The Reaction of Californians in Affluent Communities to Proposition 30's Increase in State Income Tax Rates

by

W. Erik Bruvold and John Nienstedt

NATIONAL UNIVERSITY SYSTEM
INSTITUTE FOR POLICY RESEARCH

Key Findings

1) **When surveyed in March 2013, a substantial percentage of residents in California's most affluent communities were seriously considering (12%) or somewhat considering (13%) moving out of state as a response to recent increases in the state's income tax rates.**

2) **To reduce the incremental burden of the new income tax increases, 75% of individuals surveyed were planning on taking at least one of the following actions: -- increasing their level of philanthropic contributions, increasing their tax deductions, using more tax-free financial instruments such as municipal government bonds, and reducing their overall earnings.**

3) **Using multivariate analysis, consideration of moving out of state does not correlate significantly with whether people think that the state is on the right or wrong track, with ideology, with length of residency or with familiarity with the tax increases.**

4) **Instead, the strongest predictive variable for considering moving out of state is whether the respondent knows someone who made a similar move. This finding suggests that California could experience a snowball effect if the negative attitudes associated with the tax increase directly translates into even a relatively small number of out migrations.**

Background and Introduction

In November 2012, California voters passed Proposition 30 with a vote of 55% to 45%. This measure temporarily raises the state's sales tax by one-fourth of a cent and imposes new income tax burdens on single Californians earning more than $250,000 ($500,000 for joint filers). The state's nonpartisan Legislative Analyst's Office projects that the measure will raise $39.5 billion between its passage and the phasing out of the new tax rates at the end of 2018.[1] Upon the measure's passage, supporters proclaimed that the new revenues would help reverse a decade-long decrease in funding in certain state services. For example, California State University Chancellor Charles Reed said of Proposition 30's passage, "We are hopeful that the passage of Proposition 30 will be the beginning of the state's reinvestment in higher education."[2] Governor Jerry Brown went further, suggesting that the passage of Proposition 30 should be seen as the start of a national movement to tax wealthier citizens more in order to restore government services. "Those who have been blessed the most, who have disproportionately extracted, by whatever skill, more and more from the national wealth, they're going to have to share more of that," he said.[3]

Although other leaders offered similar praise, Californians have not been universally supportive of Proposition 30. During the first few months after its passage, a number of media reports suggested that some wealthy Californians found the taxes onerous and were taking steps to reduce their tax burden.[4] The most "nuclear" of these options would be for taxpayers to "exit" by relocating their primary residence from California to another state, thus avoiding most, if not all, of the income tax increase. Depending on the state, they could entirely reduce their state personal income tax burden. Indeed, hints to that effect by PGA golfer Phil Mickelson caused a minor media firestorm in January 2013.[5]

This research report explores the issue of exit. It analyzes the opinions of Californians residing in the state's wealthiest neighborhoods some four months after the proposition's passage and the extent to which they were contemplating exit as a viable option.[6]

We found that 25% of residents of California's wealthiest communities expressed either that they were "seriously considering" (12%) or "somewhat considering" (13%) moving out of state to reduce their tax burden. Our main finding is that that Californians were more likely to take such action if they had friends and/or family who had already moved out of state for the purpose of reducing their tax burden. This finding reinforces research that has stressed the impact of social networks and the perceived actions of others on interstate migration. [7] **We also found that contemplation of exit**

was more common among affluent residents and those who voted for Mitt Romney. However, wealthy Californians from all parts of the political spectrum were contemplating actions designed to reduce their tax burden.

Intent does not necessarily result in action. Previous research on this topic suggests that even after increases in marginal tax rates, migration responses are relatively rare. We conclude our research by exploring why our new findings are different and what may happen as affluent Californians start to feel the full bite of the new tax policies.

I. An Overview of Proposition 30

Proposition 30 appeared on the November 2012 ballot thanks to a successful signature drive organized and led by Governor Brown. A central part of the campaign was the message that California, as a result of both the economic downturn and past policy choices, faced a dire fiscal situation. Proponents warned that all the easy budget options had been exhausted and that failure to pass the measure could lead to significant cuts to a range of government programs. Most notably, supporters of Proposition 30 argued that failure to pass the measure would not only lead school districts throughout the state to furlough staff and to close for the summer up to three weeks early, it would also mean dramatic cuts to public safety budgets at both the state and local levels.[8] Proposition 30 prevailed in the November 2012 election despite facing a competing measure (Proposition 38)[9] and a reasonably well-financed "no" campaign.

Proposition 30 had two main elements. It raised the state's sales tax rate by one-fourth of a cent per dollar of taxable goods. This tax is effective from January 1, 2013, through December 31, 2016. For tax years 2012 through 2018, it also applied three new income tax brackets. For incomes between $250,000 and $300,000 ($500,000 to $600,000 for joint filers), it increased the marginal income tax rate from 9.3% to 10.3%. For incomes between $300,000 and $500,000 ($600,000 to $1 million for joint filers), it increased the rate from 9.3% to 11.3%. For incomes greater than $500,000 ($1 million for joint filers), it increased the rate from 9.3% to 12.3%. With the state already levying a 1% surcharge on incomes greater than $1 million, the effective marginal income tax rate on millionaires in California is 13.3%.[10]

