,477
Washington	-7,245	-10,526	19	-510,061
South Carolina	-5,214	-10,392	20	-478,588
Mississippi	-4,245	-8,973	21	-151,464
Oregon	-4,855	-7,734	22	-279,292
New Mexico	-3,188	-5,343	23	-129,268
Maryland	-2,309	-4,053	24	-168,388
Oklahoma	-1,435	-3,848	25	-71,221
Kansas	56	-2,701	26	-64,579
Montana	-1,174	-2,077	27	-99,732
District of Columbia	-1,781	-1,873	28	-81,494
Massachusetts	-568	-1,525	29	-149,646
New Hampshire	-303	-1,326	30	-50,144
Idaho	-624	-1,149	31	-72,015
Wyoming	-715	-1,122	32	-69,596
Utah	-852	-1,120	33	-98,285
Maine	-404	-1,103	34	-68,414
Nebraska	542	-1,094	35	-33,957
Connecticut	85	-803	36	-195,601
Louisiana	-349	-709	37	-3,261
South Dakota	-144	-702	38	-23,155
West Virginia	-176	-678	39	-9,244
Vermont	-190	-465	40	-60,446

State	Household	People	Rank	AGI In dollars (in thousands)
Alaska	-586	-259	41	-9,926
Rhode Island	31	-215	42	-22,432
Delaware	-2	372	43	9,284
Hawaii	-450	433	44	-34,187
North Dakota	552	1,091	45	20,150
Pennsylvania	2,781	1,201	46	-27,387
New York	-2,855	1,816	47	-115,416
New Jersey	998	1,925	48	69,476
Ohio	11,755	7,385	49	367,413
Michigan	16,707	7,722	50	308,890

Endnotes

1 Includes Washington, D.C.

2 J. Scott Moody, "Leaving Illinois: An Exodus of People and Money," Illinois Policy Institute, Tax and Budget Brief, January 12, 2011. <http://www.illinoispolicy.org/news/article.asp?ArticleSource=3736>

3 The IRS migration data is available at the state and county levels and can be found here: <http://www.irs.gov/taxstats/indtaxstats/article/,,id=96943,00.html>
The IRS data is free for the most current year, but historical data is accessible for a nominal fee.

4 J. Scott Moody, "Leaving Illinois: An Exodus of People and Money," Illinois Policy Institute, Tax and Budget Brief, January 12, 2011. <http://www.illinoispolicy.org/news/article.asp?ArticleSource=3736>

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