Table 1 summarizes these tax increases. Table 2 summarizes the LAO's projections as to the revenue it expects Proposition 30 to raise from 2012 through 2018.[11]

Table 1. Current and Projected Personal Income Tax Rates Under Proposition 30

Single Filer's Taxable Income	Joint Filers' Taxable Income	Head of Household Filer's Taxable Income	Current Marginal Rate	Proposed Additional Marginal Tax Rate
$0–$7,316	$0–$14632	$0–$14,642	1.0%	-
7,316–17,346	14,632–34,692	14,642–34,692	2.0	-
17,346–27,377	34,692–54,754	34,692–44,721	4.0	-
27,377–38,004	54,754–76,008	44,721–55,348	6.0	-
38,004–48,029	76,008–96,058	55,348–65,376	8.0	-
48,029–250,000	96,058–500,000	65,376–340,000	9.3	-
250,000–300,000	500,000–600,000	340,000–408,000	9.3	1.0
300,000–500,000	600,000–1,000,000	408,000–680,000	9.3	2.0
Over 500,000	Over 1,000,000	Over 680,000	9.3	3.0

Table 2. Proposition 30 Revenue Estimates (in millions)

Fiscal Year	Personal Income Tax	Sales and Use Tax	Total
2011–12	$2,816	--	$2,816
2012–13	4,265	$607	4,872
2013–14	4,358	1,313	5,671
2014–15	4,697	1,401	6,098
2015–16	4,917	1,485	6,402
2016–17	5,173	804	5,977
2017–18	5,434	--	5,434
2018–19	2,216	--	2,216

II. Reactions to Proposition 30's Passage

Subsequent to the passage of Proposition 30, two themes emerged in news accounts. Many argued that Proposition 30's passage was instrumental to restoring California to some semblance of fiscal order and stability. Governor Brown said as much in his January 2013 State of the State address when he noted that the budget he would introduce later that week would represent a turning point after a nearly decade-long fiscal juggling act.[12]

The second theme was less positive, as news articles about the dissatisfaction of wealthier Californians began to appear.[13] Some news reports suggested a specific frustration with the changes enacted by Proposition 30 and the new tax burden it imposed. Others noted a more general dissatisfaction with economic and political conditions in the state, especially among business owners who seemed ready to vent to reporters about the difficulties they perceived in operating in California.

These reactions did not occur in a vacuum. Simultaneous with the passage of Proposition 30 in California was a national debate about the status of tax cuts enacted under George W. Bush. Set to expire on December 31, 2012, the so-called "Bush tax cuts" had significantly reduced the marginal tax rates on wealthier Americans. Without Congressional action, their expiration would cause taxes to rise for all Americans, with a particularly significant bite for those making more than $200,000. While news accounts are by no means definitive, the consensus in the media seemed to be that, at a minimum, federal income tax burdens were likely to rise for wealthier taxpayers. There was significant debate and uncertainty as to where lawmakers would draw the income line. Ultimately, Congress passed and President Obama signed a tax measure that increased marginal rates for tax filers with an adjusted gross income (AGI) greater than $400,000 ($450,000 for joint filers) and that reduced credits and exemptions for some single filers making $250,000 ($300,000 for joint filers).

Thus, high-income Californians are experiencing two increases in their income tax liabilities. As measured in the press, the reaction among some was decidedly negative. One Southern Californian said, "It never stops. Pay a little more this year. Pay a little more pay here. Pay another business tax here. There is no end. So we decided to end it, and left."[14] Real estate agents in communities bordering California reported an uptick in buyer interest with one Incline Village, Nevada, agent reporting that 14 out of his 27 closings since the election involved people moving from California.[15] HBO comedian Bill Maher in March said he was considering leaving the state because of high tax rates.[16] Bryan Goldberg, founder of the Bleacher Report sports news website, announced in late March that he would be moving from California to New York in response to Proposition 30's "retroactive" nature as the Proposition 30's new rates applied to income earned during all of calendar year 2012 and not just income earned subsequent to its passage.[17]

III. Measuring Opinions Among Affluent Californians

The California Budget Project (CBP), a nonpartisan, nonprofit organization seeking fiscal reforms to benefit low and moderate income Californians, estimated that the impact of the income tax increases would be almost exclusively concentrated on 5% of Californians, with the wealthiest 1% of the state's households bearing 78.8% of the incremental tax burden.[18]

The CBP's findings present public opinion researchers with some challenges. Because only 1% to 5% of Californians are affected by the tax increase, conducting a large-scale statewide survey to find such a tiny minority of affluent households would be prohibitively expensive.[19] Instead, we sampled from zip codes which have the highest proportion of wealthy taxpayers.

We started with zip-code level data provided by the Internal Revenue Service's Statistics of Income program. This dataset identifies the number of tax filers in each zip code with AGIs falling in particular income bands.[20] It also provides information about the average tax burden, tax deductions, and credits. The most recent data available were for the 2008 tax year. We sorted this data by the proportion of tax units in the zip code with AGIs over $200,000 (the highest income level the IRS disaggregates to) and selected the 28 with the highest percentage of such tax units as the basis for our sample (see table 3).

Zip codes are relatively large, typically encompassing both neighborhoods that are extremely wealthy and neighborhoods that are not. For example, the 92037 zip code in San Diego County contains both the very wealthy community of La Jolla as well as the student housing community of the University of California at San Diego. Therefore, we knew that not all respondents to our survey would be affluent or subject to the 2012 income tax increases. In addition, the IRS data was four years old. We knew our sample might miss some communities that have either recently attracted more high-income Californians or have lost wealthy residents. Most notably, we knew the methodology we used would not allow us to reach the upper-income Californians who reside in mixed- income zip codes (for example, those living in luxury condominiums in downtown San Diego or in mixed-income communities in San Francisco). These problems aside, using the IRS zip code data seemed to be the most efficient way of targeting the survey to reach Californians impacted by the income tax increase.

Table 3. Survey Sample: Zip codes with the Highest Proportion of Affluent Tax units

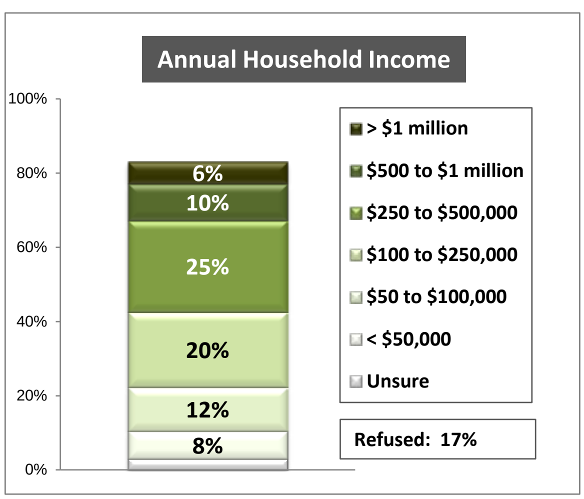
Zip	**Community**
90067	Century City
90071	Downtown Los Angeles
90077	Bel-Air
90081	Downtown Los Angeles
90210	Beverly Hills
90272	Malibu
90274	Palos Verdes
90402	Santa Monica
90411	Santa Monica
91011	La Cañada Flintridge
91108	San Marino
91436	Encina
92067	Rancho Santa Fe
92091	Rancho Santa Fe
92657	Newport
94022	Los Altos
94024	Los Altos
94027	Atherton
94028	Portola Valley
94301	Palo Alto
94506	Danville
94507	Alamo
94528	Diablo
94563	Orinda
94920	Tiberon
94957	Marin County
95030	Los Gatos
95070	Saratoga

We then purchased a telephone sample from Scientific Telephone Samples of Foothill Ranch, California. The sample contained telephone numbers both of households that rely on landlines and those that rely on cell phones largely within our target zip codes. From March 4 through March 6, 2013, professional interviewers trained and managed by Competitive Edge Research & Communication of San Diego conducted a telephone survey of 401 adults in these zip codes. A computer-assisted telephone interviewing system randomly dialed phone numbers. The survey had a cooperation rate of 46%, and 18% of those contacted were ineligible to participate, usually because it was determined that they resided outside of the designated zip codes. Due to noncooperation, the variability of random sampling, and/or a relative lack of sample in zip codes 90067, 90071, 90081, 90274, 90411, 91108, 91436, and 92657, no interviews were completed in these zip codes.[21]

Results

Figure 1 shows that 41% of the respondents lived in households where annual incomes exceeded a quarter million dollars in 2012, and 16% resided in households that earned more than $500,000. However, 20% of the respondents were either unsure of their income or refused to reveal it. When that information is excluded from the data, it is estimated that half the residents in these targeted zip codes had 2012 household incomes that exceeded $250,000, and 20% exceeded $500,000.

Figure 1. Total Household Income of Survey Respondents



Most respondents were between the ages of 35 and 54. Only 9% were younger than 35, while 23% were older than 65. These Californians tended to be longtime residents, with 92% having lived in California for a decade or longer. Half had children living with them at home. Their families were usually not large; only 12% of the households in these zip codes were home to three or more children. Fifty-three percent of the sample were women.

As Figure 2 shows, residents of Silicon Valley represent 40% of the sample. Fourteen percent are located in Los Altos proper and another 25% live elsewhere in the Silicon Valley. Contra Costa County is home to another 18% of these individuals. Beverly Hills and the Pacific Palisades-Santa Monica–Malibu corridor each account for 12% of the same. La Cañada Flintridge and Pasadena together contain 11% of the sample, while Marin County and Rancho Santa Fe made up 5% and 4%, respectively, of our sample.

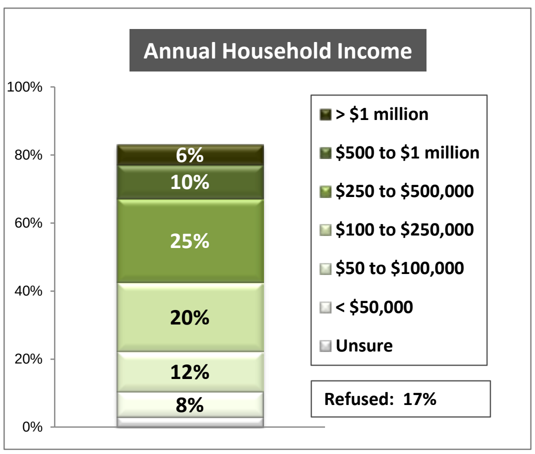
Figure 2. Survey Composition by Region

One-third of the surveyed population said they believe things are on the right track in California. Forty-seven percent said that things are now headed in the wrong direction, and 37% reported that they strongly believe things are headed in the wrong direction.

Most residents were at least somewhat familiar with the recent changes to California's state income tax rates. However, only 32% were very familiar and a mere 10% claimed to be extremely familiar with the changes.

Favorability toward both sales and income tax increases was the norm. Slight majorities said they favor the recent measures to boost tax rates. That said, we also found that one-third strongly opposed the income tax increase and 28% strongly opposed the sales tax increase. Thus, our findings indicate that the issue is fairly polarized in these high-income areas.

Slightly more than half these residents said they voted for Governor Jerry Brown over Meg Whitman in 2010. Similarly, 54% said they voted for President Barack Obama over Mitt Romney in 2012. Relatively few claimed to have not voted in either of those two elections. There is a distinctly liberal tilt to the sample. Forty-eight percent placed themselves on the left side of the ideological spectrum, with 12% describing themselves as very liberal. Only 39% reported being politically conservative.

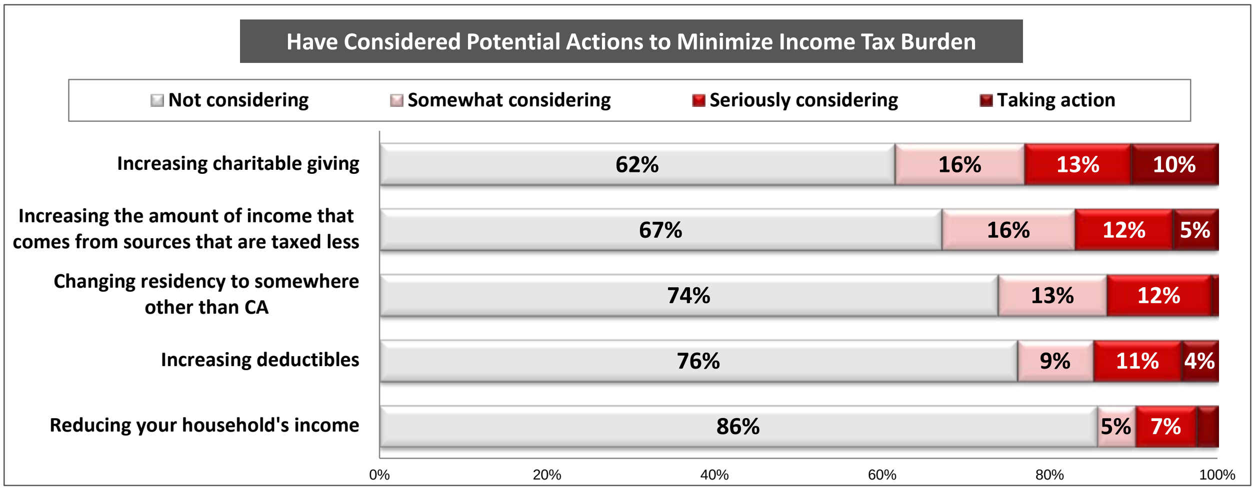


The survey's core question asked respondents the following:

> "Some people are considering taking a variety of actions to minimize their personal income tax burden. Others are not considering any actions. Please tell me whether you are considering or not considering the following, and just let me know if you are already taking that action."

The surveyors asked about possible responses in random order. Figure 3 shows the actions survey respondents said they were considering or had acted upon.

Figure 3. Survey Respondents' Actions to Minimize Their Income Tax Burden



The result that 13% of respondents were somewhat considering exiting the state and another 12% were seriously considering it is striking. Opinions do not necessarily translate into action. However, it is clear that many Californians in wealthy zip codes are considering vacating the state because of tax increases.

According to our multiple regression analysis,[22] residents who said they knew someone who has already moved out of state because of the tax increases are far more likely than others to strongly consider moving out. A shockingly high percentage—69%—of those who know a person who left the state are at least somewhat contemplating making the move. That compares to only 16% for those without friends or family who have left California because of taxes.

The social factor is much more important than any other factor, as Figure 4 shows. For example, Romney voters are more likely to consider moving out than Obama voters, but only 49% of them are actually considering it. The social factor is even more critical than income itself to the calculus of moving out of state. While those in households making more than $500,000 a year are more likely to consider moving out of state, the percentage among them is limited to 39%. In other words, even substantial numbers of moderate-income Californians are inclined to give up on the state when they see their friends leaving. The results of our statistical analysis can be found in Appendix B.

Figure 4. Survey Respondents Considering Moving Out of State

	Changing Residency to Somewhere Other Than CA			
	Not Considering	Somewhat Considering	Seriously Considering	Already Taking Action
Know Someone Who Moved				
Yes (21%)	**31**	**29**	**38**	**3**
No (79%)	**85**	**9**	**6**	**1**
Romney Voter				
Romney (35%)	**51**	**21**	**26**	**3**
No (65%)	**86**	**9**	**5**	**0**
Favor or Oppose Income Taxes				
Oppose, strongly (32%)	**46**	**23**	**28**	**3**
Oppose, somewhat (9%)	**75**	**11**	**14**	**0**
Unsure/Mixed (10%)	**67**	**21**	**13**	**0**
Favor, somewhat (16%)	**89**	**8**	**3**	**0**
Favor, strongly (33%)	**95**	**4**	**1**	**0**
Income over $500K				
Yes (19%)	**61**	**17**	**20**	**2**
No (81%)	**80**	**11**	**8**	**1**
Children				
None (49%)	**78**	**8**	**13**	**1**
1 (12%)	**55**	**31**	**14**	**0**
2 (27%)	**78**	**11**	**11**	**0**
3+ (12%)	**66**	**19**	**11**	**4**

Note: Rows may not sum to 100 due to rounding.

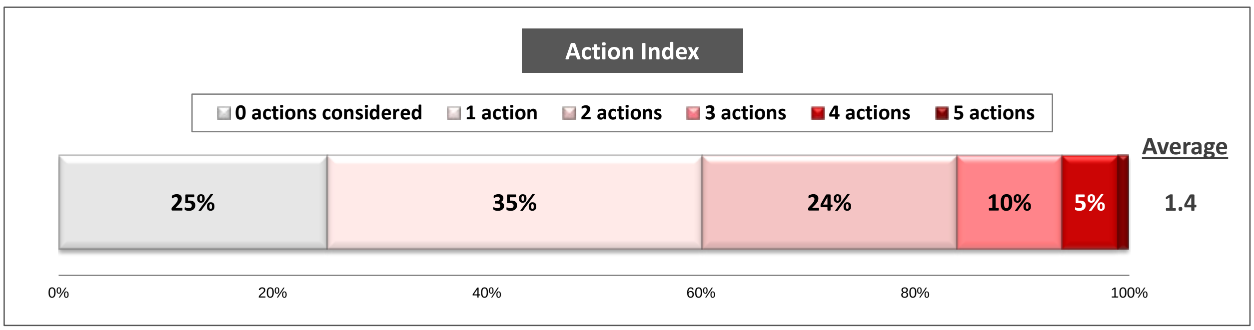
Other factors related to the contemplation of moving out of state because of taxes are whether the household has children and what respondents think of the income tax increases. Our regression analysis shows that the jump from having no children to having one child does not increase move consideration, but going from one to two does. As for opinions of the income tax increases, those who dislike them show a greater inclination to consider moving out of state. The analysis shows a significant increase in consideration when the response moves from “unsure” to “somewhat opposed” and then again when the jump is from “somewhat opposed” to “strongly opposed.” All other variables were not significantly predictive of consideration of moving out of state. These include length of residency, gender, ideology, the 2010 gubernatorial vote, familiarity with the tax revisions, opinions of the sales tax increase, whether respondents think the state is on the right or wrong track, age, and location within the state.

Even if taxpayers do not choose the nuclear option of moving out of state, the survey suggests that they are inclined to look for other ways of reducing the overall impact of the tax increase. We constructed an index comprised of the five actions residents can take:

- changing residency to somewhere other than California
- reducing household income
- increasing charitable giving
- increasing deductions, for example by increasing the amount of deductible mortgage interest
- increasing the amount of income that comes from sources that are taxed less, such as municipal bonds

This index begins at zero for respondents who are not considering any of the five alternatives. One quarter of the respondents fall into this category, meaning that the other 75% are considering taking action to lower their tax burden. Respondents were coded with a value of a 1 for every action they are considering or are taking. The theoretical maximum score on the index is therefore 5, which would indicate that the respondent is considering all five options. Only 0.5% fit this extreme profile. As Figure illustrates, most residents are focused on one or two actions (the average was 1.4).

Figure 5. Number of Actions Respondents Considered for Lowering Their Tax Burden



Again, the social factor is paramount in predicting a desire to take action. Those who know someone who moved out of state due to tax increases score far higher on the index than the other segments of the population that exceed the average. Having a social network that includes someone who left the state prompts residents to consider 2.1 tax avoidance options. The social network is a stronger factor than whether they voted for Mitt Romney (1.7), whether they are middle-aged conservatives (2.0), or whether they have children (1.6).

IV. Other Research on Migration and California's Affluent Taxpayers

Readers should note that this is a study about *opinions* and not a predictive study about *behavior*. The survey finds a significant level of dissatisfaction among residents in high-income areas, but we do not believe that 25% of adults in the affluent communities surveyed will ultimately act on these sentiments. However, even if half of those who are only seriously considering moving out of state (which would be 6%) actually do so, their departure will have a significant negative impact on state revenues.

Findings from previous research on this subject are mixed. Work in regional studies and economics have found that tax burden does have a small predictive value in explaining interstate migration.[23] Other research on the impact of tax increases on high-income earners has found limited impacts. In a widely cited paper, Charles Varner and Cristobal Young analyzed California tax returns from the period near the passage in 2005 of a 1% surcharge on incomes over $1 million.[24] By analyzing specific tax returns before and after the law's passage, and by determining whether or not the filer had left the state, Varner and Young were able to show that outmigration was not impacted by the increase in income tax burden. Indeed, they found that out- and in migration of individuals making more than $1 million is a fairly rare event. These people seemed to move no more often than the rest of the population. Indeed, Varner and Young found that most of the time, taxpayers do not have incomes over $1 million for a prolonged period; usually, their income spikes over that threshold for only a limited time. Instead, Varner and Young found that divorce and other life changes had a much greater impact on decisions to stay in or leave the state.

Reconciling Varner and Young's findings with ours is more suggestive than definitive. Some of what is going on is likely that individuals are much more likely to complain than to actually take action. Moving involves significant costs, and uncertainty is high. Complaining about taxes, in contrast, entails almost no cost. However, supporters of Proposition 30 might want to temper their excitement over Varner and Young's findings. The economic conditions in 2005 were very different than the conditions in 2012. State unemployment averaged 5.4% in 2005 and 10.5% in 2012. It may be that what Varner and Young observed in 2005–2006 was the rational response by wealthy taxpayers who remained in the state to reap incremental economic rewards far in excess of any additional tax burden imposed by the 1% surcharge on incomes greater than $1 million. In contrast, economic times are currently worse in California, at least as of this writing. While affluent individuals are less impacted by unemployment or declines in asset prices, it is still likely that an exit from California at this time imposes fewer opportunity costs than an exit during a time of robust economic expansion.

It is also true that while state income taxes were increasing in the time period that Varner and Young examined, federal income tax burdens had markedly decreased. It could be that for many of the taxpayers Varner and Young identified, their overall tax burden was flat or even falling. In contrast, during the current period, both state and federal income taxes on affluent Californians are rising simultaneously.

It is also noteworthy that in contrast to the 1% surcharge on incomes over $1 million enacted in 2005, the tax bite of Proposition 30 is both bigger (up to 2%) and deeper (reaching incomes as “low” as $250,000 for a single tax filer). It could be that the very affluent (as opposed to the extremely affluent) are different in how they respond. At the very least, researchers should be cautious about concluding that the behavior observed in 2005 will match that in 2013, because the populations impacted are different.

We also cannot dismiss the possibility that affluent Californians that live in these 28 wealthiest zip codes hold different opinions than wealthy Californians located in other zip codes. The 28 zip codes we sampled contain only 9% of California taxpayers with AGIs over $200,000. Given the social network phenomenon we observed, it could be that residents in these communities circulate negative stories about the state (and about moving out) more often than affluent people nested in more socioeconomically diverse neighborhoods. We do not have a way to test this hypothesis, but it would be consistent with some of the recent sociology findings on the impact of socioeconomic sorting on the formation of public opinion and preferences. However, the striking finding that a person’s income level is much less predictive of the desire to move out of state than other factors shows that the push to move out does not only come from the size of one’s paycheck.

V. Conclusion

One important conclusion from the research is that the actions of others and the knowledge of others moving out of state correlate to a greater propensity to consider relocation. This finding suggests that outmigration could snowball and grow exponentially in some communities. Multiple residents will learn of a single mover's decision, which will prompt them—*generally, regardless of their income*—to consider leaving as well.

We also found that income alone has much less to do with the decision to move than one may think and that dissatisfaction with the direction of the state in these high-income zip codes does not correlate strongly with the direct impact of Proposition 30's tax increases.

Finally, and perhaps most worrisome to the state, is the extent to which those aware of Proposition 30's impact are willing to consider a variety of actions to avoid the marginal increase in tax burden. It is a cautionary reminder that sometimes higher tax rates do not achieve projected revenues as taxpayers rationally respond with actions designed to reduce the taxman's bite.

Appendix A. Survey Instrument and Top Line Results, California Tax Burden Study

n = 401 residents in California's 28 highest-income zip codes

margin of sampling error +/- 4.9%

March 4–6, 2013

Weighted on area, age, and gender

Hello, my name is ________and we are conducting a survey among California residents for the National University System Institute for Policy Research. You have been selected at random for this academic study and your views will help researchers understand how decisions made by the state of California may impact its residents. All your answers will be kept completely confidential and we will only publish aggregate information. Let me begin by asking . . .

Q1. What was your age on your last birthday?

	%
18 to 24	4.0
25 to 34	4.8
35 to 44	16.9
45 to 54	37.9
55 to 64	13.3
65 to 74	10.0
75+	13.1

Q2. What is your zip code?

	%
Silicon Valley, excluding Los Altos	24.7
Contra Costa County	18.4
Los Altos	13.8
Beverly Hills area	11.6
Pacific Palisades/Santa Monica/Malibu	11.6
La Cañada Flintridge/Pasadena	10.7
Marin County	5.0
Rancho Santa Fe	4.2

Q3. And about how many years have you lived in California?

	%
Fewer than 6 years	3.6
6–10 years	4.5
11–20 years	14.6
21–30 years	17.0
31–40 years	15.4
41–50 years	19.9
51–60 years	11.8
More than 60 years	11.6

Unsure	0.6

Q4. Do you think things in the state of California are moving in the right direction, or have they gotten off on the wrong track?

	%
Right direction, strongly	11.9
Right direction, somewhat	23.3
Wrong track, somewhat	10.5
Wrong track, strongly	36.9
Mixed *(Not read)*	10.0
Unsure *(Not read)*	6.5
Refused *(Not read)*	1.0
Net Direction	*-12.2*

Q5. How familiar are you, if at all, with the recent changes to California's state income tax rates? Are you . . .

	%
Extremely familiar	9.6
Very familiar	22.4
Somewhat familiar	40.2
Not too familiar	12.4
Not familiar at all	14.5

Unsure *(Not read)*	0.9

In November of 2012 California voters passed a series of measures which raised taxes.

(Questions 6 and 7 were rotated.)

Q6. The state's income tax for individuals making more than $250,000 or households earning more than $500,000 was raised. Additional tax increases were made on households earning more than $1,000,000. The tax increases applied to income earned since January 1 of 2012. Do you favor or oppose these changes?

	%
Favor, strongly	32.9
Favor, somewhat	15.9
Oppose, somewhat	9.0
Oppose, strongly	32.5
Mixed/Favor one but oppose the other *(Not read)*	4.3
Unsure *(Not read)*	5.3

Q7. In addition, the state's sales tax was raised by one-quarter of a cent. Do you favor or oppose these changes?

	%
Favor, strongly	29.8
Favor, somewhat	25.5
Oppose, somewhat	8.2

Oppose, strongly	27.6
Mixed/Favor one but oppose the other *(Not read)*	5.5
Unsure *(Not read)*	3.4

Some people are considering taking a variety of actions to minimize their personal income tax burden. Others are not considering any actions. Please tell me whether you are considering or not considering the following, and just let me know if you are already taking that action.

(Questions 8–12 were randomized.)

	Seriously Considering %	Somewhat Considering %	Not Considering %	Taking Action %
Q8. Changing residency to somewhere other than California	12.4	13.0	73.8	0.9
Q9. Reducing your household's income	7.3	4.6	85.6	2.5
Q10. Increasing charitable giving	12.7	15.5	61.5	10.3
Q11. Increasing deductibles, for example by increasing the amount of mortgage interest you can deduct	10.5	9.1	76.1	4.4
Q12. Increasing the amount of income that comes from sources that are taxed less, such as municipal bonds	11.7	15.9	67.1	5.3

Q13. Have any of your family members or friends moved out of California due to the tax increases passed in 2012 or not?

	%
Family members have moved out due to tax increases	0.9
Friends have moved out due to tax increases	13.4
Both family and friends have moved out due to tax increases	6.0
None one has moved out due to tax increases	67.7
Friends or family have moved out, but not due to tax increases	9.2
Unsure *(Not read)*	2.8

Q14. In the 2010 election for governor did you vote for Jerry Brown or Meg Whitman?

	%
Jerry Brown	50.3
Meg Whitman	31.9
Did not vote *(Not read)*	11.8
Unsure/Don’t remember *(Not read)*	3.1
Refused *(Not read)*	2.9

Q15. In the 2012 election for president did you vote for Barack Obama or Mitt Romney?

	%
Barack Obama	53.5
Mitt Romney	34.7
Did not vote *(Not read)*	6.2

Unsure/Don't remember *(Not read)*	2.1
Refused *(Not read)*	3.6

Now I have some questions to ensure that we have a representative sample.

Q16. When it comes to politics do you consider yourself to be . . .

	%
Very liberal	12.3
Somewhat liberal	35.5
Somewhat conservative	30.2
Very conservative	8.8
Somewhere in between *(Not read)*	10.7
Unsure *(Not read)*	0.9
Refused *(Not read)*	1.7

Q17. How many children, if any, currently live at your home?

	%
None	48.5
1	12.3
2	27.0
3	9.0
More than 3	2.7
Refused *(Not read)*	0.4

Q18. And please consider all income sources for 2012 when answering this question. Please stop me when I reach your total household income.

	%
Less than $50,000	7.6
$50,000 to $100,000	11.9
$100,000 to $250,000	20.2
$250,000 to $500,000	24.7
$500,000 to $1 million	9.9
More than $1 million	5.9
Unsure *(Not read)*	2.9
Refused *(Not read)*	16.8

Thanks for your time, and your opinion counts. Goodbye.

Q19. GENDER (BY OBSERVATION)

	%
Male	47.5
Female	52.5

Appendix B. Ordinal regression Analysis: Key Predictors

Pseudo R-Square

Cox and Snell	.341
Nagelkerke	.441
McFadden	.281

Link function: Logit.

Parameter Estimates

		Estimate	Std. Error	Wald	df	Sig.	95% Confidence Interval	
							Lower Bound	Upper Bound
Threshold	Not consider moving	.016	.830	.000	1	.984	-1.611	1.643
	Consider somewhat	1.397	.830	2.833	1	.092	-.230	3.024
	Consider seriously	4.268	.948	20.249	1	.000	2.409	6.127
Location	Oppose income taxes strongly	1.688	.555	9.236	1	.002	.599	2.777
	Oppose somewhat	.525	.731	.516	1	.472	-.907	1.957
	Unsure	.813	.649	1.569	1	.210	-.459	2.086
	Support somewhat	.145	.701	.043	1	.836	-1.230	1.520
	Support strongly	0[a]	.	.	0	.	.	.
	Non-Romney voter	-1.084	.379	8.172	1	.004	-1.827	-.341
	Romney voter	0[a]	.	.	0	.	.	.
	No children in household	.477	.493	.934	1	.334	-.490	1.443
	1 child	1.408	.584	5.816	1	.016	.264	2.552
	2 children	.237	.556	.182	1	.670	-.853	1.328
	3+ children	0[a]	.	.	0	.	.	.
	Income < $500k	-.720	.356	4.092	1	.043	-1.419	-.022
	Income > $500k	0[a]	.	.	0	.	.	.
	Do not know someone who moved out of state	-1.950	.359	29.532	1	.000	-2.654	-1.247
	Know someone	0[a]	.	.	0	.	.	.

Link function: Logit.

a. This parameter is set to zero because it is redundant.

Endnotes

1. Legislative Analyst's Office, "Hearing Concerning Propositions 30, 31 and 38," September 24, 2012, 2.
2. Howard Blume and Carla Rivera, "Passage of Proposition 30 Hailed by Educators," *Los Angeles Times*, November 7, 2012.
3. "Gov. Brown Calls Prop. 30 Victory Start of a National Movement," *Los Angeles Times*, November 11, 2012.
4. William La Jeunesse, "California Residents, Businesses Consider Bailing on Golden State over Taxes," Fox News, January 23, 2013, accessed April 21, 2012, http://www.foxnews.com/politics/2013/01/23/california-residents-businesses-consider-bailing-on-golden-state-over-taxes/; Adam Nagourney, "Two-Tax Rise Tests Wealthy in California, " *New York Times*, February 6, 2013, accessed April 21, 2013, http://www.nytimes.com/2013/02/07/us/millionaires-consider-leaving-california-over-taxes.html?pagewanted=1&_r=0.
5 . Kathleen Pender, "Phil Mickelson Comments Spark Tax Debate," SFGate, January 23, 2013, http://www.sfgate.com/business/networth/article/Phil-Mickelson-comments-spark-tax-debate-4218862.php; Chris Dufresne, "Phil Mickelson apologizes again for comments on taxes," *Los Angeles Times*, January 23, 2013, http://articles.latimes.com/2013/jan/23/sports/la-sp-sn-phil-mickelson-taxes-20130123.
6 . For the idea of "exit" as a response to disliked policies, see Albert Hirschman, *Exit, Voice and Loyalty: Responses to Decline in Firms, Organizations, and States* (n.p.: President and Fellows of Harvard College, 1970).
7 . For a review of the literature, see Clara H. Mulder and Thomas J. Cooke, "Family Ties and Residential Locations," *Population, Space and Place*, vol. 15, no. 4 (2009).
8. Prop 30 Official Voter Information Guide, California Secretary of State website, accessed April 21, 2013, http://voterguide.sos.ca.gov/propositions/30/arguments-rebuttals.htm.
9. Proposition 38would have raised income taxes on more Californians and strengthened the guarantees that the new money would go toward schools.
10. Note that this does not include the current 1% surcharge on all incomes over $1 million, which goes to mental health services.
11. Tables 1 and 2 derived from the Legislative Analyst's Office, "Hearing Concerning Propositions 30, 31 and 38."
12. Governor Edmund G. Brown, Jr., "State of the State Address," January 24, 2013, http://gov.ca.gov/news.php?id=17906.
13. Ibid.
14. William La Jeunesse, "California Residents, Businesses Consider Bailing."
15. Mike Rosenberg, "Facing Record Taxes, Rich Californians Consider Moving to Cheaper Pastures," *San Jose Mercury News*, February 7, 2013.
16. Cheryl K. Chumley, "Bill Maher Threatens to Leave California — Due to High Taxes," *Washington Times*, March 18, 2013, accessed April 21, 2013, http://www.washingtontimes.com/news/2013/mar/18/bill-maher-threatens-leave-california-due-high-tax/.
17. Bryan Goldberg, "Because of Asset Seizures, I Am Starting My New Company Outside California," PandoDaily, March 25, 2013, accessed April 21, 2013, http://pandodaily.com/2013/03/25/because-of-asset-seizures-i-am-starting-my-new-company-outside-california/.
18. California Budget Project, "What Would Proposition 30 Mean for California?," Budget Brief, September 2012.
19. We would have expected, for example, to reach only four individuals with incomes greater than $533,000 in a random telephone survey of 400 Californians.
20. Internal Revenue Service, "SOI Tax Stats - Individual Income Tax Statistics - ZIP Code Data (SOI)," accessed April 23, 2013, http://www.irs.gov/uac/SOI-Tax-Stats-Individual-Income-Tax-Statistics-ZIP-Code-Data-(SOI).
21. See appendix A for complete survey details.

22. Ordinal regression analysis was performed using as the dependent variable the level of consideration one gives to moving out of state. The strongest predictor resulting from this iterative process is the social one.
23. Andrew Lai, Roger Cohen, and Charles Steindel, “The Effects of Marginal Tax Rates on Interstate Migration in the U.S.,” New Jersey Department of the Treasury, October 2011, http://www.state.nj.us/treasury/economics/documents/gsef/OCE-Migration-Study.pdf; William F. Fox, Henry W. Herzog Jr., and Alan M. Schlottman, “Metropolitan Fiscal Structure and Migration,” *Journal of Regional Science* vol. 29, no. 4, 523–536; David E. Clark and William J. Hunter, “The Impact of Economic Opportunity, Amenities, and Fiscal Factors of Age Specific Migration Rates,” *Journal of Regional Science*, vol. 32, no. 3 (1992): 349–365.
24. Charles Varner and Cristobal Young, “Millionaire Migration in California: The Impact of Top Tax Rates,” 2012, accessed April 23, 2013, http://www.stanford.edu/group/scspi/_media/working_papers/Varner-Young_Millionaire_Migration_in_CA.pdf.